

COO AGENDA 2020— TRENDS AND NEED FOR ACTION IN BANKING FROM A COO PERSPECTIVE

ZEB.TOPICS

Dr. André Ehlerding
Michael Herkert
Felix Miederer
Michaela Willbold-Majling
Laura Müller
Raphael Neuberger





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MANAGEMENT SUMMARY

Banks worldwide are facing numerous simultaneous challenges and at speeds not seen before. Comprehensive digitalization is questioning established business models and their organizational structures. Guidelines, laws and directives are supposed to make the banking system safer and help to restore lost customer trust. The institutions themselves are overwhelmed by the flood of regulations and compliance is forcing them to commit a high level of human and financial resources to implement these regulations. Additionally, the ongoing low interest rate level is increasing the already massive cost and profitability pressure. The COO area is particularly affected by this enormous change. This is our hypothesis, which motivated us to survey fifty European chief operating officers.

This study on chief operating officers should help to find answers and assessments about core questions from the specific perspectives of active COOs. In doing so, it should also reveal guidelines for further action.

- Which subjects currently have the highest priority for COOs?
- How are the major trends of digitalization, regulations and profitability pressure seen?
- Which measures should be taken to prevent banks from losing touch?
- At which stage of implementation are banks currently?
- How is the role and self-perception of the COO changing?

The survey incorporates findings from respondents and expert assessments anonymously.

In terms of **digitalization**, banks have recognized that customer expectations and behavior have changed dramatically. To fulfill customer expectations, considerable efforts are still required. COOs that we questioned see the necessary steps for realizing a digital bank, such as paperless banking or fully automated processes, as very relevant. Unfortunately, the current status is lagging far behind their ambitions.

But the enormous potential of digitalization for banks can only be reached by doing so. While the customer experience is improved significantly, the decreased need for employee capacities in middle and back office allows cost advantages.

Managing **regulatory requirements** currently primarily follows the aim of compliant implementation. The efficient implementation of change-the-bank and run-the-bank initiatives is of a slightly lower priority. In this regard, the COO is particularly responsible for conducting impact analyses and challenging planned efforts in Change and Run. The control levers for increasing regulatory efficiency have largely been identified and are seen as relevant, but they are only really being used at just a few of the survey institutions.

Banks are combating **profitability pressure** with programs to reduce costs and increase income. While cost reduction programs dominated during the financial crisis, programs to increase income are now seen as slightly more important. It has become more difficult to realize further productivity increases and cost reductions on the costs side. There is no longer just one way to do so, but rather banks must find the optimal combination of many measures. To stabilize the efficiency improvements, many institutions—after some bad experiences with only short-term cost reduction—are focusing their efforts on implementing and optimizing a cost management approach. The effectiveness of all cornerstones of a comprehensive cost management approach is confirmed by COOs that have already implemented those.

Regarding the **role of the COO**, “COO agenda 2020: Trends and need for action in banking from a COO perspective” presents the image of a newly integrated COO function with far-reaching responsibilities—from cost manager and “chief operations officer” to (co)creator of the operating model of a bank.

1. TRENDS IDENTIFIED AND MADE USE OF?

Banks will still face a multi-dimensional challenge in the years to come. The participating COOs ascribe the same importance to the three mega trends “digitalization”, “regulations” and “pressure on profitability” with regard to their impact on the COO area, which prevents a clear focus in the future as well (cf. fig.1). Thus, successful COOs have to align themselves in such a way that they can simultaneously cope with the challenges.

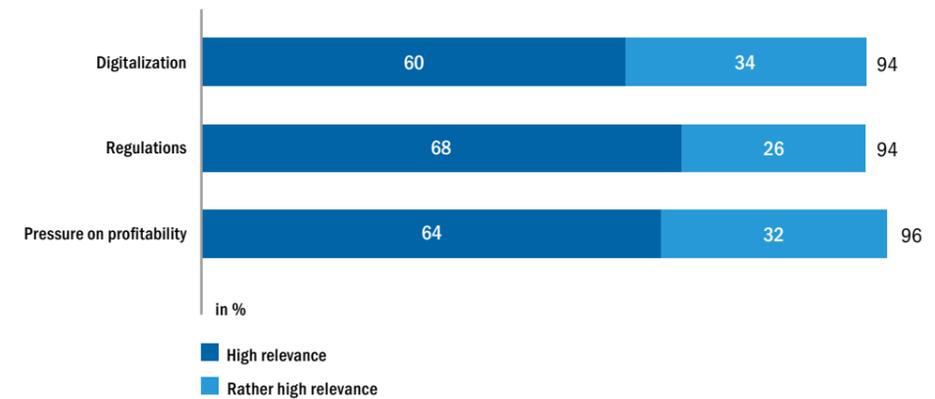


Figure 1: Relevance of mega trends for the COO area

We have examined the specific relevance and the progress already made by individual banks using the mega trends.

1.1 DIGITALIZATION

Customers are spoiled in terms of digitalization—however, not by their banks. Customer expectations for the digital service portfolio of banks have significantly risen in the past years—other industries have set a high standard in this context. Shopping in most online shops is widely possible without media disruptions, the processing and delivery status can be viewed at any time and order confirmations are directly sent to the inbox of the customer. Banks very rarely offer these services that customers are now taking for granted: online purchase availability of products, self-service combined with nearly real time processing of transactions and comprehensive transparency about orders are the exception rather than the rule. Meanwhile the development of these services will become essential for banks in order to survive the competition with FinTechs and other providers of non-banking industries on the one hand as well as innovative, established providers on the other hand.

HIGH CUSTOMER EXPECTATIONS IDENTIFIED— ONLY PARTLY IMPLEMENTATION SO FAR

Nearly all banks (pursuant to survey results more than 90%) have realized according to own statements that customer expectations and behavior have changed dramatically.

The fulfillment of customer expectations significantly lags behind the identification of necessary actions. Less than one-third of the participating banks have already completely realized the customer expectations according to own estimates (cf. fig. 2) and also cover more complex requirements (such as real time processing and transparency about the order for customers).

Our project experience shows that banks still spare the required investments in a complete overhaul of their technological platforms. In addition, they hesitate to break old paradigms (e.g. the assignment of customers and thus earnings to the branch sales channel).

Major efforts are necessary to achieve the self-defined goals. This is also underlined by the ambition of the participating COOs to increase the share of self-services in their banks by 20% within the next three years.

Interesting to see that institutions in Eastern Europe are one step ahead of institutions in Central Europe and Germany, in particular with regard to the implementation of online purchase availability. This may be due to the fact that business models in Eastern Europe have already been focusing on online banking for several years. One example is the Polish banking sector having developed a few leading online solutions and services in Europe. A leading Polish online bank operates a digital branch in which customers can already today experience an interactive customer journey as it will become part of everyday life in future by using motion sensors, face recognition and individual real time services.

DIGITALIZATION OF THE OPERATING MODEL—COMPREHENSIVE NEED FOR ADJUSTMENT IDENTIFIED

The realization of a digital bank is only possible by means of a comprehensive transformation of the existing operating model. From our perspective, three basic prerequisites have to be created within this transformation: paperless banking, standardized and fully automated processes (cf. fig. 3).

