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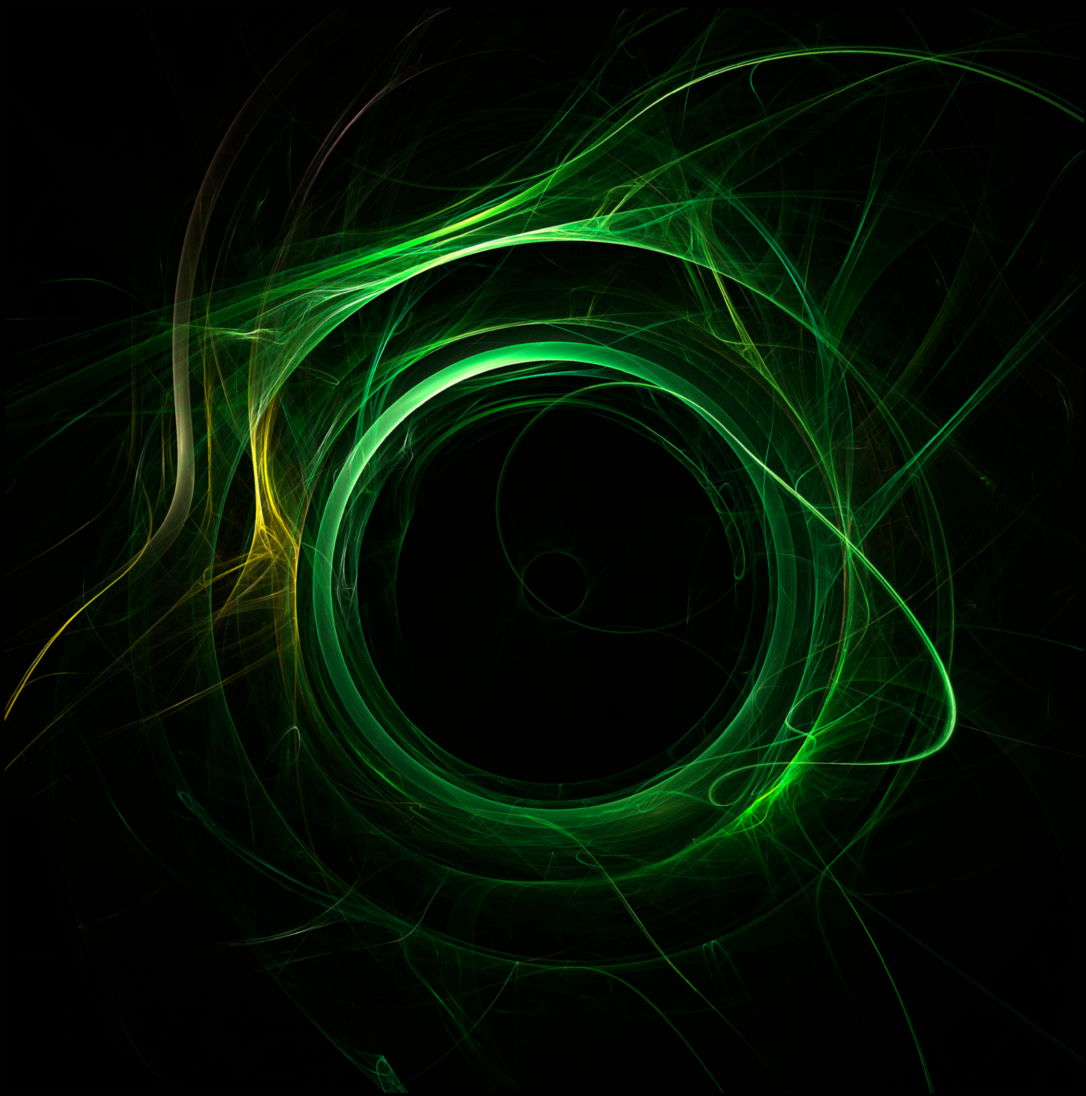

Are you locked into the wrong assets?

A turning point for the Financial Services organisations to rethink their Operating Models

May 2023

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A new paradigm

The changing contours of the financial services industry have compelled leading financial institutions in the Asia Pacific region (APAC) to rethink their operating models for agility, speed and efficiency. The ability to respond quickly and more easily than competitors is critical with today's evolving customer expectations, increased regulatory demands, and accelerated technology innovation.

Since the late 1990s, banks and insurance companies have witnessed a steady increase in new challengers that are testing the status quo. Although these challengers have not yet achieved similar levels of profitability as their more established competitors, they have brought about paradigm shifts in the way financial services companies engage with customers, operate their businesses, and manage their employees. New entrant banks and insurance companies, which we will call 'challengers' throughout the report, are relatively small companies competing with more established larger 'incumbents' by having embraced agility, speed and efficiency through modern architectures, flexible workforces, and digital first workplaces.

The changes precipitated by digitisation, and further accelerated by the COVID-19 pandemic, have had widespread ramifications for financial service companies. While the traditional operating models are being challenged, the current environment is also prompting opportunities that banks and insurance companies can optimally leverage to create an enduring competitive advantage.

New technology innovation, agile working norms, and empty office buildings are begging incumbents to ask fundamental questions about their operating model including:

- What are the key differences in challenger operating models?
- How have incumbents responded to date?
- What can incumbents learn from the challengers?
- What can be done and how to evolve the operating model?

Asset light is not new. It has been used in heavy industries, such as energy and mining, to describe strategies and models that use outsourcing and other lean approaches to reduce capital invested in assets. In this report, we compare top incumbents and challengers to identify key differences in how they perform their work through technology and process, how they organise their workforce, and how they use their workplaces.

Deloitte performed qualitative and financial analysis on top incumbents and challengers, and conducted an in-depth survey with 250 financial services senior executives across five financial centres in APAC - Hong Kong SAR (24%), Singapore (24%), Mumbai (20%), Sydney (20%), and Tokyo (12%). The survey focused on work, workforce, and workplace elements of the operating model to better understand the current and future state operating model choices of banks and insurers.

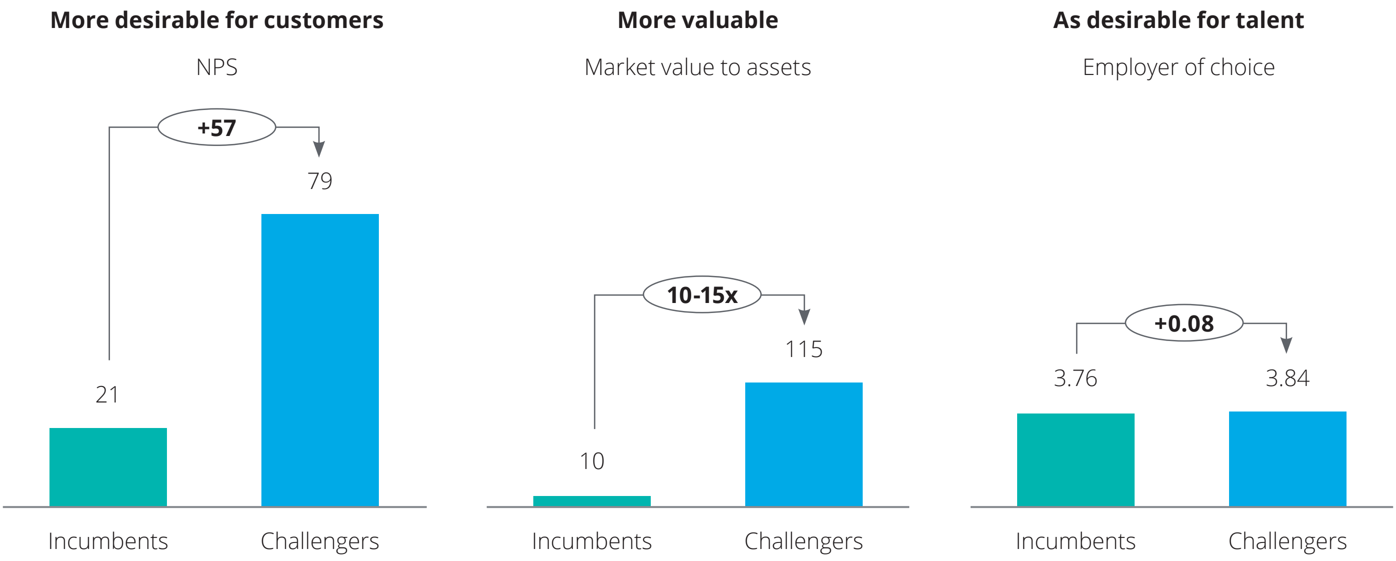
Work, workforce, and workplace assets that were deemed as strategic or critical in the past have lost their value and new assets have emerged as a source of competitive advantage. The future is asset light, and there is an urgent need for organisations to chart a pathway to optimally harness an asset light operating model.

Casting a unique shadow

New challenger banks and insurance companies have embraced new approaches and models that are challenging the industry. They are being recognised by customers, employees, and investors as well as the incumbent organisations that are being disrupted. Higher Net Promoter Score (NPS) scores and, notwithstanding the current market landscape, higher valuations that peaked in 2021 are some of the metrics on which new challengers are scoring ahead of incumbents whilst employee desirability is at least as good as incumbent organisations.

In our opinion, one of the key competitive advantages of the new challengers stems from their adoption of asset light approaches and models vis-à-vis the less agile and flexible technology, workforces, and workplaces of many traditional banks and insurance companies. This is helping them focus on customer desirability in addition to shoring up valuation ratios and being as desirable as employers of choice.

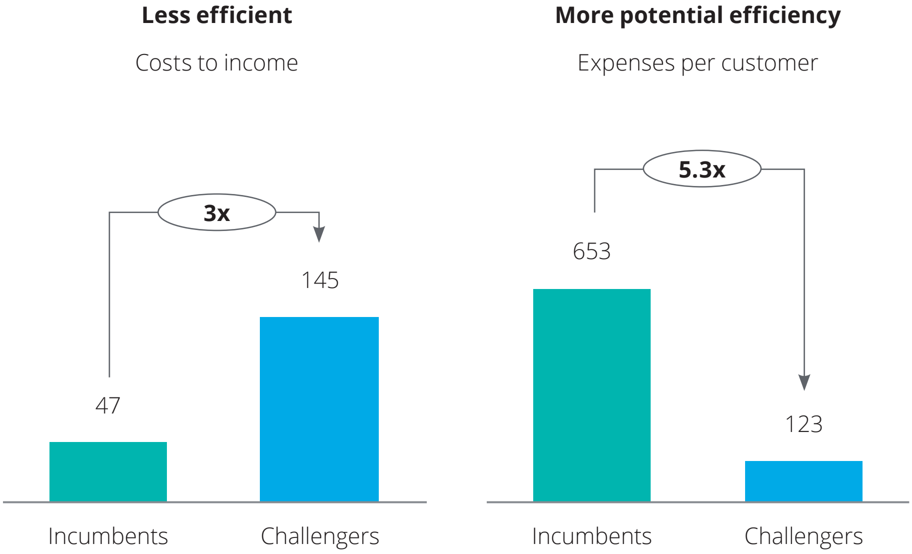
Figure 1: Challengers creating a definitive competitive advantage – analysis of 12 APAC incumbent banks vs. 8 global challenger banks



Source: Companies' websites, annual reports, stock market valuations (Yahoo Finance), Glassdoor employer ratings.

However, as evidenced by worse cost-to-income ratios, many of these challenger banks are not yet profitable, because they have not yet reached the same level of scale and customer book maturity as incumbents. But parallels from other industries suggest that it may be just a matter of time for challengers to scale their operations and achieve profitability. In banking, for example, there are similar characteristics to other industry challengers such as more scalable and automated platforms, lower marginal cost to serve new customers, higher customer satisfaction and repeatable businesses, and competitive or better market offerings. When we look at the same measure but by customer, it suggests greater potential because of the lower marginal cost to serve new customers.

