



RESET⁴VALUE SERIES

POWER UP YOUR CULTURE & CAPABILITIES

The core of performance transformation

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**Transformation is all
about people — your clients,
employees, and culture.**



RESET4VALUE BEGINS HERE

Capabilities are the building blocks of firms, the foundation of value that businesses provide to their clients or customers. However, financial services leaders are often tempted to overinvest in their highest revenue generating capabilities — even if those areas do not truly differentiate the company. Here, we share how leaders can leverage their firm’s “culture strengths,” enhance the capabilities that matter most, and unlock scarce investment dollars to fund them appropriately.

This paper is part of our [Reset4Value series](#), our approach to help leaders find sustainable ways to transform cost and ignite growth. Our previous insights focused on what [customers value most](#). With this third edition, we continue to expand on value creation, and turn the next set of gears in your transformation journey — optimizing the right capabilities.

By leveraging Reset4Value, firms can identify core capabilities that have financial benefits in the near term, and deliver a sustainable transformation to increase growth ambitions and drive new value creation.

FOUR ACTS OF UNCONVENTIONAL LEADERSHIP

Using our Reset4Value approach, leaders can pick their spots for quick wins, reallocate resources to the highest priority areas, and accelerate self-funding to monetize new capabilities.

1

Re-envision how you create client value

Anchor on the client

2

Segment capabilities based on value creation

Focus on making hard trade-off decisions

3

Link your cost, growth, investment agendas

Leverage culture strengths

4

Change how the work gets done

Restructure the operating model

PEOPLE

ARE AT THE CORE OF TRANSFORMATION

How can organizations best align their people, processes, technology, and investments to enhance client value?

What do your clients value most?

What expertise does your talent bring to the firm's DNA?

What are your core capabilities?

What behaviors should be embraced to reinforce transformation?



NOW IS THE OPPORTUNE TIME TO TRANSFORM

Leaders may have decided to look at their culture and capabilities for different reasons (examples listed below) — each of which comes with its own unique considerations. The corporate life events we lay out are not a one-size fits all approach. These may cause firms to pause, reevaluate, and reassess what's important for today and the future.

Strategic portfolio realignment

“ We need new capabilities and greater investments as we expand into new markets or change our product offerings.

Mergers, acquisitions and divestitures

“ It's the optimal time for synergy, integration or separation.

Reduce complexity

“ We've decided to simplify our business structure and organizational construct to improve effectiveness.

Fund new growth

“ We need to free up resources in our portfolio to fund innovation.

Illustrative Case Study

DRIVING SUSTAINABLE GROWTH

Background/Challenge

One of the largest providers of insurance, lending, and marketing products to financial institutions had a desire to create a foundation for the next wave of anticipated growth, but the organization faced some inhibiting challenges around the cost structure including expense growth outpacing revenues, high cost-to-serve, and competitive performance gaps.

Actions

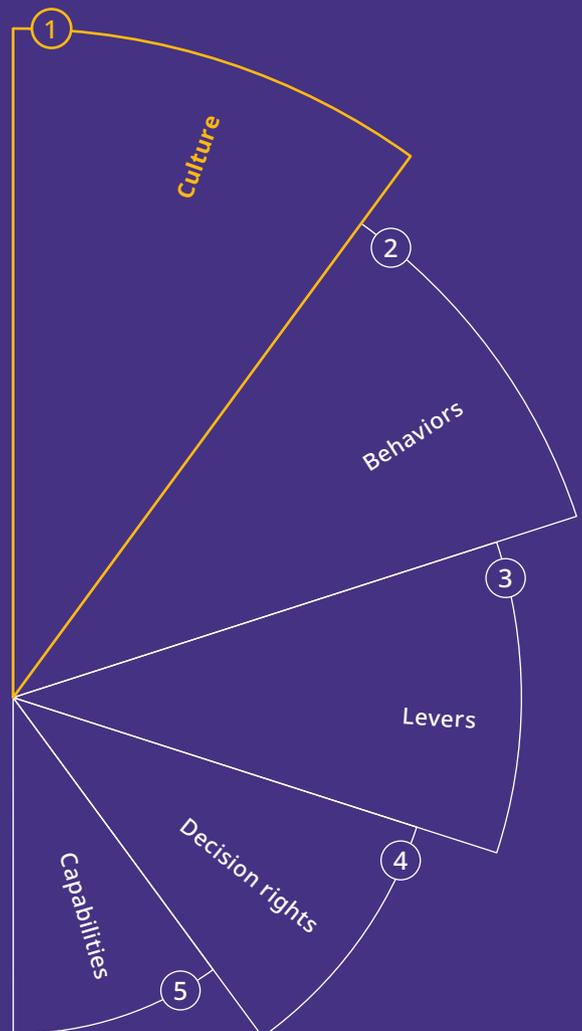
- Leveraged strengths in existing culture** to be compelling and sustainable. The client launched a culture-led transformation and leveraged strengths in their existing culture (e.g., “Client-first,” “Entrepreneurial”) that made employees proud and enabled future state changes.
- Focused on three critical behaviors** (“Plan,” “Prioritize,” “Communicate”) to support the transformation and accelerate achieving results.
- Drove commitment** by pulling both formal (e.g., organizational structure) and informal levers (e.g., leadership action plans for key leaders to exhibit desired critical behaviors).
- Established a decision rights framework** to act as a “central nervous system” to navigate across a new operating model and a new organization structure.
- Identified opportunities** to redesign and digitize the operating model and committed to several key enabling capabilities (e.g., contact center, tailored client coverage, digital-first processing).