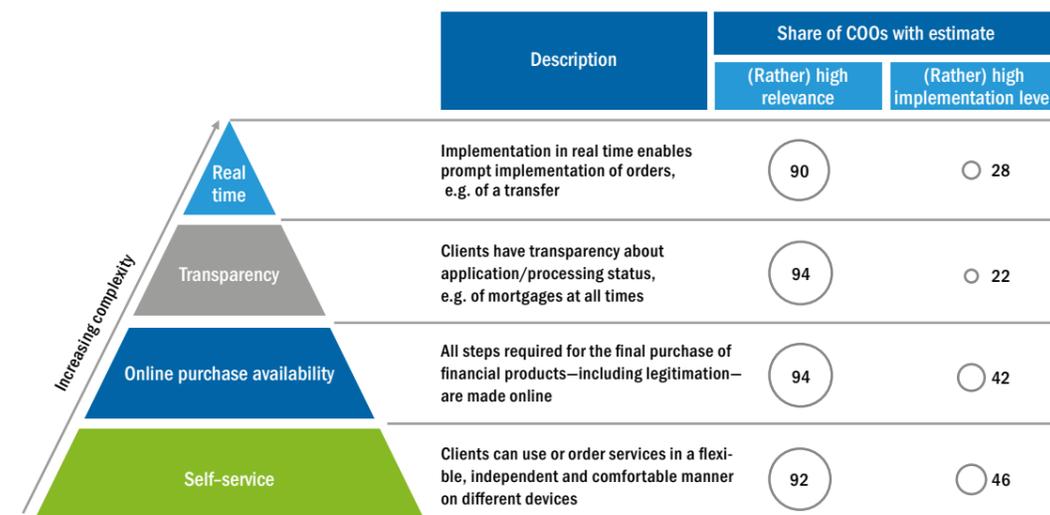
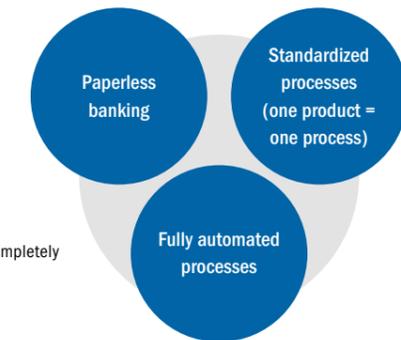


Figure 2: Customer expectations for banks in the field of digitalization



Paperless banking: Applications and files are exclusively available online, which significantly increases data consistency and efficiency

Standardized processes: Regardless of the input/sales channel, each product has the same underlying process

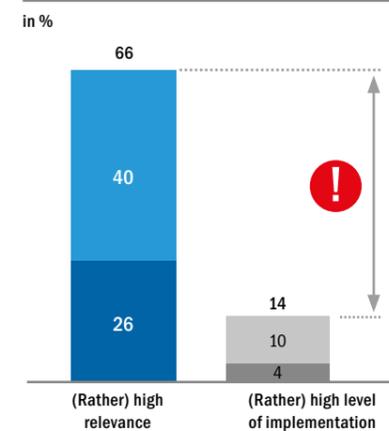
Fully automated processes: The lead time can significantly be increased by completely eliminating manual interventions

Figure 3: Process-related criteria regarding digitalization

Most of the participating COOs also attribute a high relevance to these three topics. The majority of banks, however, still has a long way to go in order to achieve a smooth combination of the online and offline world without any media disruptions:

- Two-thirds of the study respondents ascribe a high relevance to paperless banking. But only 14% have completely or at least mostly eliminated paper-based forms (cf. fig. 4).
- Process standardization reveals a similar image. 74% of the participating COOs consider it to be a relevant issue. Only 20% have implemented the demand of a standardized process across all sales channels for a product—to its full extent even only 4% (cf. fig. 4).

Paperless banking



Process standardization

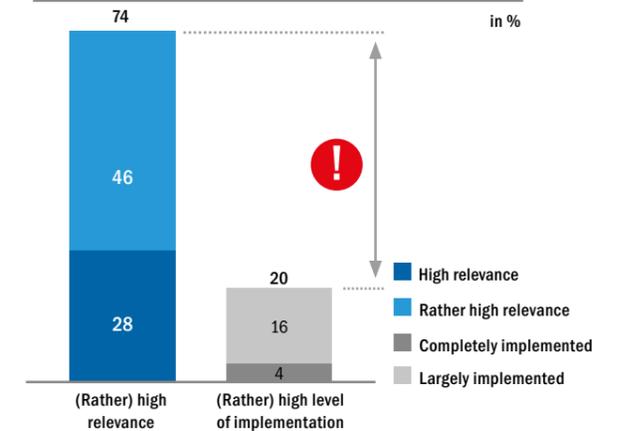


Figure 4: Relevance and implementation of paperless banking and standardized processes

- Financial institutions can often already implement a partly automation of processes with comparatively simple adjustments. The full automation of processes still represents the “supreme discipline” for banks in order to achieve a comprehensive process digitalization. Currently 40% of processes on average are fully automated and thus without manual interventions according to the participating institutions. The full automation level will account for more than 60% in three years pursuant to the survey result—with a growing tendency (cf. fig. 5).

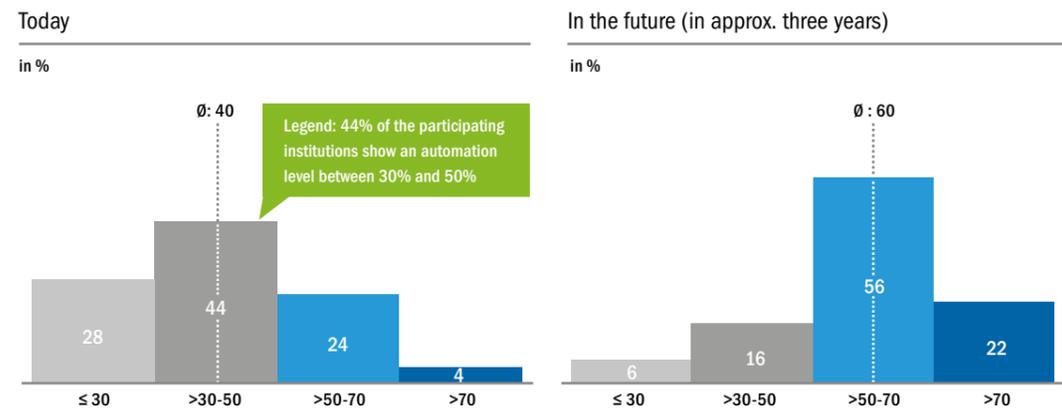


Figure 5: Full automation level of processes

Only if processes follow a purely system-based approach with a standardized pattern and without manual interventions, can the transparency and the real-time processing demanded by customers be ensured completely. In order to enable this change, a fundamental modernization of the IT landscape is required for creating standardized and integrated processes.

SIGNIFICANT CHANGE IN THE MIDDLE AND BACK OFFICE DUE TO DIGITALIZATION

The increase of the automation rate and self-service offering will also have significant implications on the employees in the middle and back office.