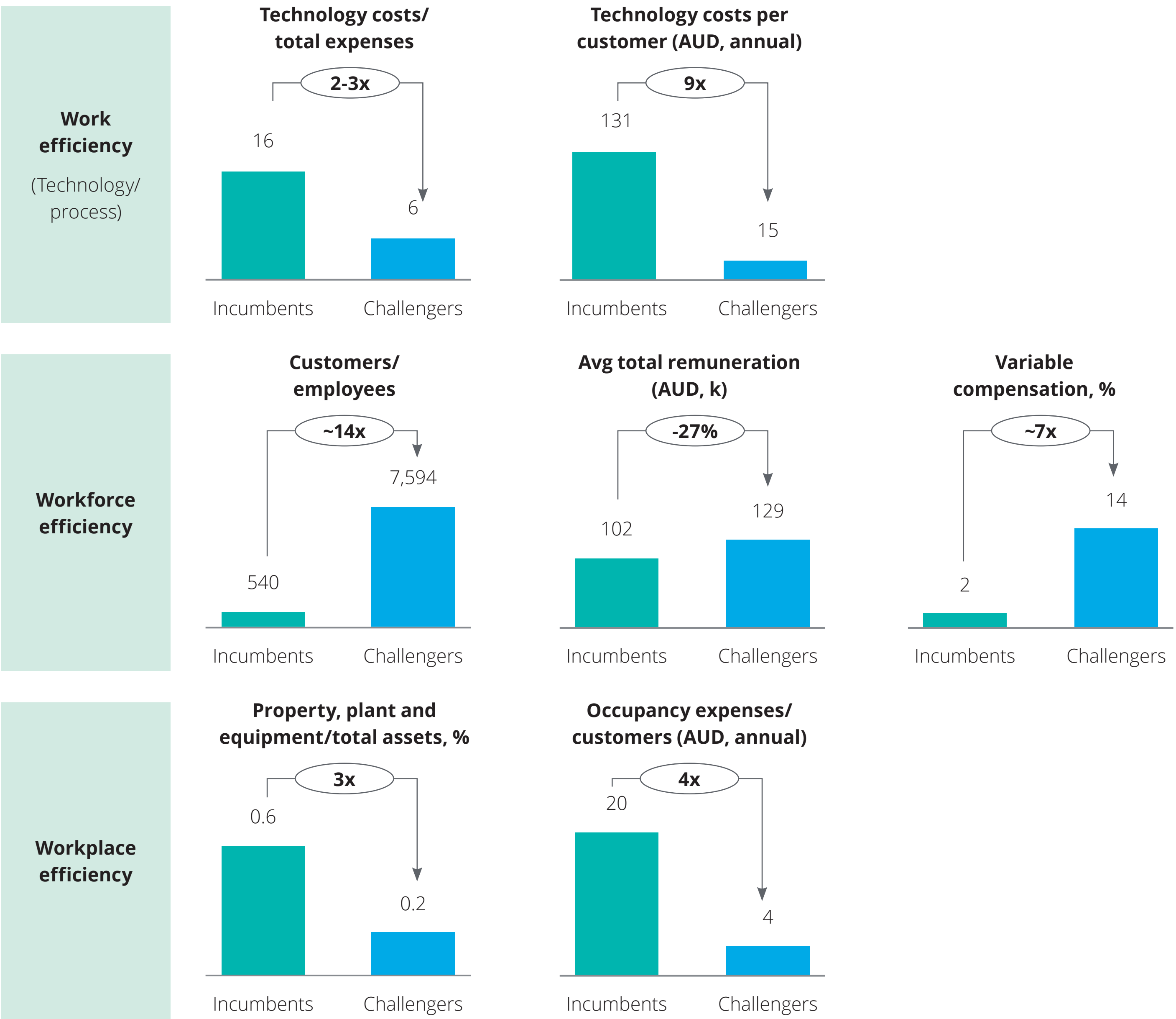
Figure 2: Challengers have not yet achieved similar levels of profitability, but have more potential efficiency – analysis of 12 APAC incumbent banks vs. 8 global challenger banks



Source: Companies' websites, annual reports.

The lower marginal cost to service new customers is driven by greater efficiency for work, workforce and workplace. Lower technology costs per total expense and per customer suggests modern technology architectures that support agility, speed and efficiency. Greater customers per employee supports our marginal cost to serve hypothesis, and, interestingly, challengers pay their relatively smaller number of employees higher remuneration with a greater emphasis on variable compensation. In our opinion, this demonstrates the value they have placed in having a more efficient and flexible workforce. Lastly, lower property, place and equipment costs per total assets as well as lower occupancy expenses per customer reflects challengers' digital-only channels with zero to few branches and an overall smaller real estate footprint. These lighter operating model choices allow challengers to attract and serve customers at a lower cost point.

Figure 3: Challengers are more efficient on a cost to serve new customers – analysis of 12 APAC incumbent banks vs. 8 global challenger banks



Source: Companies' websites, annual reports.

Key differences in the operating models of challengers vs. incumbents

Many of the new challengers have adopted asset light operating models that enable them to operate with increasing agility, speed and efficiency. Instead of heavy investments in fixed assets, they tend to create value through modular architectures that improve time to market, flexible workforces that adjust more easily to new changes and digital-first workplaces that have a smaller physical presence. Their competitive advantage stems from their ability to change direction quickly, innovate at speed and attract talent whilst attracting and serving customers at a lower cost point. Key differences in the operating model setup of both incumbents and challengers can be broken down into distinctive elements based on the choices they make across work, workforce, and workplace.

Figure 4: Differences in the operating model

	Classic Incumbent	New Challengers
Technology efficiency	• Legacy systems – significant share of incumbents' IT budgets are spent on maintaining legacy systems • Limited access to developer pool due to access restrictions (limited external integration capabilities)	• Play a part in a broader ecosystem • Microservice architecture • Best of breed technology • Cloud based • Pay-per-use model (for both infrastructure and applications)
Staff efficiency	• More experienced and costly workforce (recruitment based on past experiences, certifications) • Heavy reliance on fixed remuneration • Limited sourcing pool (due to geographical requirements)	• Greater use of ecosystem partners • More contractors/freelancers • Less experienced/costly • Higher variable compensation • More distributed not tied to location
Premise efficiency	• Large and costly branch network (although shrinking Year on Year (YoY) for most incumbents in developed markets) • Large and costly head and regional offices (preference for physical presence in key markets)	• Digital-only distribution (mobile centric) • Lower occupancy costs per employee • Physical presence by exception (e.g., regulatory requirements) • Easily scalable to new markets

Source: Deloitte analysis, Deloitte APAC survey

Traditional banks, on the other hand, have built up their brands, products, channels and locations and tend to have heavier, costlier, and longer standing approaches and models (e.g., branch network, large headquarter and regional offices, core inhouse/customised systems). Further, while many incumbents are investing in technology, their inability or perhaps inertia to leverage technology solutions optimally has precluded them from enjoying the technology-led efficiencies that have now become a competitive advantage for challenger banks.

Figure 5: Incumbent and challenger banks have made different choices on their operating models

Asset Light Operating Model Spectrum

	Operating model elements	Classic incumbent	New challenger
Customer	Segment	Universal coverage	Niche and focused
	Distribution channel	Physical assets: branch, broker, ATM	Virtual only, mobile centric
	Product/service	Full suite and expansive	Select, UX rich
Oversight	Governance model	Hierarchical, layered and bureaucratic	Cross functional, iterative and agile
	External regulator	Licences, heavily regulated	Unregulated niches or businesses
Work	Value chain	Vertical integration	Modular, specialised and partnerships
	Process	Human centric, mostly manual	Automate (transactional) or human augmented (analytical)
	Applications	Legacy, proprietary systems	Microservice, pay per use, best of breed
	IT infrastructure	Proprietary, internal dependencies	Cloud (rent)
Workforce	Supervision model	In presence, task based	Automated workflow, outcome based, remote, different time zones
	Workforce model	Local, large and permanent	Mixed contract terms and variable
	Worker profile	Experienced staff and experts	Self-motivated entrepreneurs
Workplace	Physical presence	Central, long term and high occupancy costs	More distributed and virtual
	Location preference	In the office	Hybrid (office and remote), collaboration space

Source: Deloitte analysis, Deloitte APAC survey

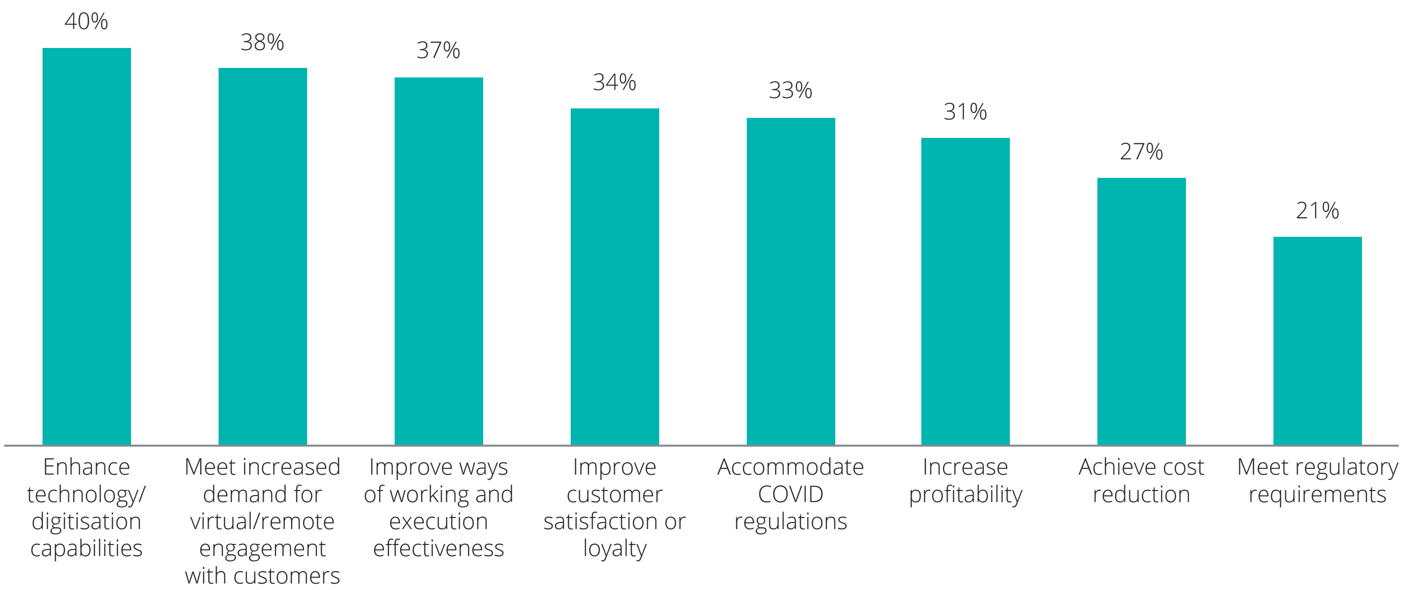
The path forward for incumbents would lie in proactively embracing the asset light operating approach and model that can improve agility, speed and efficiency. We believe there are clear choices across all the elements of the operating model that should be considered. However, even before incumbents can consider embarking on such a transformation journey, it is important for them to assess the factors that make them asset heavy and then create a customised roadmap to eliminate or optimally address those factors while embracing the imperatives of the asset light operating model.

First mover advantage

The survey revealed that most businesses recognise the urgency of accelerating an operating model transformation and plan to either implement a significant transformation or one that could change many elements, in the next 2 years. 41% of the respondents shared that they will be implementing a significant transformation of their operating model in the next 2 years while only 7% said that they were not planning on making any relevant changes to their operating model. The balance (52%) lie mid-way between changing many elements and refining only a few parts of the operating model.