The Results

The firm was well positioned to deliver on cost reductions and revenue growth objectives — a true success.

Firm was able to realize ALL of the identified 10% recurring revenue uplift and majority of the total identified ~15% reduction to OpEx within the first 2 years.

To Reset4Value and create sustainable growth, you must begin with your firm’s culture from the CEO to frontline employee.



CAPABILITIES

WHAT TRULY DIFFERENTIATES YOUR FIRM

CAPABILITIES DELIVER CLIENT VALUE

Firms need to think in terms of capabilities. Yes, companies can simply take cost cutting measures; however, when leaders directly connect capabilities to value this allows firms to invest in what matters most and ultimately drive growth.

A capability answers the questions: *“What does my business do best to deliver client value?”* and *“Are our products and services addressing the most urgent needs of my clients?”* Once leaders have identified the most important [customer purchasing criteria](#), the next step is to segment capabilities based on value creation.

Investing in just a few differentiating capabilities requires conviction and discipline. This requires an honest inventory of what the firm is great at (rather than what the firm aspires to be great at) that is part of the firm’s unique DNA. Most organizations can’t simply buy or hire these core capabilities. For example, a leading online retailer has been very successful and has sustained a competitive advantage by committing to a few core capabilities. These core capabilities continue to reinforce or strengthen one another across a diversified set of shopping, entertainment, hardware, and software markets. And these capabilities are also monetized at scale to provide additional revenue streams for businesses.

Infrastructure and logistics



Our customers value speed, whether it be 2-day shipping or real-time data processing — so we focus on having the best warehouse logistics, cargo shipping, and flexible server capacity.

Practical adoption of latest technology



Our in-store camera technology provides customers with a seamless checkout experience. And the introduction of drones within our warehouses has automated processes and increased efficiencies.

User-friendly interface design



Our shopping app algorithms sort through millions of available products to bring forward the few products that are most relevant.

CULTURE

IS HOW THE WORK GETS DONE

Many transformations take on a business-led view. However, culture-led transformations are much more sustainable and are driven by evolving an organization's behaviors. Leaders can spend resources on the most innovative, expensive technology, but if they do not retool their workforce or change how the work is performed, they will be challenged to sustain the returns originally envisioned.

We like to think of firm culture as a self-sustaining pattern of behavior that determines: *"How the work is performed within the firm."* This is built on core traits such as consensus-based decision making, loyalty, and adopting a [CustomerFirst mindset](#). A firm's core traits are specific to their organization and their differentiation. The positive effects as well as the negatives or challenges to mitigate may depend on the firm's unique culture and common behaviors. For example, with consensus-based decision making, decisions may be thoroughly vetted and include different points of view, however this can also slow down decision making or diffuse accountability.

PUT FIRM CULTURE TO WORK

To successfully transform, organizations should review their existing established traits and define a set of behaviors to enhance the positives and mitigate the negatives — putting their culture to work and enhancing the value they provide to clients. The first step is to determine what truly differentiates your firm.

In our experience, every firm has core traits that define their culture — they need to embrace these behaviors to change how work gets done.

ACT NOW

FIRMS NEED TO VIEW COSTS AS INVESTMENTS

ALIGN COSTS TO CUSTOMER VALUE

Leadership teams often get trapped on a treadmill, chasing multiple opportunities and investment initiatives without a clear “right to win.” It can be challenging for firms to make tradeoff decisions and most organizations fall short, especially for legacy businesses that are still driving the bulk of revenues but are providing less growth.

