

Financial services finds another gear



According to the Office for National Statistics, in 2019 the financial services sector contributed £132 billion to the UK economy, representing almost 7% of total economic output.

Having battled through the financial crisis during and post 2007-8, many in the sector could have been forgiven for thinking that they had had their 'once in a career' moment. However, financial services felt the impact of the pandemic just as much as other sectors.

An economy experiencing its worst recession in 300 years, one of the biggest stock market crashes in history and the looming spectre of significant numbers of business bankruptcies threatened to bring widespread disruption to retail and investment banking, wealth management, insurance and the pensions sectors. Add in the significant changes to working patterns and locations, ultra-cautious investors and consumers reigning in spending and there is little surprise regarding the negative sentiment industry insiders expressed in our

recent research. The City and the UK's other leading centres of finance braced for the worst. Yet despite the apparent negativity, the sector responded with the same pragmatism and resilience it has become known for. And it would appear that as we look forward there is cautious optimism in the finance sector. An economic recovery is being talked about, consumers have started to spend again and there is renewed confidence.

As part of a new research series **on the great opportunity debate** in collaboration with YouGov, the Capita Institute recently published its first quarterly report examining the impact of the pandemic over the last 12 months. We asked 350 senior decision-makers across financial services (specifically retail banking, investment banking, wealth and asset management and insurance), government and critical infrastructure sectors to share their views with us.





Able to adapt to disruption

Our research found that 66% of those working in financial services put the move to remote working in the top three biggest events that most impacted their organisations in 2020, alongside the economic impact of Covid-19 and needing to change operations and structures in response to Covid-19.

Overall sentiment regarding the disruption over the last 12 months was negative, with 68% in the sector reporting either an extremely or slightly negative effect on their organisation. And yet the sector adjusted with a speed and efficiency that few could have predicted. As Solange Chamberlain, Chief Operating Officer Commercial Bank at NatWest told the Capita Institute's **Tomorrow's Organisations podcast**: "We in banks were able to act fast, cut through the red tape and bureaucracy like never before and we now have the confidence about how well we can mobilise and respond." Despite the disruption, "the situation expedited modern working and operating practices that would have otherwise taken years," said another senior director.

But it's worth noting that this is not the first time in recent years that the sector has had to be agile and respond to disruption. The emergence of challenger banks such as Monzo and Starling post the 2007-

8 financial crisis led to many of the established banks rethinking how they operate and how to meet shifting customer expectations, particularly in terms of speed, convenience and access to services, and the breadth and relevance of products on offer.

Our research found that the pandemic was characterised by greater collaboration, more innovative thinking and faster decision making. In fact, 45% of the financial services sector respondents in our research reported that during this crisis their organisations made decisions faster than pre-pandemic. Could it be that financial institutions were actually more prepared or better equipped to respond to the latest disruption as a result of their experiences in 2007-8?

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Embracing digital innovation

Certainly many of the once 'traditional' institutions have recognised the need to evolve their legacy business and operating models to embrace customer shifts towards digital banking. Traditional banks have been **accelerating towards digital models** for years (one aspect that has been a selling point for many of the new breed of digital challengers), so they were more ready than other sectors for the rapid shift to remote/digital technology. Our research found that 29% of financial services organisations were now collaborating more with other organisations than was the case pre-pandemic, whilst 60% said they were collaborating in the same ways as before. And there was a near even split in the sector between those who said that they have been more open to creating and testing new ideas

since the beginning of the pandemic compared with prior to it (48%), and those who are maintaining the same approach as before (45%).

Ashok Vaswani, CEO of Consumer Banking and Payments at Barclays, shared on Capita's **Incremental to Exponential podcast** that Barclays is one example of a major high street bank that has been digitising and embracing innovation for years and has had to accelerate this shift during the pandemic but having that culture already in place made it more of an evolution, as opposed to a giant leap into the unknown. This shift allowed Barclays to embrace the agility and innovation of a start-up whilst leaning on the resilience the bank has needed to keep trading for nearly 330 years.





People still come first

But there should be a note of caution attached to a digital-only approach. As NatWest's Solange Chamberlain shared in a recent podcast: "For improving and simplifying our customers' experience, digitisation is key but the crisis has made it evident that people really value human support, to call up someone and speak to a human." So clearly, while a fully remote service suits many people, there are those who have needs that can only be met by live human interaction. Not to mention that some of us simply prefer it that way.

This points to the importance of not only thinking about the technology you use to serve your

customers and clients, but how you engage with them and apply soft skills. If change is happening fast, and won't be slowing down any time soon, then it's worth remembering that sometimes what people really need is patience, attention and time.

As we move slowly out of the pandemic, the Capita Institute will be reporting again in June on the next of the four great opportunity debate surveys we are carrying out during 2021. It will be fascinating to see how the mood has changed among senior decision makers as we continue our journey to building back better.

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