Despite the overarching 'buy-in' for a need to change the operating model, there were fundamental differences in the factors driving the transformation. While 40% of the respondents said that enhancing technology capabilities is the main reason for operating model transformation, 38% respondents felt that meeting the demand for remote engagement by customers is acting as a key driver for changing operating models.

Figure 6: Factors driving transformation in the operating model



Source: Deloitte APAC survey

Leaders vs. laggards

Most established financial services companies have already embarked on a journey to transform their operating models. Some incumbents are doing this better than others and are more advanced in their journey.

In our survey of 250+ financial services organisations from five financial centres across APAC, two distinct groups of respondents emerged – **leaders** who are more advanced in their digital transformations at 15% of the population and **laggards** who are at 85%. The key difference between leaders and laggards can be divided into how they approach three main elements of their operating model (i.e., work, workforce, and workplace). Leaders, being more advanced in their digital transformations, are more asset light across these three elements.

Work (Technology & process)

Leaders have made fundamental technology changes that allow for more digitally-enabled business and shorter release speeds for new products and features. Furthermore, they have embraced modular, scalable, and open technology and processes and have already undergone significant digital transformation that provides agility with a reduced cost of change.

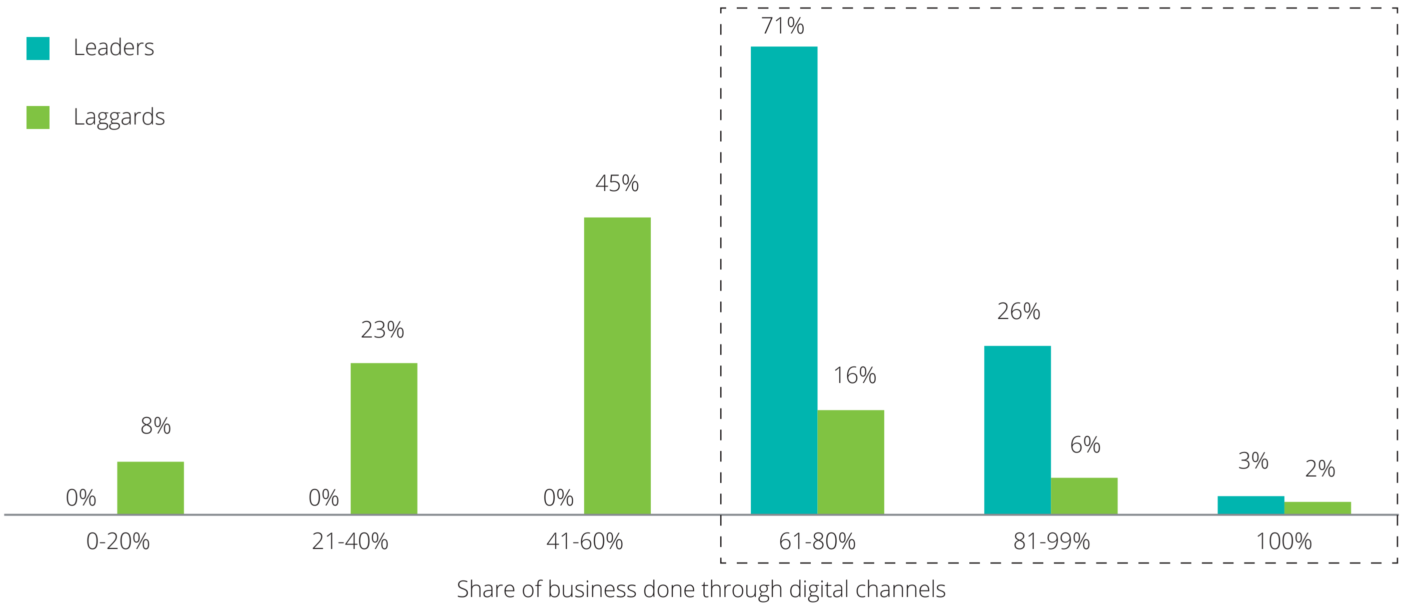
Workforce

Leaders are more advanced in reorganising their workforce to source and utilise capabilities differently because of greater use of contingent workforce options as opposed to large and permanent resources. This enables greater workforce flexibility for both employees and employers and facilitates easier upskilling of digital capabilities.

Workplace

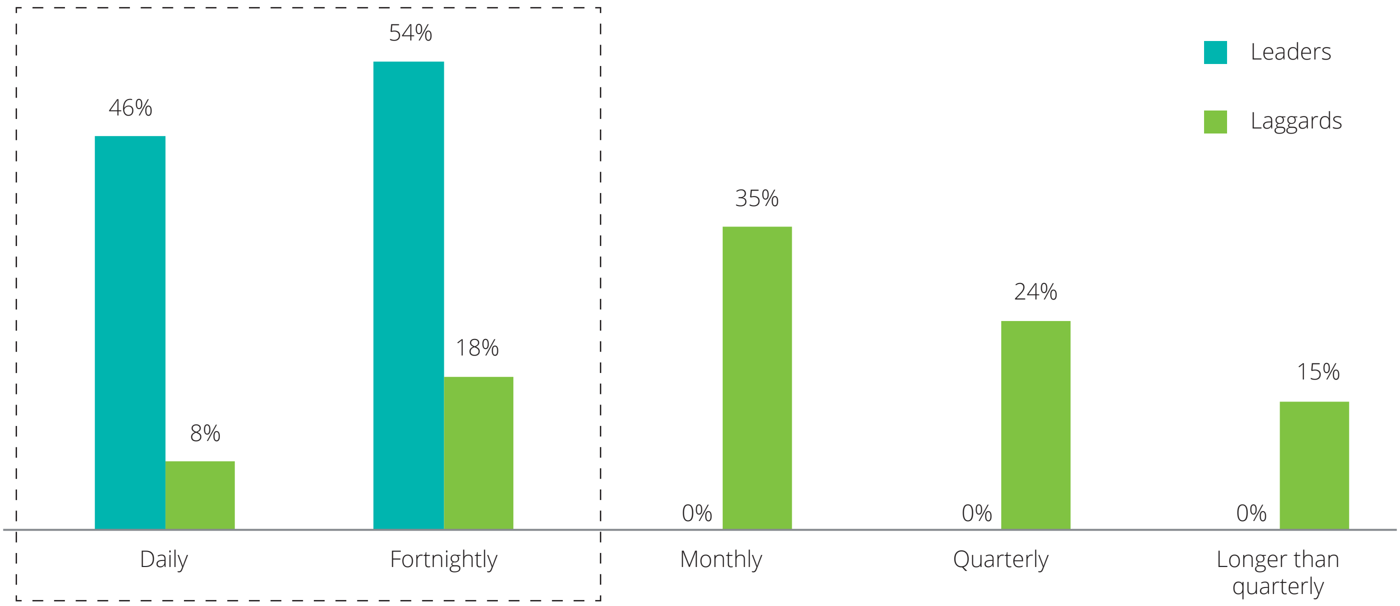
Leaders are leveraging their real estate in new ways to improve the return on these significant assets by making bolder moves to reduce the size of their physical footprint, redefining the role of the branch, sharing infrastructure across their ecosystem, and rethinking their long-term real-estate commitments.

Figure 7: Share of business done through digital channels



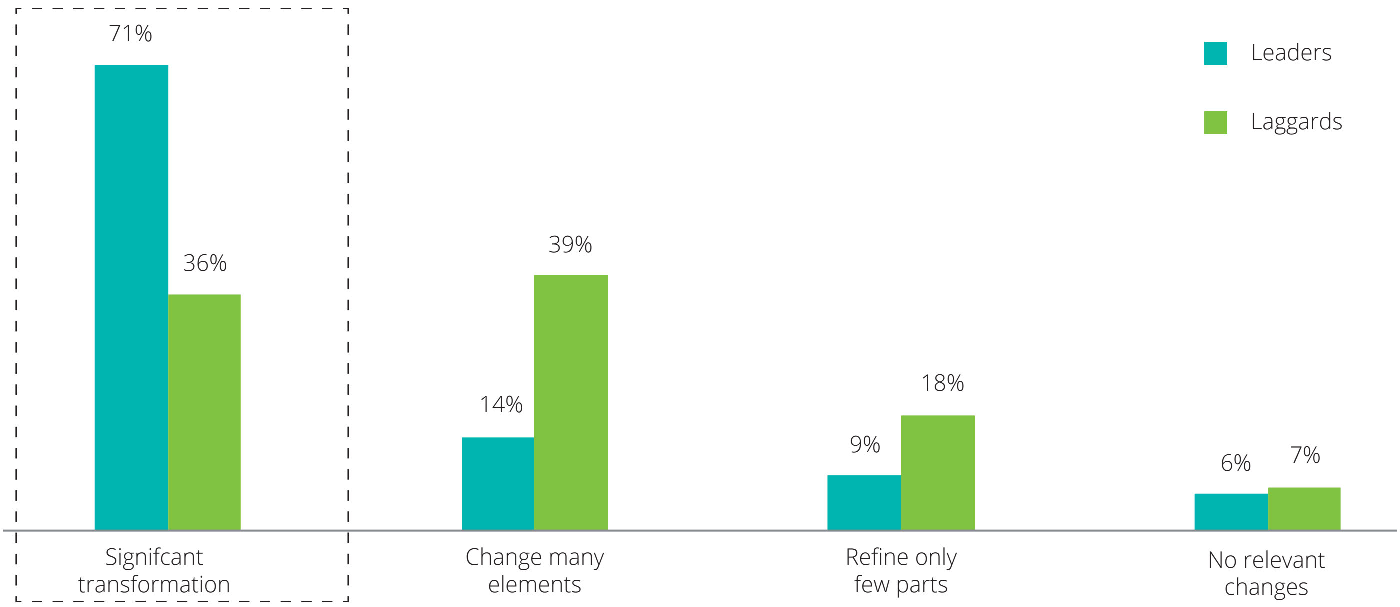
Source: Deloitte APAC survey, Deloitte analysis