We believe using a [Four Zone approach](#)¹ (that considers today and tomorrow) makes this more than just a prioritization exercise. By deliberately segmenting businesses and capabilities into value creation zones firms can:

- Force discussions on which capabilities drive growth the most
- Consider how every function, front-to-back, ties to each capability, and based on this, helps decide where to invest less AND more
- Effectively communicate how freed-up capacity can improve quality and speed

With a clear understanding of the required capabilities, leaders can use a more surgical approach to answer the two most important questions.

①

How can I “**Fund the Future,**” for example, realign costs with the future directions we want to take or pursue growth bets we want to make?

②

How should we **restructure the operating model** within our business units and functions to best align with our firm’s priorities?

¹ Oliver Wyman collaborated with Geoffrey A. Moore, author of *Zone to Win* to develop the Four Zone model.

POWER

YOUR BUSINESS FOR SUSTAINABLE GROWTH

LINK YOUR COST, GROWTH, AND INVESTMENT AGENDAS

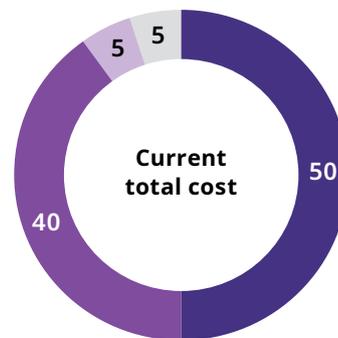
The third act of our Reset4Value approach links a firm's cost, growth and investment agendas. Most cost-cutting efforts fall into the trap of labelling costs as 'bad' and decoupling capabilities from growth; for example, companies starve their key capabilities, while overinvesting in others. We believe leaders need to have a clear understanding of their differentiated capabilities, and use a surgical approach to trim non-differentiating capabilities. This will allow leaders to sustain today's performance margins while proactively managing reinvestment to enable growth.

Our graphic to the right provides a visual illustration on reconfiguring cost within your portfolio to invest more in what powers future growth. While many firms today spend costs on capabilities that do not reinforce customer value, our Four Zone model² helps businesses radically reallocate costs to capabilities. This approach protects capabilities and expenses that drive growth in the "Performance zone" (business-enhancing capabilities), while aggressively attacking costs in the "Efficiency zone" (undifferentiated capabilities that do not add value).

Typical approach VS. powering your business for sustainable growth

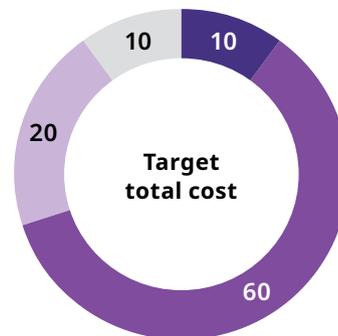
Over-indexed on "Core" costs

Limited bandwidth for performance or innovation



Primed for long-term value creation

Reallocated to improve business performance and scale disruption quickly



² Oliver Wyman collaborated with Geoffrey A. Moore, author of *Zone to Win* to develop the Four Zone model.

RESTRUCTURE

THE OPERATING MODEL

Today, organizations have an arsenal of levers within the operating model ecosystem that can improve efficiency, reduce costs, and unlock investment dollars. However, it's not enough to make this a one-time effort or to only reduce the largest expenses of the business. Leaders need to incorporate a culture-led transformation and change how the work gets done. This requires the right operating model choices to support the capability.

OPERATING MODEL ECOSYSTEM (OPEC)



GET STARTED

Performing the “**Four Acts of Unconventional Leadership**” in a cohesive, self-reinforcing whole drives the organization to Reset4Value. This is key to fusing your cost transformation efforts together. Many times, leaders may re-envision customer value and segment their costs, but do not take further steps to link their cost, growth and investment agendas or ultimately change the organization’s behaviors. Our upcoming paper will take a deep dive into the final act and key ingredient to a successful cost transformation — business culture and organizational behaviors. Engaging the team within your organization to adopt new behaviors and work toward a collective vision is a critical piece for any firm’s success.

At Oliver Wyman, we have worked with multiple CEOs and their leadership teams to make the right types of decisions and poise their business for accelerated growth. Our Reset4Value playbook offers a fast, structured approach to bring large opportunities into plain sight and allow a true view of your firm’s differentiation. The time to get started is now.

**Power your business
for sustainable growth.**

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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