The participating COOs assume that nearly one quarter of the employee capacities in the middle and back office will not be required anymore within the next three years due to digitalized business processes. Simple activities, such as data entry, are eliminated by automation or outsourced to the customer (cf. fig. 6).

Significant decrease of employee capacities in the middle and back office...

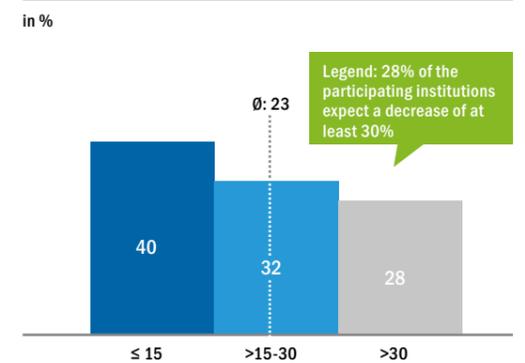
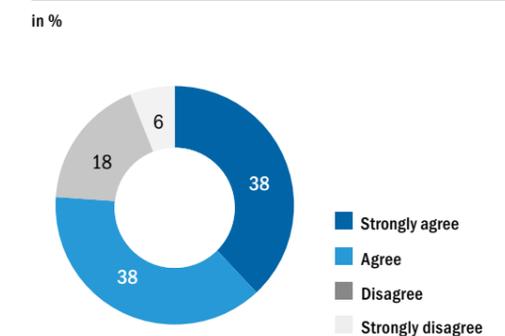


Figure 6: Implications for employees in the middle and back office

In addition to direct cost savings, the changing job profile in the middle and back office also entails challenges. More than three-quarters of all participating COOs agree that the qualification requirements for employees remaining there are going to grow.

If simple activities are automated or outsourced to the customers, more complex processes, special cases and the 2nd level support of customer requests will remain in the middle and back office. The previous trend to an ever more specialized processing of single process steps

...with at the same time increasing qualification requirements for the remaining employees



will be reversed to manufacturing of larger sections. This is only possible with highly skilled employees seeing the big picture of the customer and the further optimization of their processes in addition to their own activities. Thus, the proactive (further) development of employees through training and coaching is indispensable. Additionally, capacity management has to be supplemented by qualification criteria. A traditional production management solely aligned towards balancing capacity supply and demand in mass processes is not sufficient anymore for these new requirements.

WIN-WIN SITUATION DUE TO DIGITALIZATION

In total, digitalization offers enormous potential for financial institutions. Digital technologies help to fulfill increased customer expectations for service and product offerings and simultaneously to achieve cost reductions by eliminating manual processing steps. The majority of the participating COOs approves this as well (cf. fig. 7).

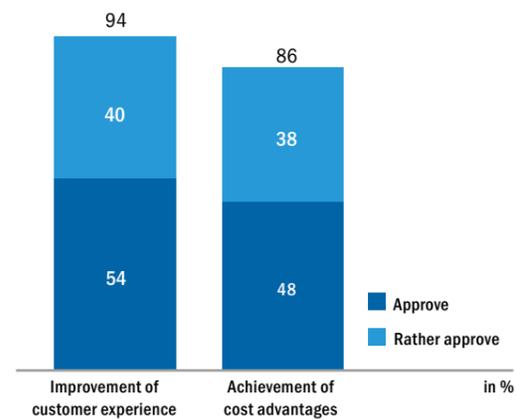


Figure 7: Opportunities of digitalization

This is a win-win situation that rarely occurs: cost savings go hand in hand with the fulfillment of customer expectations! However, the direct and indirect responsibility for the customer experience requires a change of self-perception and the cooperation models of all stakeholders contributing to the value chain (cf. ch. 2)—a long way still lies ahead.

1.2 REGULATIONS

In addition to the opportunities and threats due to digitalization, banks inevitably have to deal with the implications of increasing regulations on their business models and the related sometimes fundamental changes. A proactive management of implementing regulatory requirements continuously gains more importance in this context. But which goals exactly are pursued?

COMPLIANT IMPLEMENTATION AS TOP PRIORITY—DIRECTLY FOLLOWED BY EFFECTIVENESS AND EFFICIENCY

It comes as no real surprise that the compliant implementation of regulatory requirements is a top priority for banks. 96% of the participating COOs consider it to be an important goal of managing regulatory requirements—of which 78% without any restrictions. They also strive for an effective and efficient implementation of regulatory requirements in projects (“Change”) and their implementation in the ongoing operations (“Run”), but with reduced priority. Hence, the identification of opportunities presumably arising from regulations is currently of less importance. Opportunities can be offered due to the differentiation from competition, e.g. by means of faster implementation and/or the assumption of services for third parties (e.g. as a clearing broker). Chances for positively influencing customer satisfaction can for example result from simpler, but still audit-proof documentations in the advisory process (cf. fig. 8).

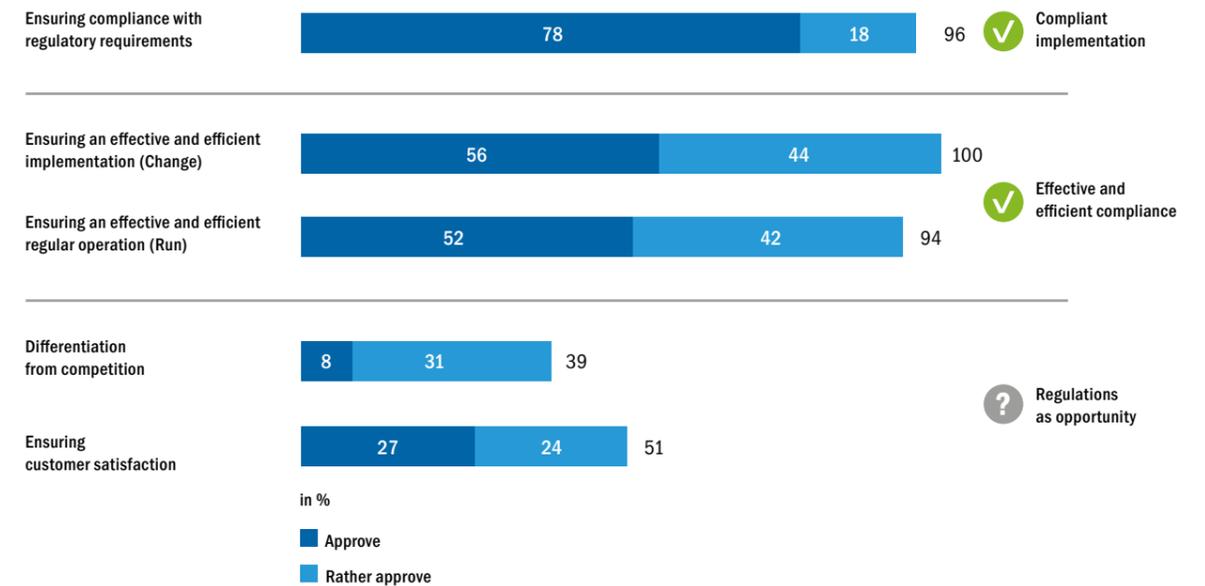


Figure 8: Goals of managing regulatory requirements

RESPONSIBILITY DISTRIBUTED OVER MANY AREAS—COO RESPONSIBLE FOR BUDGETS

The responsibilities for managing and implementing regulatory requirements and thus also for achieving the aforementioned goals are currently distributed over many areas depending on the activities to be carried out. Even if it might be surprising at first glance (cf. fig. 9) that clear

and consistent responsibilities cannot be recognized in the jungle of increasing regulatory initiatives on the one hand and scarce resources on the other, the participating COOs consider the distribution of tasks, however, to remain stable in the future as well.