Figure 8: Typical release speed for new products or product features



Source: Deloitte APAC survey, Deloitte analysis

Figure 9: Expected level of operating model change in the next 2 years



Source: Deloitte APAC survey, Deloitte analysis

Transitioning to an asset light model

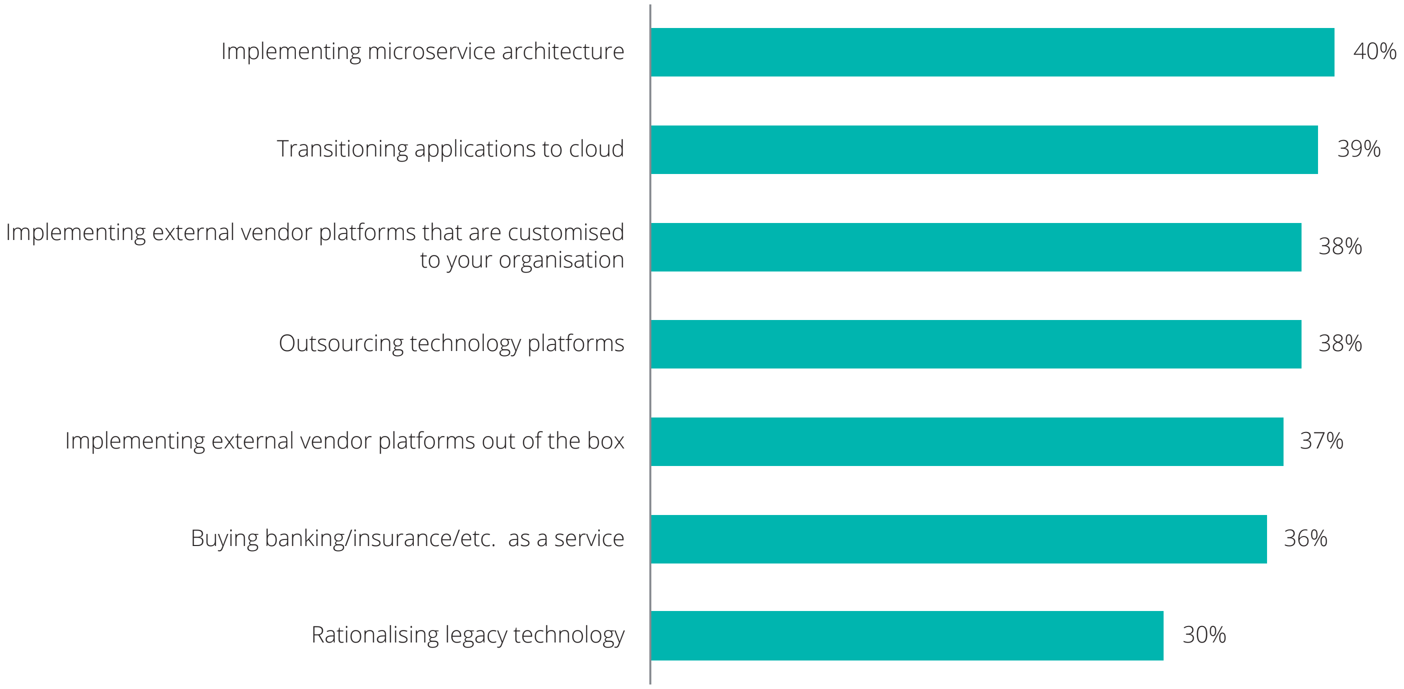
Work in transition

A majority of organisations are considering or pursuing changes to help improve their technology architecture. The most common changes are implementing microservice architecture and transitioning applications to cloud-based operations.

Figure 10: Technology-led transformations

Q. Which of the following changes to improve your technology architecture is your organisation currently considering or pursuing

Select all that apply



Source: Deloitte APAC survey

Three overarching trends are emerging from a work perspective. These include:

1. Microservices architecture enables greater organisation agility

Microservices architecture makes it easier to scale up for disparate development efforts, if required, as they are developed independently, and the developer would only need to make changes to a module instead of having to rewrite a significant part of the code which requires time and effort. By developing a microservices architecture, organisations can efficiently and effectively introduce new features and updates.

Our survey indicates that APAC leaders view microservices architecture as the main lever to improve their technology capabilities in the coming few years vs. only a third of the rest of the organisations. We believe that non-leading organisations have a large backlog of technology improvements such as replacing legacy systems or migrating to cloud which will take up change capacity over the next few years.

> **63%**
>
> **of leaders are considering pursuing microservice architecture, two times the rate of the laggards**

Source: Deloitte APAC survey, Deloitte analysis

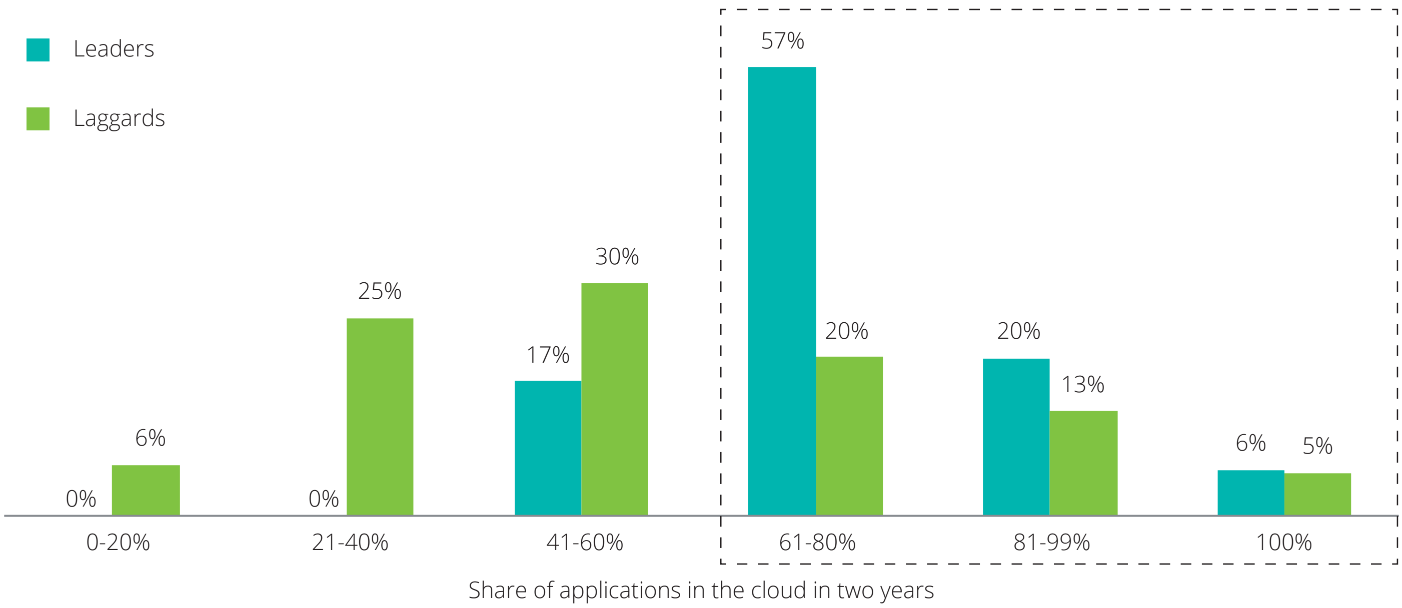
2. Cloud becomes mainstream

Hosting applications in the cloud has enabled organisations not only to enable the work from home shift but is also enabling organisations to offer better products and end-to-end digital solutions to clients, through integration of the back and front office and increased usage of data.

Currently, approximately 50% of organisations' applications, on average, are on the cloud. This is expected to increase to 57% in the next two years. However, our survey indicated that leaders have much more aggressive plans to make the cloud shift.

Figure 11: Expected share of applications in the cloud in two years

Q. What percentage of your organisation's applications do you believe will be in the cloud in two years?



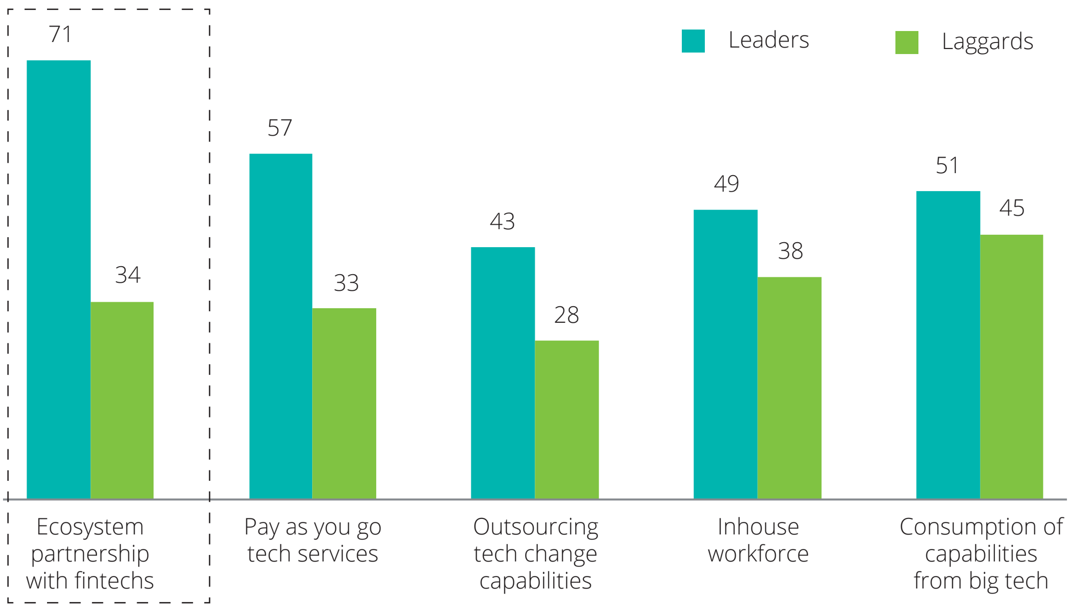
Source: Deloitte APAC survey, Deloitte analysis

3. Preference for partnerships within the ecosystem

Organisations are relying more and more on partners that have unique capabilities that complement their own. Fintechs, previously perceived as an important threat, are now deemed an important source of competitive advantage for incumbents. Our survey indicated that, although there is appetite for partnerships across the industry, the leaders are much more willing to pursue such partnerships than the laggards.

Figure 12: Partnerships gaining traction

Q. What options to deliver technology change are increasing in your organisation?



71%
of leaders expect to increase partnerships with fintech

Source: Deloitte APAC survey, Deloitte analysis

Workforce in transition

The way we work has been evolving and so has the workforce itself. The COVID-19 pandemic has proven that teams can collaborate remotely, expanding the source of talent pool and possibilities for collaboration. Thus, incumbents must question the way they are building the workforce of the future, considering two major trends:

1. Increased flexibility for employees and employers

While there continues to be a degree of uncertainty surrounding the percentage of workforce that will operate from physical offices vs. work from home, businesses are gearing up for a significant portion of the workforce to work from home or anywhere in the next two years. Furthermore, employers are exploring flexible employment arrangements, increasingly choosing to extend part time or flexible work arrangements with employees or even opting to leverage vendors for execution.

Our survey suggests that leaders are taking bolder decisions with respect to the workforce. Although 60% of all respondents are considering allowing employees working from home or anywhere in the future, leaders are 2.5 times more likely to allow employees work remote all the time.

Figure 13: The future of the distributed workforce

Q. With new virtual working norms, what distributed workforce options are expected to increase in your organisation inthe next two years?