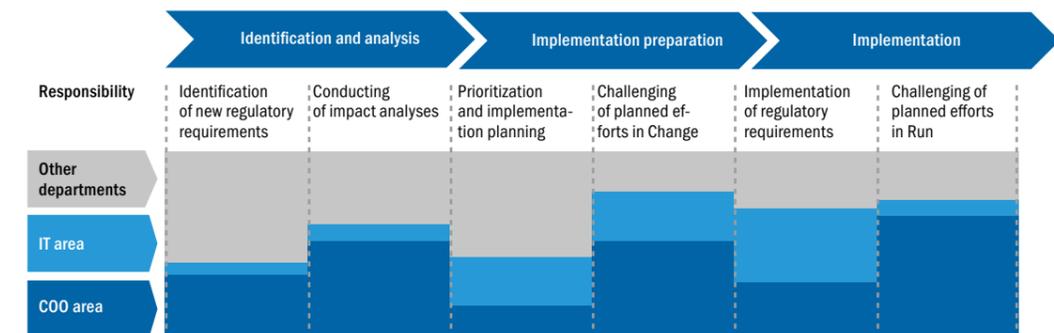


Figure 9: Responsibilities in managing regulatory requirements (schematic diagram)

But the first impression of lacking clearly defined responsibilities is misleading. The COO is traditionally highly involved during the entire process due to his strong responsibility for budget issues, thus also with regard to the management of regulatory requirements. The COO area is leader in terms of conducting impact analyses and challenging the planned efforts and costs in Change and Run. The fact that also other departments and IT are involved is due to the nature of regulatory requirements. They usually have an impact on more than only one area and often require the adaption of existing applications or implementation of new ones.

IMPLEMENTATION OF CONTROL LEVERS FOR ENHANCING EFFICIENCY WITH CATCH-UP POTENTIAL

Even if COOs are not the only ones responsible for the efficient implementation of regulatory requirements, they still contribute a lot. They or rather the entire bank can choose between four control levers (cf. fig. 10):

- assessment of the impact of regulatory requirements with regard to ongoing operations
- review of the business model
- outsourcing the fulfillment of the requirement to a third party
- centralization of implementation coordination

After a first review whether the regulatory requirement is actually relevant for the respective institution, the operational costs (“Run”) after the implementation should be identified already in the run-up to the implementation in addition to the pure project costs (“Change”). This helps to better estimate and manage the total costs of an implementation. 94% of the respondents consider such an impact analysis to be an ideal support to become more efficient when dealing with regulatory requirements. According to the answers of the COOs, nearly half of them (48%) conduct an actual assessment of the impact on operational costs.

In particular in the case of major “run-the-bank” costs, challenging the current business model and conducting perhaps necessary adjustments should be the next step. If an institution only generates a low sales volume in markets with a high density of regulations, it should consider a withdrawal from the respective market. 82% of the participating COOs think it is an ideal opportunity to reduce the costs and complexity induced by regulations, however, only 44% of the respondents have already intensively dealt with this issue.

		Share of COOs with estimate	
		(Rather) high relevance	(Rather) high implementation level
Assessment of impact	Assessment of the impact on operational costs following implementation (Run)	94	48
Review of business model	Challenging of the current business model and conducting of adjustments, if required	82	44
Outsourcing	Outsourcing of the fulfillment of specific regulatory requirements (“make or buy”)	34	8
Central coordination office in COO area	Setup of a central organizational unit in the COO area, responsible for coordinating the implementation of regulatory requirements	54	26

Figure 10: Relevance and level of implementation of options for ensuring regulatory efficiency

Another possibility for enhancing regulatory efficiency results from the “make or buy” decision. Simple processes, such as Article 9 reports or EMIR reporting, that do not create any customer benefits, provide ideal approaches for outsourcing considerations with regard to a more efficient handling of regulatory requirements. However, only one out of three banks (34%) considers outsourcing of regulatory requirements to be a “real” option and which always refers to only sub-aspects of the service provision. A possible explanation for the still very low outsourcing level of regulatory requirements (8%) is the comparatively little number of specialized service providers and the lacking willingness for interinstitutional cooperation.

If an institution opts for “make”, the establishment of an independent department acting as a central coordination office for the implementation of all regulatory issues will help to enhance efficiency. It communicates with departments such as Treasury, Risk Management, Legal and Compliance and coordinates required activities. Most of the participating COOs (54%) agree in this respect. However, only 26% have already implemented this process.

Banks that already have established such a “central coordination office” indicate to get along with a lower “change-the-bank” budget. Assuming that the number and the scope of regulatory requirements will not be reduced significantly, it can be concluded that these banks compared to those without a central coordination office are more efficient when dealing with regulatory requirements.

1.3 PRESSURE ON PROFITABILITY

The implementation of regulatory initiatives and the investments due to digitalization tend to increase the costs in the short run and reinforce the pressure on profitability as a result from the low interest rate phase in many countries. In order to secure their future and simultaneously satisfy their shareholders against this backdrop, banks across Europe launch initiatives for cost reduction and income increase. While cost programs have dominated after the financial crisis, the current situation looks quite different. Initiatives for income increase are deemed more important than cost reduction programs (cf. fig. 11).

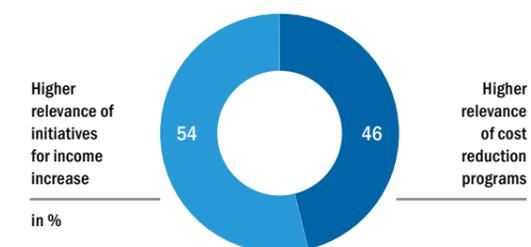


Figure 11: Relevance of cost reduction vs. income increase programs for enhancing profitability

Even if COOs lay the foundation for a positive customer experience and hence also for the exploitation of income potentials through, for example, efficient processes and a powerful IT and operations infrastructure, they can primarily influence the costs side.

FURTHER COST REDUCTION REQUIRES INTERACTION OF SEVERAL MEASURES

Since cost reduction is not a new topic on the agenda of many COOs, we wanted to know which control levers are attributed the greatest potential with regard to further cost reductions (cf. fig. 12).

The high rate of approval for many measures reveals that there is not only one lever for cost reduction (anymore), but an interaction of several measures is necessary for a further cost reduction.