Select all that apply

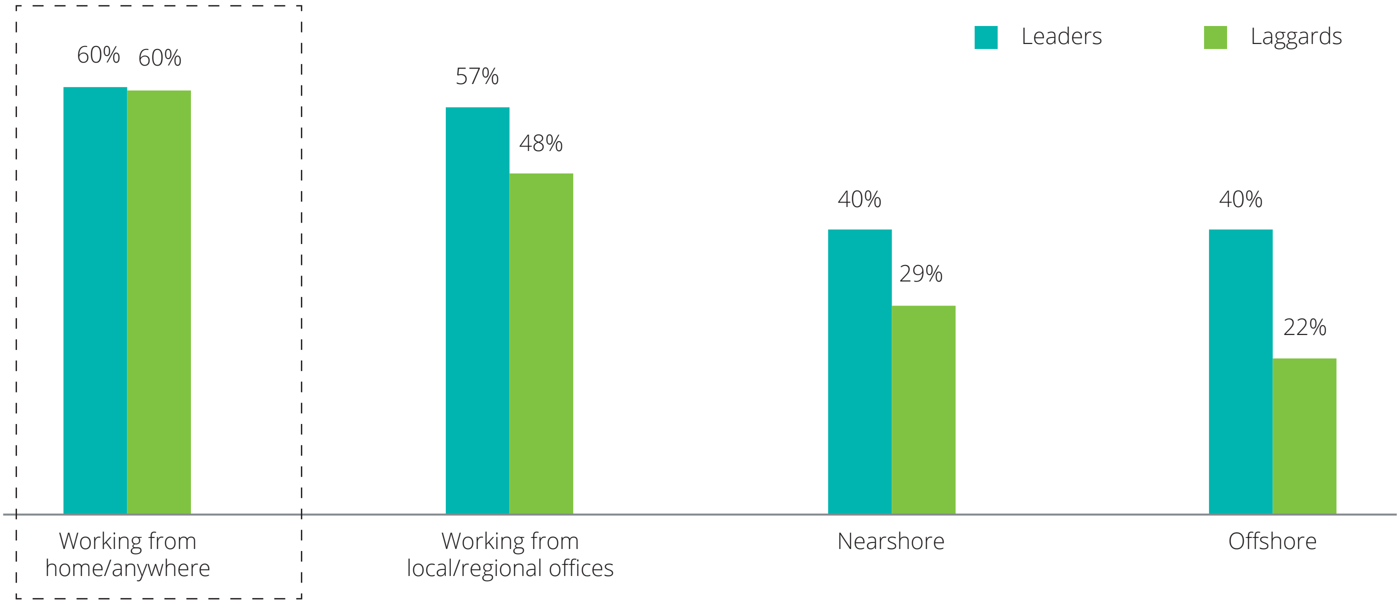
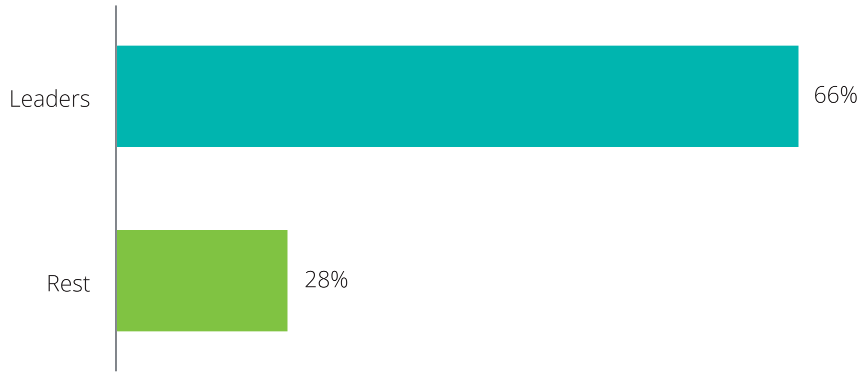


Figure 14: Remote work now and in future

Q. Is your organisation now or in the future planning to allow employees work remote all the time?

% of YES response



2.5x

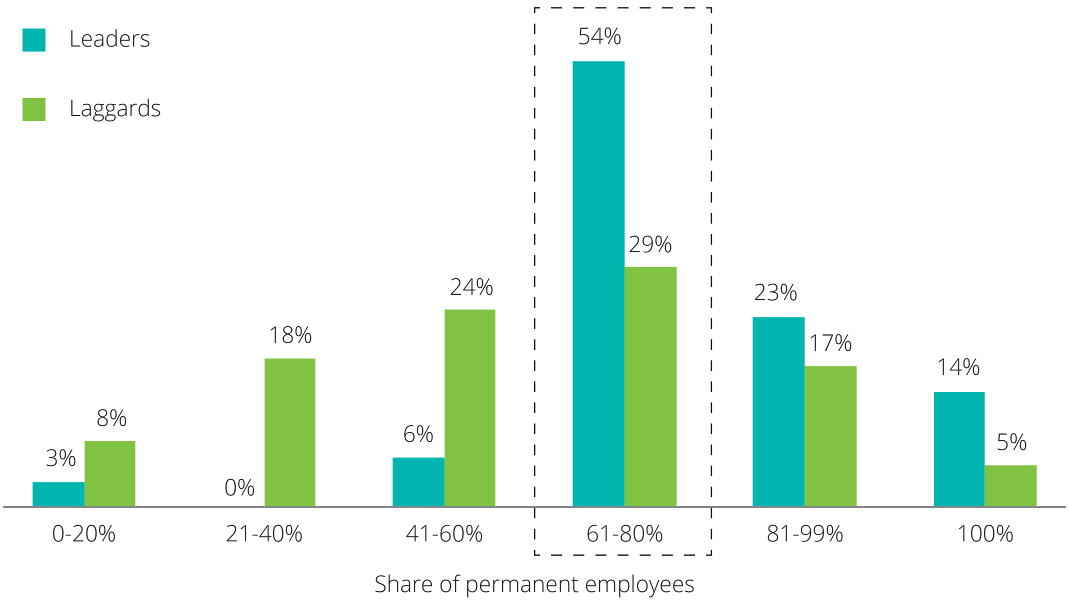
Leaders are being bolder with their resourcing options, 2.5 times more likely to allow employees work remote all the time

Source: Deloitte APAC survey, Deloitte analysis

Organisations are also willing to adopt flexible working arrangements to compose their workforce, mixing permanent employees that provide expertise and continuity with more flexible working arrangements to enable scaling up and down and focus on new capabilities.

Figure 15: Workforce composition with respect to share of permanent vs. flexible employment

Q. What percentage of your organisation's workforce is expected to be permanent in two years from now?



54%

of leaders are aiming to adopt a sweet spot share of permanent employees (between 61% to 80%)

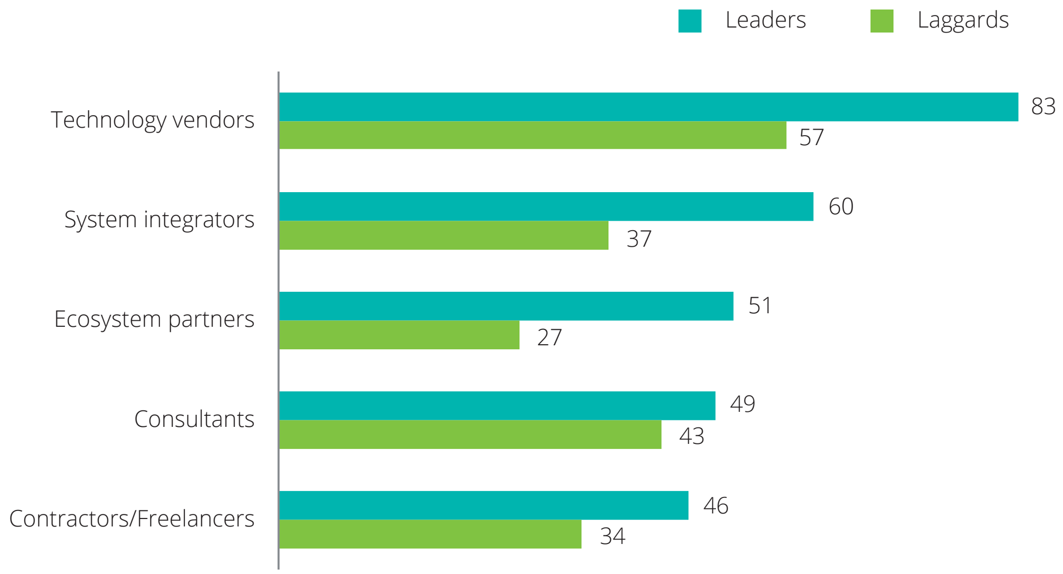
Source: Deloitte APAC survey, Deloitte analysis

To complement their workforces, organisations are considering increasing the use of vendors and contractors, with highest expected increase for technology vendors.

Figure 16: Workforce sourcing options expected to increase in the next two years

Q. Which of the following workforce sourcing options are expected to increase in your organisation in the next two years?

% of yes response



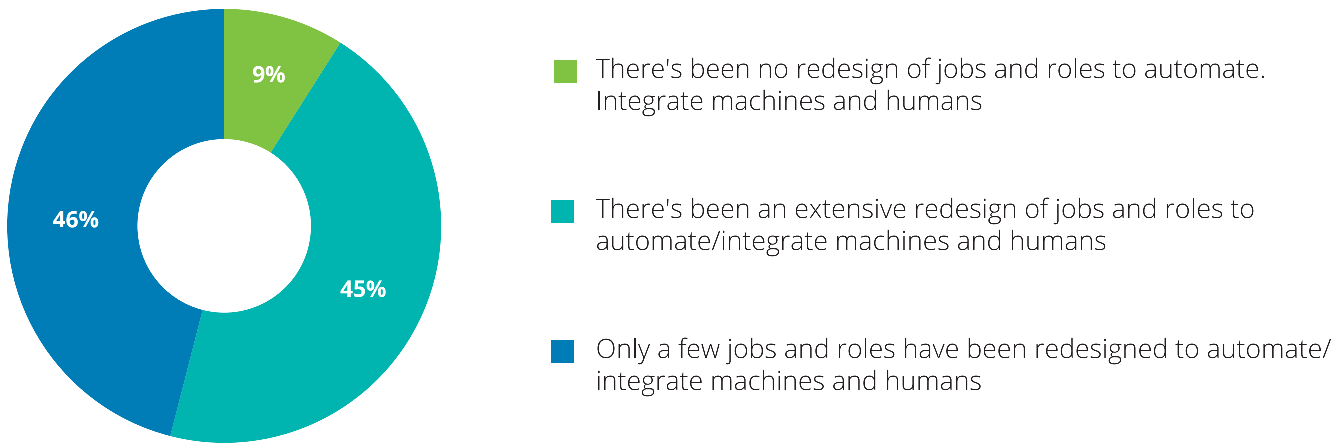
83%

of leaders expect to increase usage of technology vendors in the next two years

2. Upskilling workforce to thrive in the digital era

Technology advancement has been on the rise whether it is the usage of Artificial Intelligence (AI), cognitive technologies or robotics to automate and augment work. These advancements have compelled organisations to redesign jobs and align them with the need to integrate machines and humans. As per survey, 45% of businesses have extensively redesigned jobs and roles.

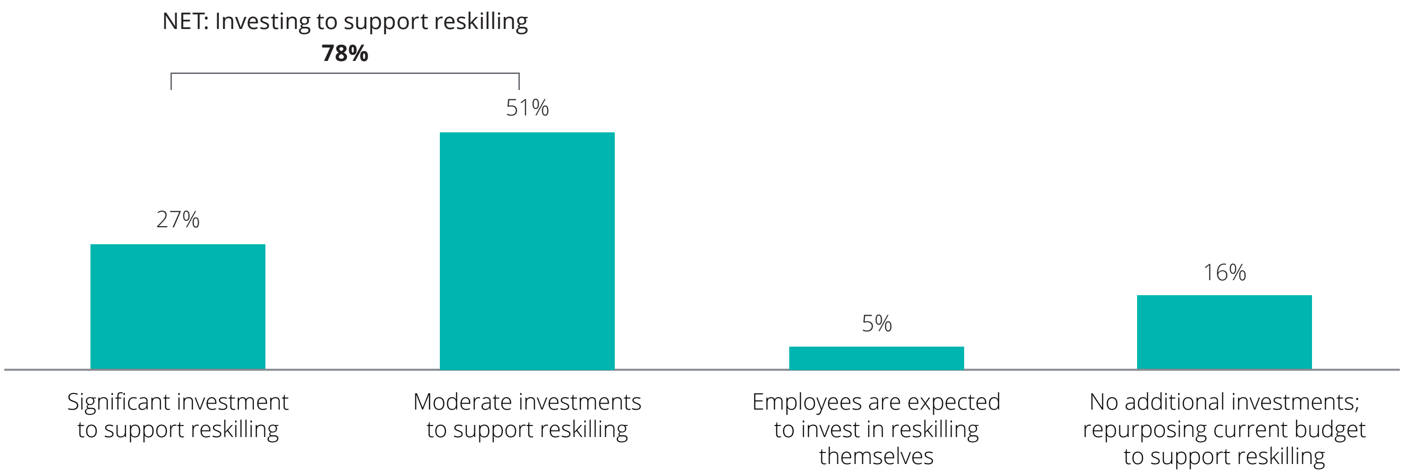
Figure 17: Organisations' view on redesigning jobs



Source: Deloitte APAC survey

As a result, organisations continue to invest heavily in Learning and Development (L&D) to not only enable the redesigned jobs but also support the overall digitisation and automation strategy.