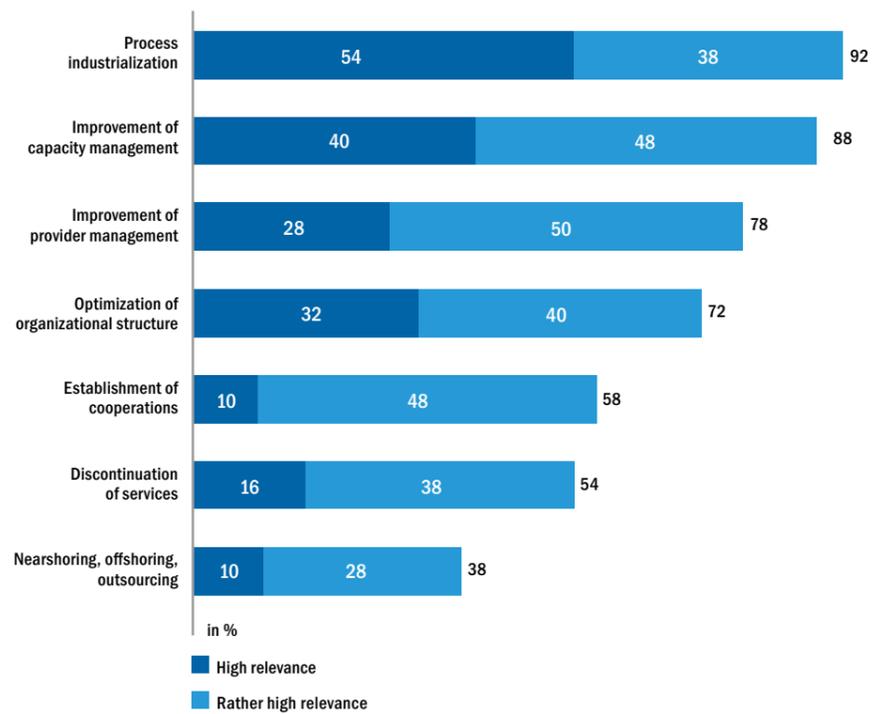


Figure 12: Control levers for further cost reduction

The fact that “process industrialization” is at the forefront is not a surprise against the backdrop of the discussed effects in the “Digitalization” chapter and underlines again a major need for action. Industrialized processes also facilitate capacity management, as the required data can be generated more easily.

Whereas the “improvement of provider management” ranks third in the present survey, the “development of cooperations” and “nearshoring/offshoring and outsourcing” control levers significantly fall behind. Our project experience shows that simple functions have already been largely outsourced and many institutions rather fear sourcing of more complex activities.

OPTIMIZATION OF COST MANAGEMENT FOR CONTINUING EFFICIENCY GAINS

In addition, advanced digitalization and automation make outsourcing gradually superfluous, since simple tasks are eliminated (cf. Digitalization chapter).

The efficient management of different providers now presents banks with new challenges. One improvement measure on the market is, for example, a centralization of provider management.

Many of our clients have experienced in the past years that initial significant efficiency gains due to cost optimization programs diminish shortly afterwards until the cost basis plateaus sometimes significantly above the initial level. This is among other reasons due to a decreasing cost awareness (cf. fig. 13).

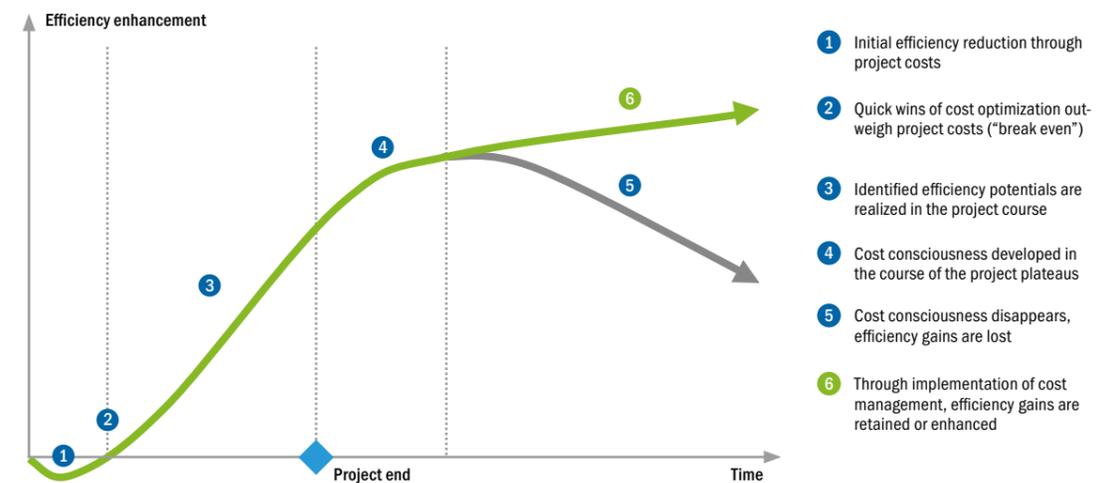


Figure 13: Typical course of efficiency enhancement after cost optimization

This experience is backed in quantitative terms by a current study of zeb¹: the operating expenses of the largest banks² in Europe have grown by more than 20% in total from 2007 to 2014, whereas these banks were able to increase their net income by only 4% during the same period.

¹An almost “lost decade” - The development of efficiency in the European banking industry 2007-2014

²N = 141

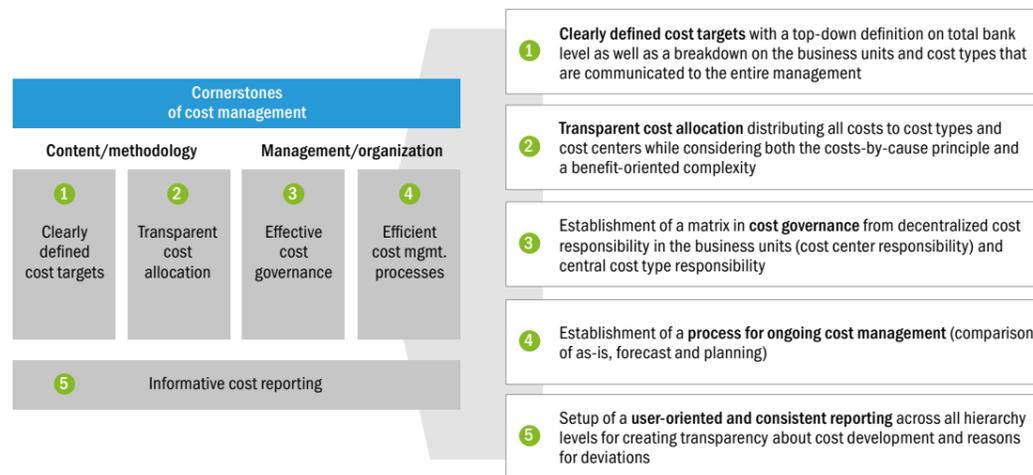


Figure 14: Cornerstones of cost management

The achieved efficiency gains can be sustainably established or even increased by introducing and/or optimizing an existing cost management. More than 75% of the participating COOs agree with this estimate.

According to our experience, a successful cost management requires the efficient design of five relevant cornerstones (cf. fig.14).

Whereas the communication of clearly defined cost targets and a process for ongoing cost reduction have nearly become a standard already, the implementation status for example of the establishment of a complete matrix structure from cost center and cost type responsibility is still comparatively low.

Almost all institutions either have implemented cost center responsibilities and/or cost type responsibilities for at least some cost types.

However, our experience shows that cost responsibility only becomes a success factor if cost center and cost type responsibilities overlap in a matrix structure. As a result, cost potentials are fully exploited while simultaneously particular interests of individual organizational units are prevented. However, this is only possible by establishing cost type responsibilities for all relevant cost types.

In order to find out whether the COOs who have established such a complete matrix structure agree with our estimate, we have asked them to estimate the relevance of this measure (cf. fig. 15, no. 3):

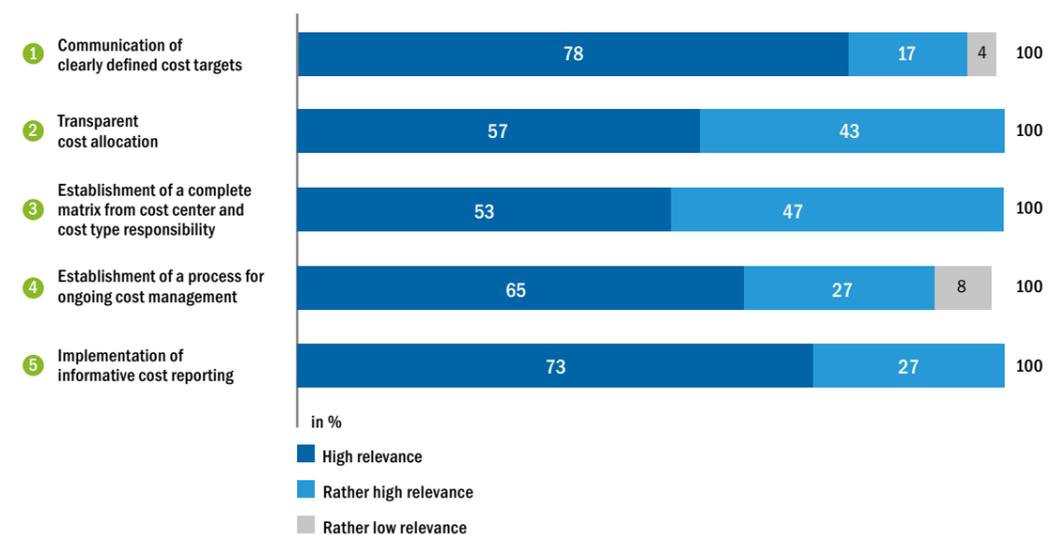


Figure 15: Estimate of relevance of measures by COOs who have comprehensively implemented them

All COOs who have implemented a complete matrix structure attribute a high (53%) or at least rather high (47%) relevance. The same result can be observed in terms of the other cornerstones of cost management. This shows that the participating COOs have gained an extremely positive experience thanks to the introduction of different instruments. The implementation of a comprehensive cost management can only be recommended with a view to this result!

2. FROM THE "CHIEF OPERATIONS OFFICER" TO THE "CHIEF OPERATING OFFICER"?

Against the backdrop of urgent need for action, we wanted to know whether this will or must entail a change to the tasks and role of the COO. As figure 16 shows, this change in sub-areas is not only present, but apparent.

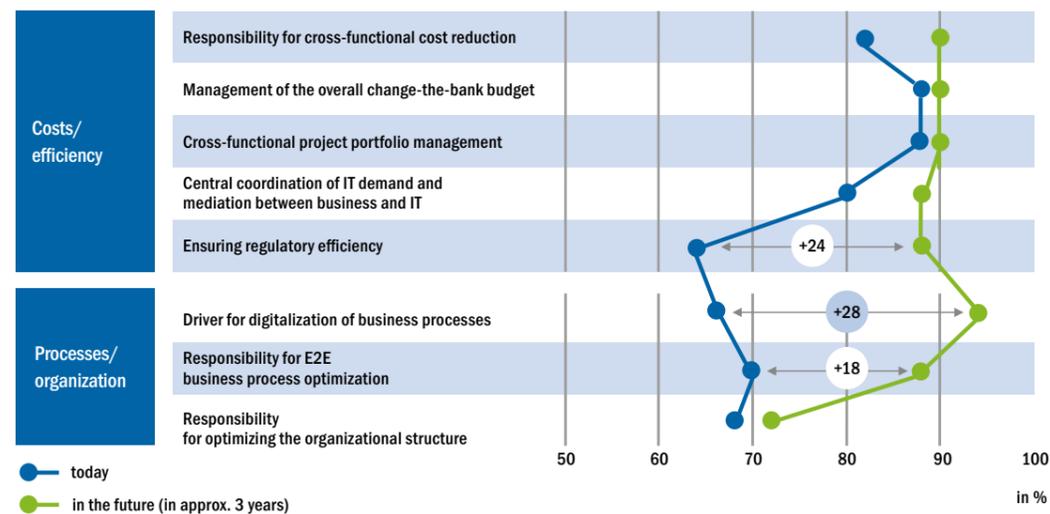


Figure 16: Development of COO responsibilities / fields of activity

The function as cost manager³ and guardian of efficiency—which today undeniably belongs to the COO—will not become less important in future. Instead, cost reduction across departments will become especially important. “Ensuring regulatory efficiency”, which was seen as having comparatively low relevance, will surely gain importance as an additional field of activity. The methods and measures that are available to the COO are described in the chapters on profitability pressure and regulations.

An even greater change will occur regarding the COO’s tasks for processes and organization. Besides responsibility for an end-to-end process optimization, the COO also needs to act as driver of digitalization of business processes. Processes will be designed front-to-back, starting from the customer. This is the only way that the improvement to the customer experience, which is the focus of the digitalization strategies, can be realized. 90% of the participating COOs agree with this assessment (cf. fig. 17). At the same time, most COOs believe that they have not or have only partly taken these steps. Cooperation between operations and IT in interdisciplinary teams is necessary for improving the implementation status. 80% of the responding COOs agreed with this statement.

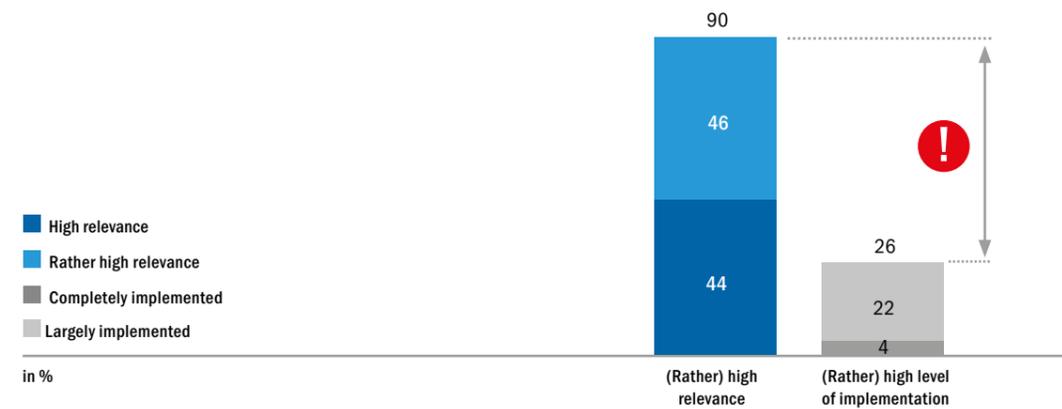
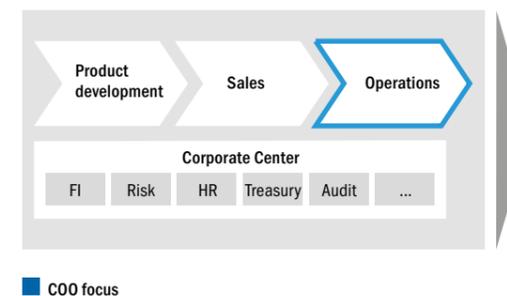


Figure 17: Front-to-back design of processes

“In future, the COO will also be partly responsible for implementing a customer experience that distinguishes their company from competitors”. A large majority (80%) of the participating COOs could identify with this statement. This reinforces the fact that the profile of the COO is developing from the classic process and cost manager to designer of

the entire operating model. For the COO, this implies taking on an active role in comprehensive operationalization of the defined business model for the following dimensions: processes, organization, personnel, performance management and IT support (cf. fig.18).