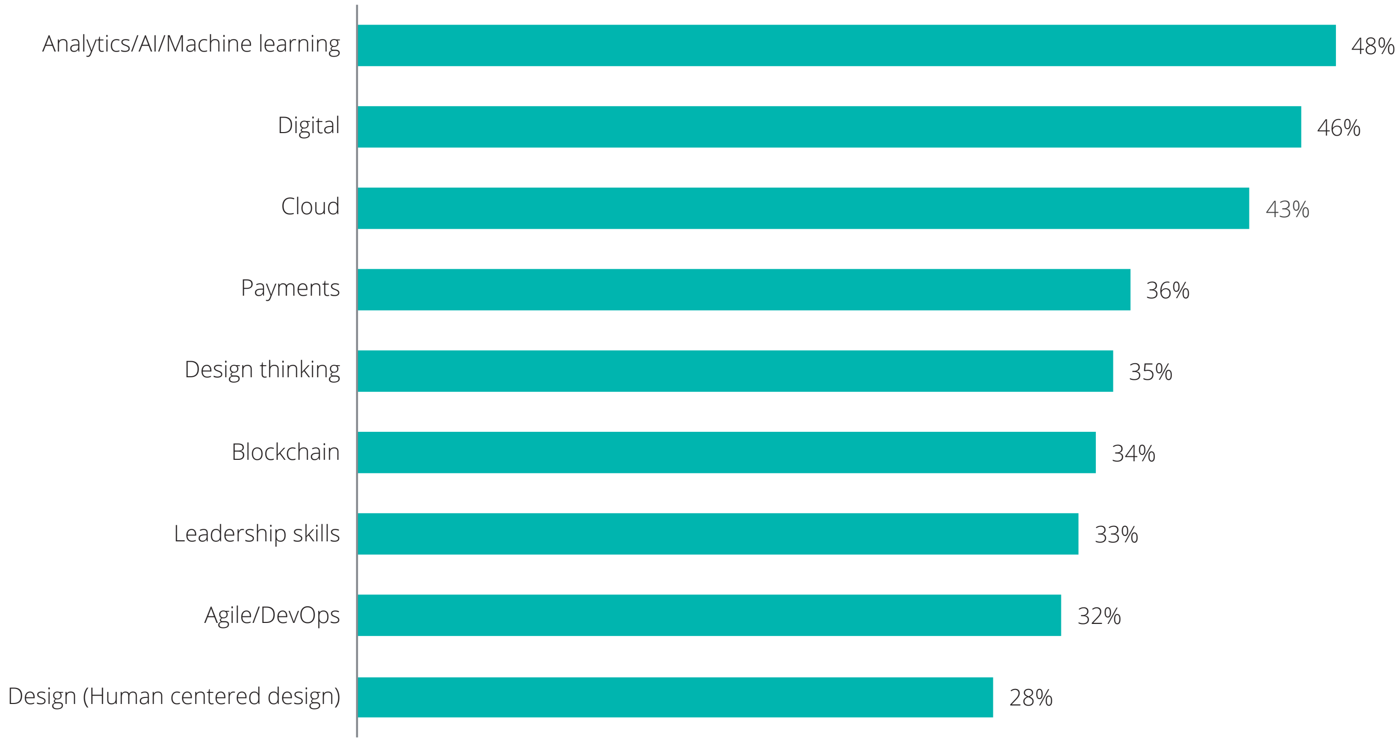
Figure 18: Investments being made to support reskilling



Source: Deloitte APAC survey

Further, analytics, AI, machine learning, digital, and cloud-based technology are the skills that organisations are most likely to be investing in to help upskill their workforce for the future.

Figure 19: Focus areas for reskilling

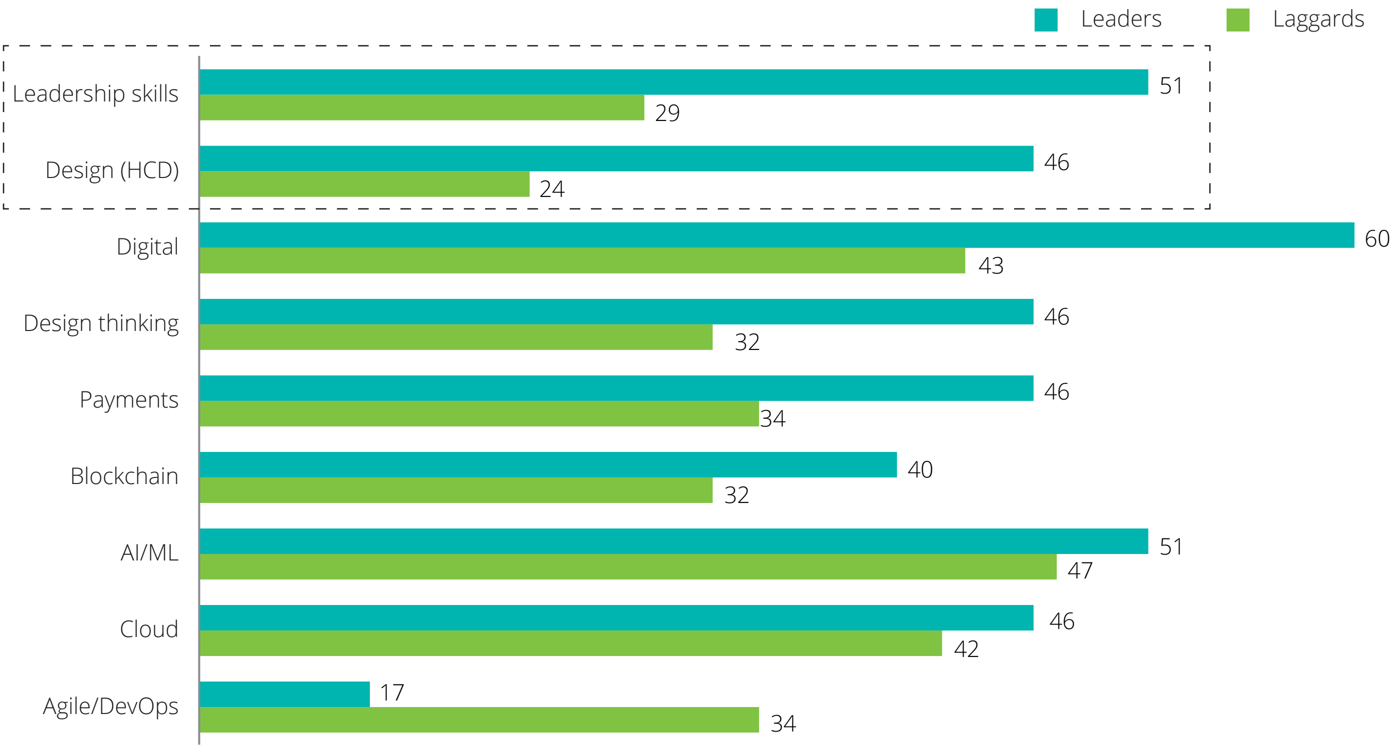


Source: Deloitte APAC survey

The survey also revealed that leaders are twice as likely to upskill key soft skills within their workforce.

Figure 20: Upskilling skills in focus

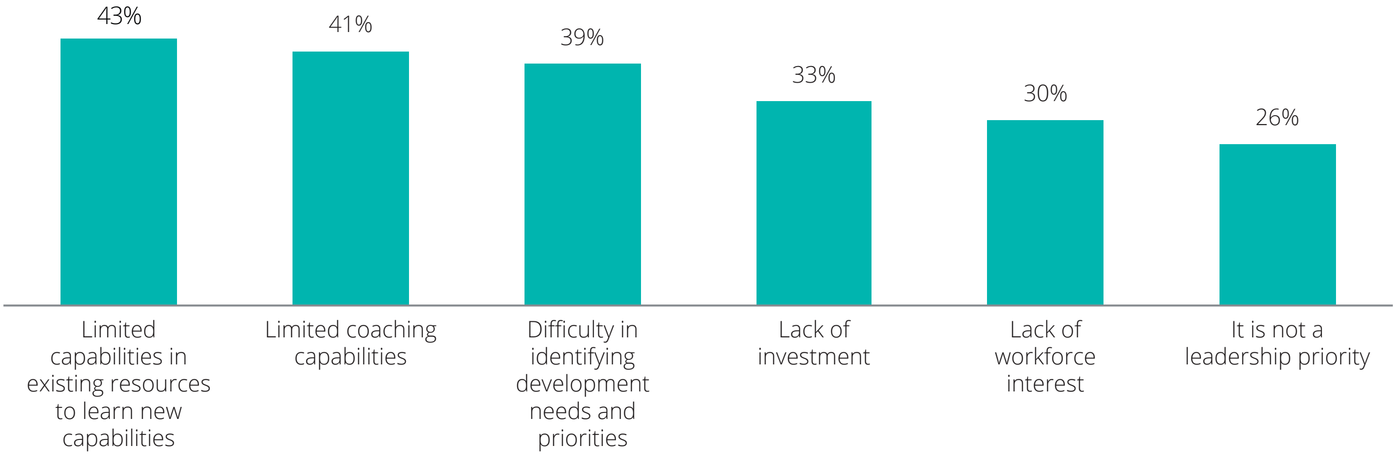
Q. Which of the following skills is your organisation investing in to upskill the workforce to thrive in the digital era?



Source: Deloitte APAC survey

The three main barriers preventing organisations from upskilling their workforces are limited internal capabilities, limited coaching capabilities, and difficulty in identifying workforce development needs and priorities.

Figure 21: Barriers to reskilling

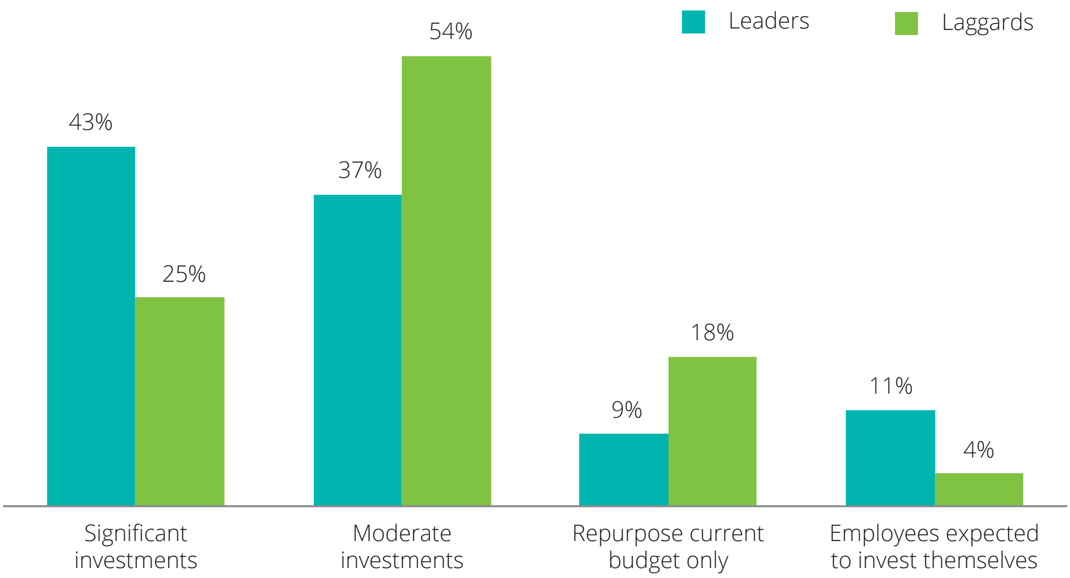


Source: Deloitte APAC survey

According to the survey, 43% leaders have indicated that they have heavily invested in Learning and Development (L&D), compared to just a quarter of the rest.

Figure 22: Investment in L&D

Q. How much has your organisation invested in L&D to support your automation strategy?



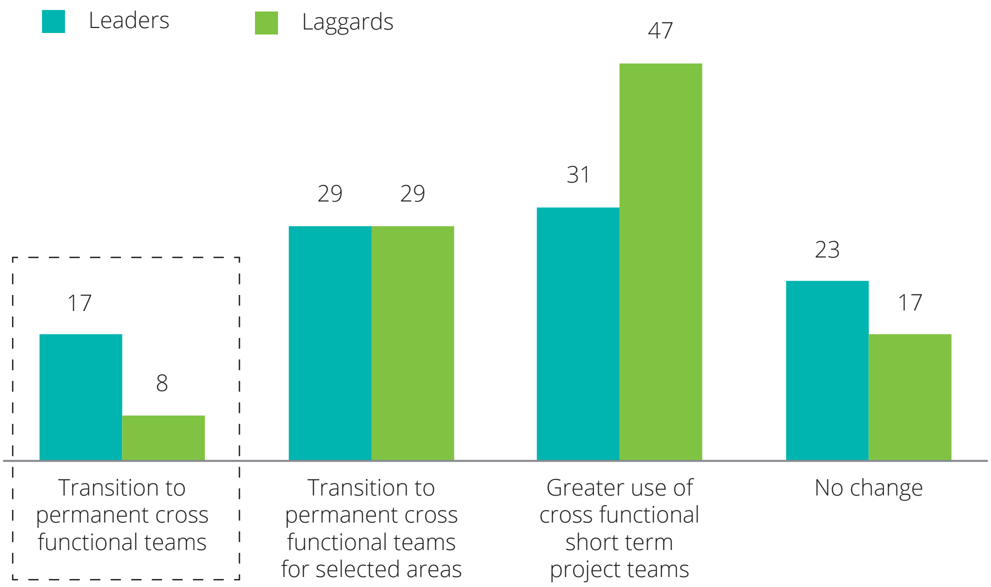
Source: Deloitte APAC survey, Deloitte analysis

> **43%**
> **of leaders have indicated they heavily invested in learning and development (L&D), compared to just a quarter of the laggards**

Another emerging trend in the space of workforce is a gradual shift towards cross functional teams. According to the survey, leaders are twice as likely to transition the whole organisation to permanent cross teams, with close to 50% leaders signalling a full or partial transition. However, many organisations have not transitioned to functional teams beyond supporting short term projects

Figure 23: Team structures of the future that will support change and run the business

Q. How will your teams be organised in the future, to support change and run the business?



2.1x

Leaders are twice more likely to transition the whole organisation to permanent cross teams, with close to 50% of leaders signalling a full or partial transition

Organisations can create communities or chapters and train employees in several technology capabilities such as analytics, design, cybersecurity, to constantly upskill and cross skill employees while on the job. This leads to a vibrant learning and growing organisation. Leaders are ahead of the curve, but most incumbents are yet to adapt and place the necessary enablers for this model to succeed, compromising on new ways of working, mindset, and technology support.

Workplace in transition

Today, empty office spaces, stagnating branches, and work from home standards are posing challenges but also opportunities around where work and client service is performed.

Generally, work can be divided into various types of tasks.

- The first type involves doing activities that require the employee to work in isolation and focus. There are no dependencies for such a task and the only requirement is a quiet environment.
- The second type involves ideation and brainstorming where a group of employees need to arrive at a solution in a meeting. Such meetings are better done face to face. They are physically more powerful in an office space rather than via screen.
- The third type involves social interactions with colleagues and mentoring activities with seniors. For example, water cooler conversations or after work events. These create an environment of belonging and give rise to relationship capital.

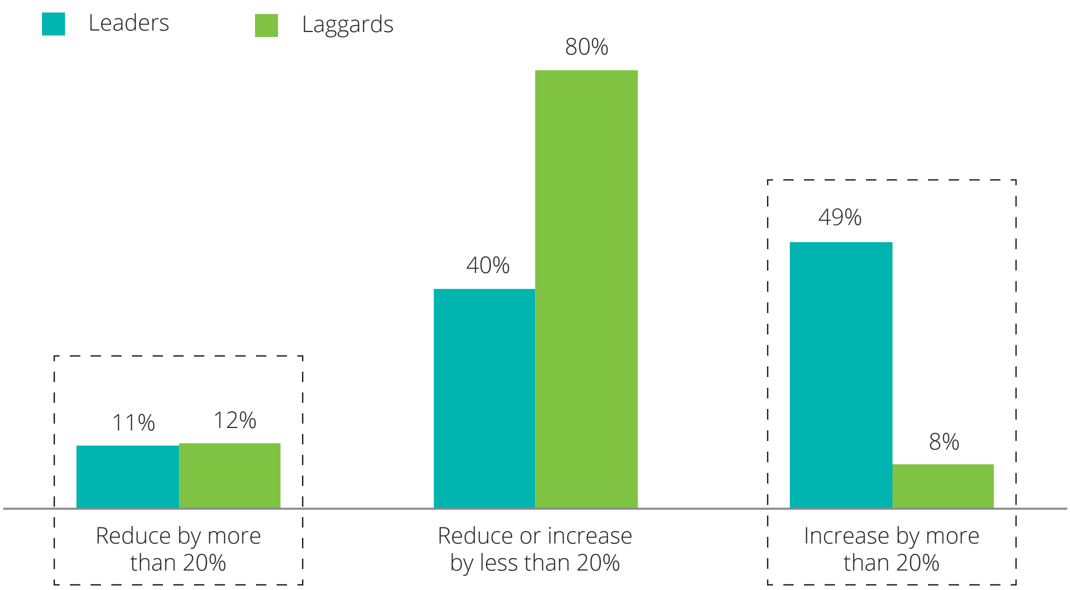
The workplace needs to incorporate all these types of tasks in an efficient manner. Emerging trends in this area include:

1. Changes to the physical footprints

The branch network of banks has been reducing by 3-8% year on year in developed countries like Australia, Singapore, and Japan, and is predicted to reduce further in the coming years. Our research shows that banks and insurers that have been identified as leaders in our survey, are three times more likely to have bolder moves planned for their physical footprints than their followers with 1 in 10 companies even planning for more than 20% reduction in physical footprints. Now, more than ever before, leaders need to think about how they use their branches. While almost half of the leaders are planning to increase their footprint, the new footprint is envisaged to be different, (i.e., smaller and more suburban locations or partnership-enabled centres). Furthermore, the physical footprint is probably influenced by the fact that leading organisations may be growing (organically and inorganically).

Figure 24: Expected change in office footprint

Q. How is your organisation's office footprint expected to change in the next two years?



3x

Leaders are three times (60% vs. 20%) more likely to change significantly their office footprint

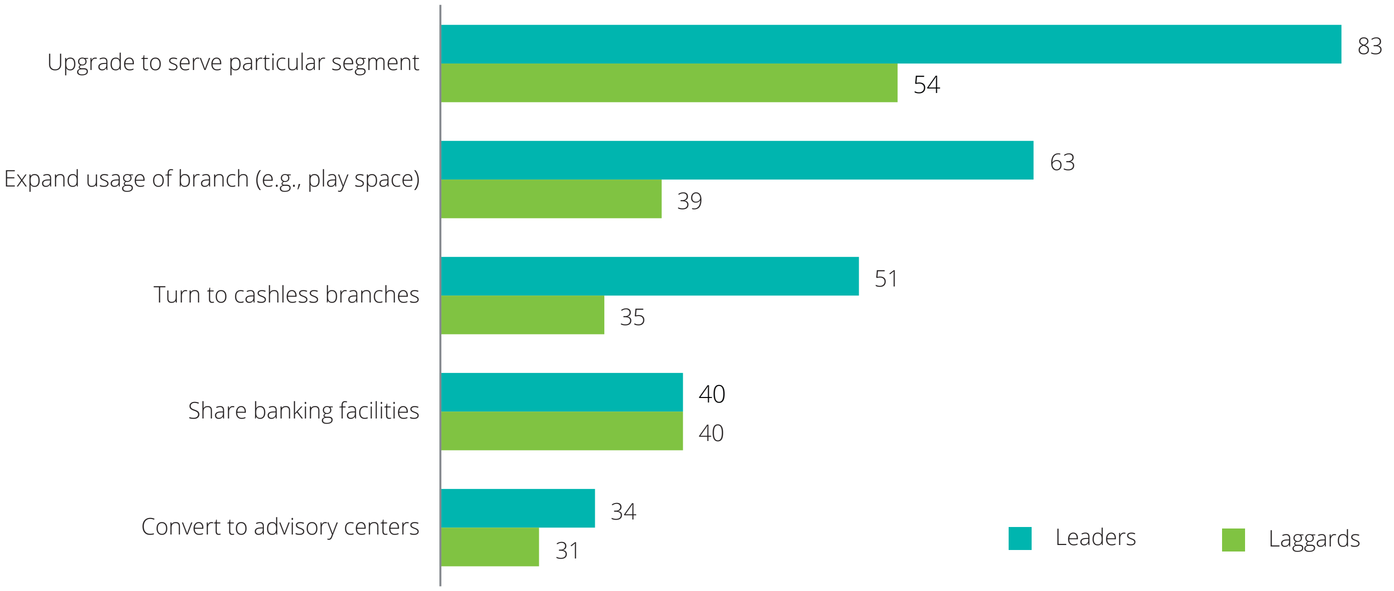
Source: Deloitte APAC survey

The workplace of the future model is emerging to be digital along with having physical presence depending on exceptions. There are three common trends in the financial services industry that are propelling these changes:

- **Redefining the role of the branch or sales office:** As transactions and services shift to digital and mobile, banks are rethinking the role of the branch. While most banks are shutting branches to improve efficiencies, many leaders are also rethinking how to better utilise the existing branch operations. Leaders are redesigning branches to function as advisory centres and are moving the less complex services to online or self-service channels.
- **Shared infrastructure and asset light presence:** Some banks are adopting an asset light approach to branches by sharing infrastructure. For example, new challenger banks are forming partnerships to leverage the ATM infrastructure of classic incumbents. Other banks are partnering with real estate networks that have extensive presence across locations (e.g., post offices, metro stations, for specific financial services, while also running minimal and simpler branches or sales offices as cash less accelerates.
- **Virtual banker:** Other banks are converting branches into advisory spaces, in some cases using virtual bankers to provide advice in a cost efficient and scalable manner.

Figure 25: Role of the branch and sales offices

Q. Which of the following changes to redefine the role of branches/sales office is your organisation currently considering or pursuing?



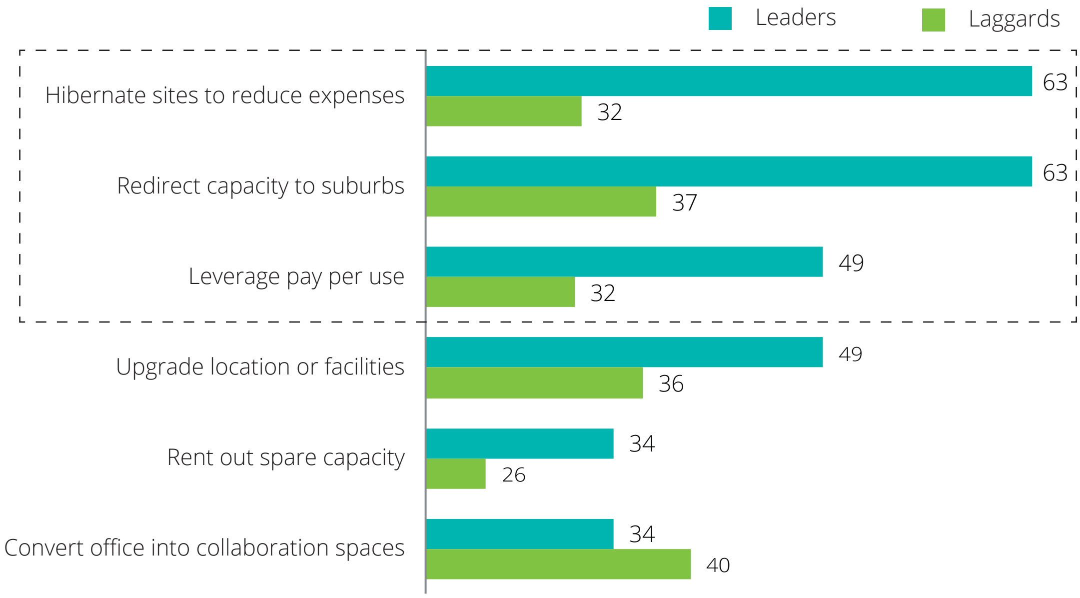
Source: Deloitte APAC survey, Deloitte analysis

2. The new office

Leaders are not only redesigning branches but are questioning the fixed costs associated with heavy real estate expenses. As employees work from home, the need to have a large presence in premium locations is fast disappearing. Although headquarter location was partially to impress, it is no longer expected or required to facilitate optimal customer engagements.