Role: “Focus on operations”



Role: “Designer of the operating model”

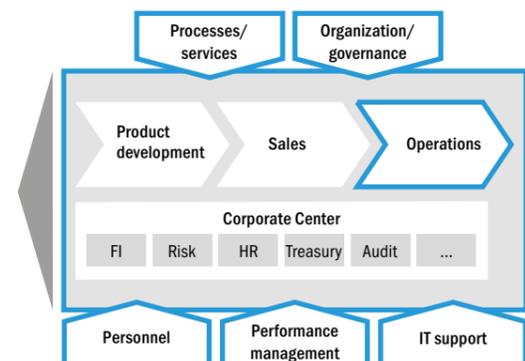


Figure 18: The changing role of the COO

³ Together with the accounting specialists

By a smooth combination of the online and offline world without any interfaces from a customer perspective, the COO can make a major contribution to a positive customer experience. We used the study results to summarize how that is possible and how simultaneously a high level of efficiency can be achieved (cf. fig. 19).

Processes/ services	<ul style="list-style-type: none"> Responsibility for end-to-end process optimization Front-to-back design and standardization ("one product=one process") Driver of business process digitalization Preparations for shifting simple tasks to customers 	Organi- zation/ governance	<ul style="list-style-type: none"> Creation of a central unit for coordinating the implementation of regulatory topics Ensuring of cross-divisional cooperation between business and IT Outsourcing of the fulfillment of specific regulatory requirements for the realization of economies of scale
Personnel	<p>Adjustment of the employee job profile and the resource requirements due to:</p> <ul style="list-style-type: none"> elimination of simple activities, such as data recognition and checks that can be automated relative growth of qualified tasks in more complex processes with customer interaction 	Per- formance manage- ment	<ul style="list-style-type: none"> Expansion of capacity management to include qualification criteria Realization of transparency for customers regarding order/processing status
IT support	<p>Development of a "digital bank" (together with IT):</p> <ul style="list-style-type: none"> Standardization of processes to enable "one product=one process" Automation of processes as prerequisite for real-time processing Paperless banking 		

Figure 19: Future (additional) roles of the COO area (excerpt from study contents)

The COO area is developing by moving away from the most efficient implementation of requirements of business units alone towards overarching coordination and active design of the change. For the COO, this means moving away from being "chief operations officer" towards "chief operating officer"!

3. MORE AND MORE, FASTER AND FASTER?

It is not just the range of responsibilities and activities that have heavily increased in recent years across all areas, rather, the amount of initiatives that COOs are responsible for has also increased strongly. 92% of the COOs that we surveyed specified that the number of initiatives that they are responsible for has grown in the last three years. Over three-quarters believe that the number will even continue to grow in the next three years (cf. fig. 20).

In addition, the speed at which these initiatives need to be implemented is increasing. Especially in terms of regulations, banks are often forced to comply with legislative requirements within very ambitious time frames.

But also in terms of increasing digitalization of the banking sector, the COO needs to react to customer requirements quickly and flexibly in order to survive among competitors. 74% of COOs specify that the speed at which initiatives need to be completed has increased in the last three years, while 78% of respondents expect another increase of speed in the future (cf. fig. 21).

"More and more..."

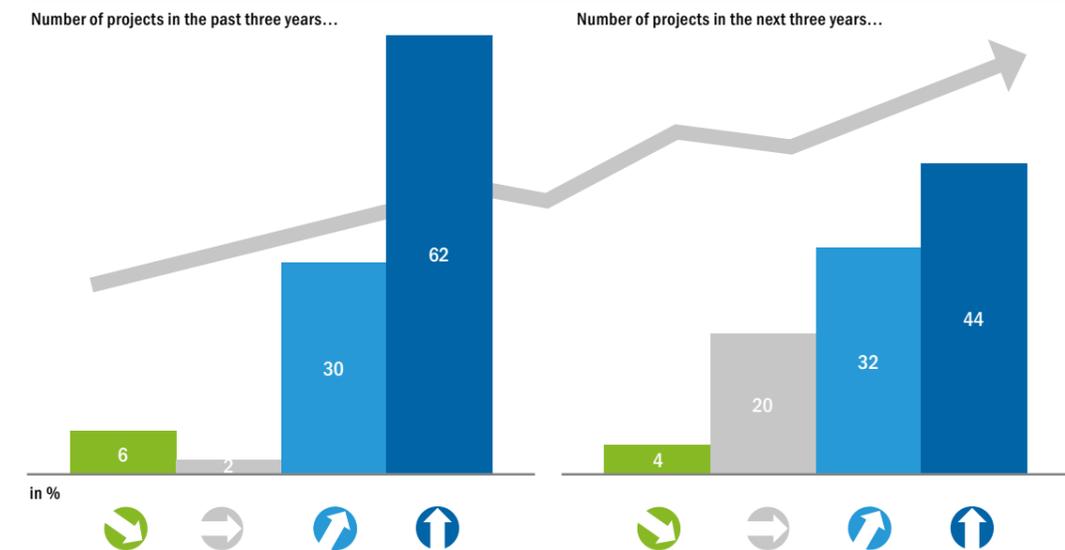


Figure 20: Development of number of initiatives

4. COO AGENDA 2020 SUMMARY

"...faster and faster"