Figure 26: Motivations for rethinking the workspace

Q. Which of the following changes in your organisation's office footprint are being considered/pursued?



Although planning to increase capacity, leaders are planning bolder moves to reduce cost of doing business

Source: Deloitte APAC survey, Deloitte analysis

Furthermore, leaders are questioning the need to own the entire property. Investing in a big building or office space puts pressure on capex and can be reduced through rent and other arrangements. Today banks can take advantage of flexible contracts. For example, branch contracts that allow shorter term usage duration, so they aren't anchored to a location for an extended period of time. Banks can also consider an even higher level of flexibility by opting for a pay-per-use model for their employee's workstations to avoid trying to strike the tenuous balance between the size of the workspace and the number of employees.

Our research suggests that leaders are bolder in their change aspirations and are pursuing multiple strategies to reduce their physical footprint and its corresponding costs. Not only are these leaders trying multiple strategies, they are bolder in their decision making around the shape of their physical footprint, defining future offices and reducing fixed costs. Leaders are making different choices on what activity generates the most value, how to optimally organise their workforce, and how to effectively leverage the workspace.

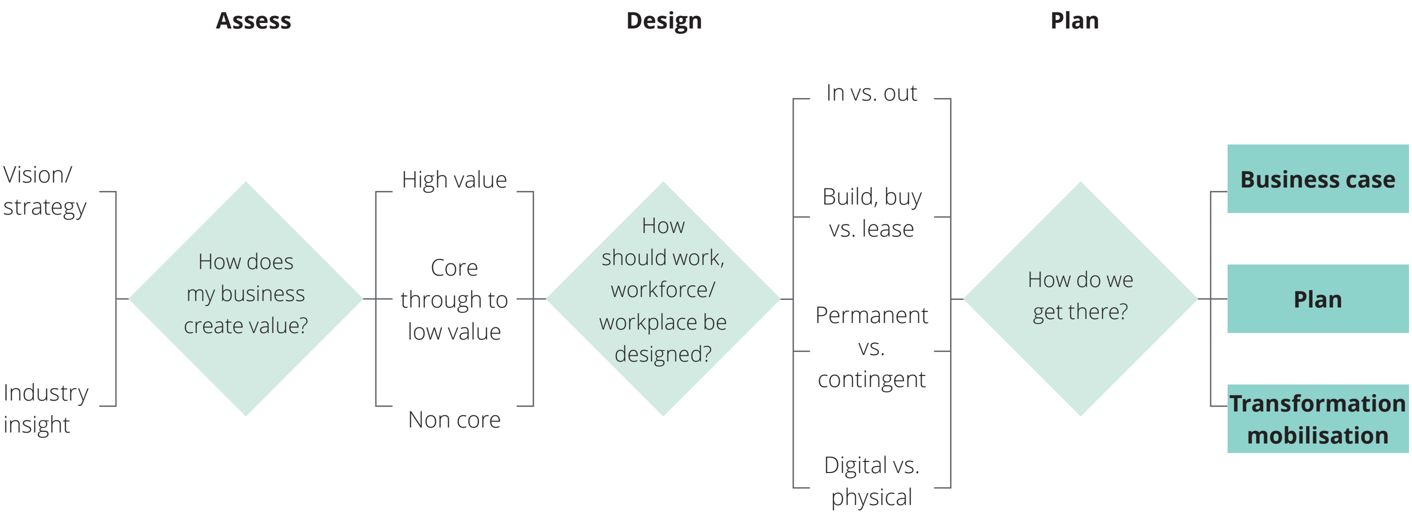
Next steps in delivering the asset light model

Asset light operating models are more desirable to customers, at least as desirable for employees and are getting higher valuation despite the current market landscape. Although they have not yet reached profitable levels of income, they have lower marginal costs to serve new customers and greater agility, speed and efficiency. Their competitive advantage stems from their ability to adjust to market changes more easily, move at greater speeds and scale at much greater efficiencies due to their modern architectures, flexible workforces and digital first workplaces.

Today, more than ever before, it has become imperative for banks and insurance companies to adopt asset light approaches and models. Inarguably, leading financial service companies are already aware of the need to transform with many of them currently in the midst of transformation. However, post-COVID-19, there has been a significant shift in the need to adopt digitisation, a shift that has compelled banks to accelerate their transformation journey and become future-ready.

Deloitte's three-step approach to determining an asset light model and approach starts by determining how businesses creates value. Once value is determined, the business can be designed to best support it through asset light work, workforce and workplace. Finally, a business case and roadmap are created to plan the transformation.

Figure 27: Three step asset light approach



- What is core to my business?
- What work, workforce and workplace should we focus on?
- What should we stop, start and continue?

- How should we use technology and processes to best support the value creation?
- How should we organise our people to best support our business?
- How should we source our real estate our customers and employees?

- How do we accelerate my transformation?
- What the return on my investment?
- Are there better uses of my capital?

One of the most important steps in the asset light transformation is to consider where an organisation is vis-à-vis the leading incumbents as well as the plays that best suit their specific needs. We suggest that when rethinking the operating model, organisations should start with work and the underlying technology and processes. Then they should move on to the workforce and design for greater flexibility in how their workforce is organised. Finally, organisations must focus on the workplace and identify the real estate required to optimise performance.

Figure 28: Technology and processes

Asset Light Operating Model Spectrum

	Operating model elements	Classic incumbent	New challenger	Select playbook options
Customer	Segment	Universal coverage	Niche and focused	Transform digital channel; Redesign CX/ UX; Offer more self service/ chatbots
Customer	Distribution channel	Physical assets: branch, broker, ATM	Virtual only, mobile centric	Rationalise products
Customer	Product/service	Full suite and expansive	Select, UX rich	Optimise governance
Oversight	Governance model	Hierarchical, layered and bureaucratic	Cross functional, iterative and agile	
Oversight	External regulator	Licences, heavily regulated	Unregulated niches or businesses	
Work	Value chain	Vertical integration	Modular, specialised and partnerships	Source alternate options (e.g. BPO, managed service,, etc.),
Work	Process	Human centric, mostly manual	Automate (transactional) or human augmented (analytical)	Automate – RPA/ ML/ OCR; Optimise business processes; Optimise workflow
Work	Applications	Legacy, proprietary systems	Microservice, pay per use, best of breed	Rearchitect to microservices; BaaS / SaaS; Pay as you go
Work	IT infrastructure	Proprietary, internal dependencies	Cloud (rent)	Transition to Cloud
Workforce	Supervision model	In presence, task based	Automated workflow, outcome based, remote, different time zones	Breakdown the hierarchies
Workforce	Workforce model	Local, large and permanent	Mixed contract terms, variable and global	Expand to variable sources of talent; Redesign roles
Workforce	Worker profile	Experienced staff/SMEs	Young, self-motivated individuals	Reskill workforce
Workplace	Physical presence	Central, long term and high occupancy costs	More distributed and virtual	Dispose / sublet real estate; Modernise branch; Share infrastructure
Workplace	Location preference	In the office	Hybrid (office and remote), collaboration space	Adopt remote working; Distribute workplace model

Deloitte has developed seven key principles that help drive successful transformations. They all require a new approach that embodies many of the same concepts as our asset light approach and model:

Enabling business transformation through technology	Starting with technology but evaluating all work, workforce, and workplace considerations to manage interdependencies.
Architecting for speed and flexibility	Building a modern, cloud, and microservices-based technology stack which underpins the banking proposition while also supporting the platform-based business models.
Organising for speed	Adopting cross functional value-stream based teams while embedding the right mindset and culture to drive change and ensuring that these are aligned to clear business outcomes.
Resourcing for speed	Building a digital first and agile workforce which will determine new ways of working, new work activities, and, as a result, new role types and talent requirements.
Adopting a modern delivery approach	Delivering early features and value to customers based on feedback following an Alpha, Beta, MVP launch.
Targeting a single vision	Having a single vision and design blueprint to rally cross functional teams together and drive the transformation adherence in design authorities throughout the journey.
Access to and ability to leverage proven assets	That enable, accelerate and de-risk transformation efforts (e.g., Deloitte's ConvergePROSPERITY BankingSuite accelerators).[1]

Transitioning to an asset light operating model will empower banks and insurance companies to stay ahead of the curve and will put them in an advantageous position in terms of responding to the changing imperatives of a digital era and optimally capitalising upon emerging opportunities. This would mean rethinking their operating models across the key elements of work, workforce, and workplace and ensuring that they embark on their transformation journey with agility, speed and efficiency.

[1] ConvergePROSPERITY BankingSuite | Deloitte Australia

Authors

Matt Bailey
Partner, Australia
Operations Transformation
Tel/Direct: +61 439 660 025
mattbailey@deloitte.com.au

Andre Santos
Principal, Australia
Operations Transformation
Tel/Direct: +612 9322 5878
asantos2@deloitte.com.au

Phil Windus
Partner, Australia
Deloitte Real Estate
Tel/Direct: +617 3308 7345
pwindus@deloitte.com.au

Indranil Roy
Partner, Singapore
Workforce Transformation Lead
Tel/Direct: +65 9636 8024
indroy@deloitte.com

Contacts

Matt Bailey
Partner, Australia
Operations Transformation
Tel/Direct: +629 322 7109
mattbailey@deloitte.com.au

Zhong Bin You
Partner, China
FS Consulting Leader
Tel/Direct: +86 21 23166172
zhyou@deloitte.com.cn

Phil Windus
Partner, Australia
Deloitte Real Estate
Tel/Direct: +617 3308 7345
pwindus@deloitte.com.au

Sang Hyuk An
Partner, South Korea
Consulting FS leader
Tel/Direct: +82 2 6676 3625
sanghyan@deloitte.com

Grant Frear
Partner, New Zealand
Consulting FS Leader
Tel/Direct: +64 9303 0931
gfrear@deloitte.co.nz

Casper C Huang
Partner, Taiwan
Consulting FS Leader
Tel/Direct: +886 2 2725 9988
cashuang@deloitte.com.tw

Mohit Mehrotra
Partner, Southeast Asia
Consulting FS Leader
Tel/Direct: +65 9452 9432
momehrotra@deloitte.com

Monish Shah
Partner, South Asia
Consulting FS Leader
Tel/Direct:
monishshah@deloitte.com

William Pak Cheong Yin
Partner, Hong Kong SAR
Consulting FS Leader
Tel/Direct: +852 2238 7898
williamyin@deloitte.com.hk

Yoshiki Tanabe
Partner, Japan
Consulting FS Leader
Tel/Direct: +8180 4363 4770
ytanabe@tohmatsu.co.jp