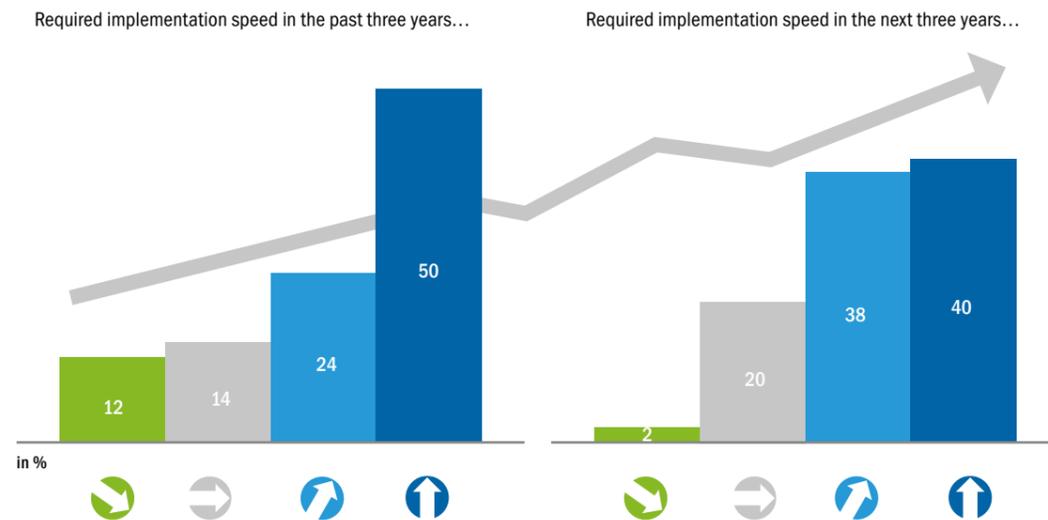


Figure 21: Development of implementation speed of initiatives

The "more and more, faster and faster" pressure poses major challenges to the COO area, and also to the other CxO areas. This can only be managed through cooperation, i.e. by working across fields and departments. For the COO area, this necessitates a positioning as designer of the entire operating model, along with taking on an end-to-end view of processes and costs and thus also the implementation of regulatory requirements.

For this purpose the COOs do not just need to assert themselves in the transition, but also restructure their area at the same time. Employees need to be involved, and prepared for the new requirements, possibly accompanied by adequate training measures. Even though the awareness for these changes is often already present, practically, the COO area still has a long way to go.

An active restructuring of the own area needs to be on the agenda of each COO just as for the other fields of action triggered by the current issues of digitalization, regulations and profitability pressure. The COOs that we surveyed indicated that this is the case. Of course, the specific design of each point depends heavily on where each institution is starting from. As described in chapters 1 and 2, there is a large gap between expectations and reality in the implementation of many fields of action. This allows the core tasks that COOs should have on their agenda for 2020 to be derived:

! "BE DIGITAL" Digital readiness of the operating model:

- Ensuring an E2E perspective from client (sales) to client (output management)
- Adjustment of governance, organization and processes to new value added creation structure
- Reorganization of middle and back office according to change requirements (processes, capacity and skills)

! "BE EFFICIENT" Efficiency of the operating model:

- Establishment or expansion of comprehensive cost management approach
- Development of strategic cost reduction measures by reorganizing the operating model (e.g. complexity reduction)
- Ensuring that cost potentials are taken advantage of

! "BE COMPLIANT" Effective compliance of the operating model:

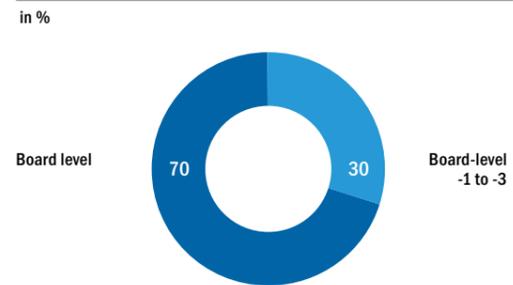
- Establishment of a standard process for evaluation and implementation of regulatory requirements
- Establishment or expansion of abilities in COO area for
 - providing information for strategic decision making (impact analysis of change and run-the-bank costs)
 - E2E evaluation and conceptual design for adjustments to the operating model (organization, processes, resources)
 - evaluation and conceptual design of adjustments in operations
- Evaluation of current portfolio for regulatory projects

! "BE AGILE AND FAST" Flexibility and agility of the operating model:

- Development of project and process models that take higher dynamics into account, incl. through
 - joint teams from business and IT
 - taking an E2E perspective
 - a more focused project scope
 - use of a scrum process or similar

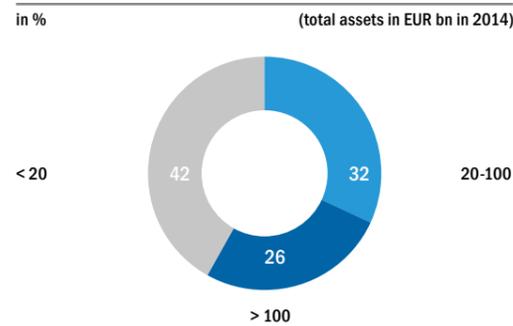
5. STUDY RESPONDENTS

Hierarchy level of participating COOs



In order to test our hypotheses on changes to the COO area as broadly as possible, we surveyed 50 COOs from renowned European banks by means of a structured questionnaire. More than two-thirds of the respondents were direct board members (cf. fig. 22 for this and below). Over one-quarter of the institutions had total assets of more than EUR 100 bn in 2014. The average total assets were EUR 144 bn.

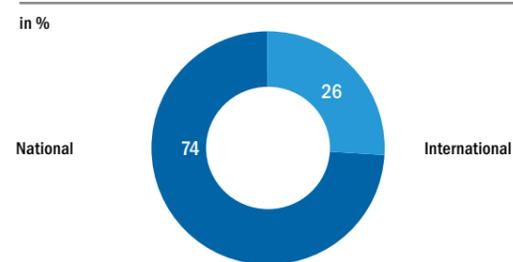
Size of institution



Because our study was intended to shed light on the challenges of COOs in banking as a whole, banks from various business models were included in the sample. With a share of just over 40%, retail banks made up the largest group. The focus of business operations was mainly national for 74% of the institutions, while 26% fostered international business relationships.

The participating COOs came from thirteen different countries in total. 44% of the participating COOs worked from Eastern Europe and 56% from Western Europe. With a share of 26%, German financial institutions made up the largest group.

Focus of business activities



The survey results and further expert assessments were incorporated into the study in an anonymised way. To simplify the illustrations, at appropriate points, only a selection of the responses were visualized (values may not add to 100%). The responses from other participants can be interpreted according to the relevant context.

Headquarters

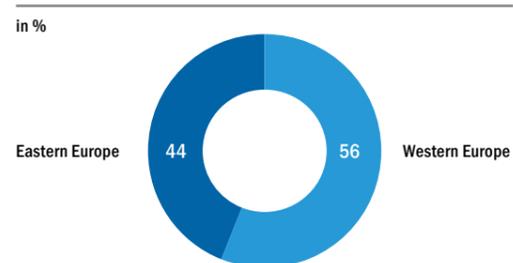


Figure 22: Characteristics of study respondents

CONTACT

Dr. André Ehlerding

Partner, Director
Head Practice Group Operational Excellence & Sourcing
Friedrichstraße 78
10117 Berlin
Phone +49.30.473753.105
E-mail aehlerding@zeb.de

Michael Herkert

Partner
Head Practice Group Restructuring & Cost Management
Theresienhöhe 13a
80339 Munich
Phone +49.89.543433.354
E-mail mherkert@zeb.de

Michaela Willbold-Majling

Manager
Theresienhöhe 13a
80339 Munich
Phone +49.89.543433.368
E-mail mwillbold@zeb.de

Laura Müller

Senior Consultant
Theresienhöhe 13a
80339 München
Phone +49.89.543433.391
E-mail lmueller@zeb.de

Raphael Neuberger

Senior Consultant
Theresienhöhe 13a
80339 Munich
Phone +49.89.543433.310
E-mail rneuberger@zeb.de



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