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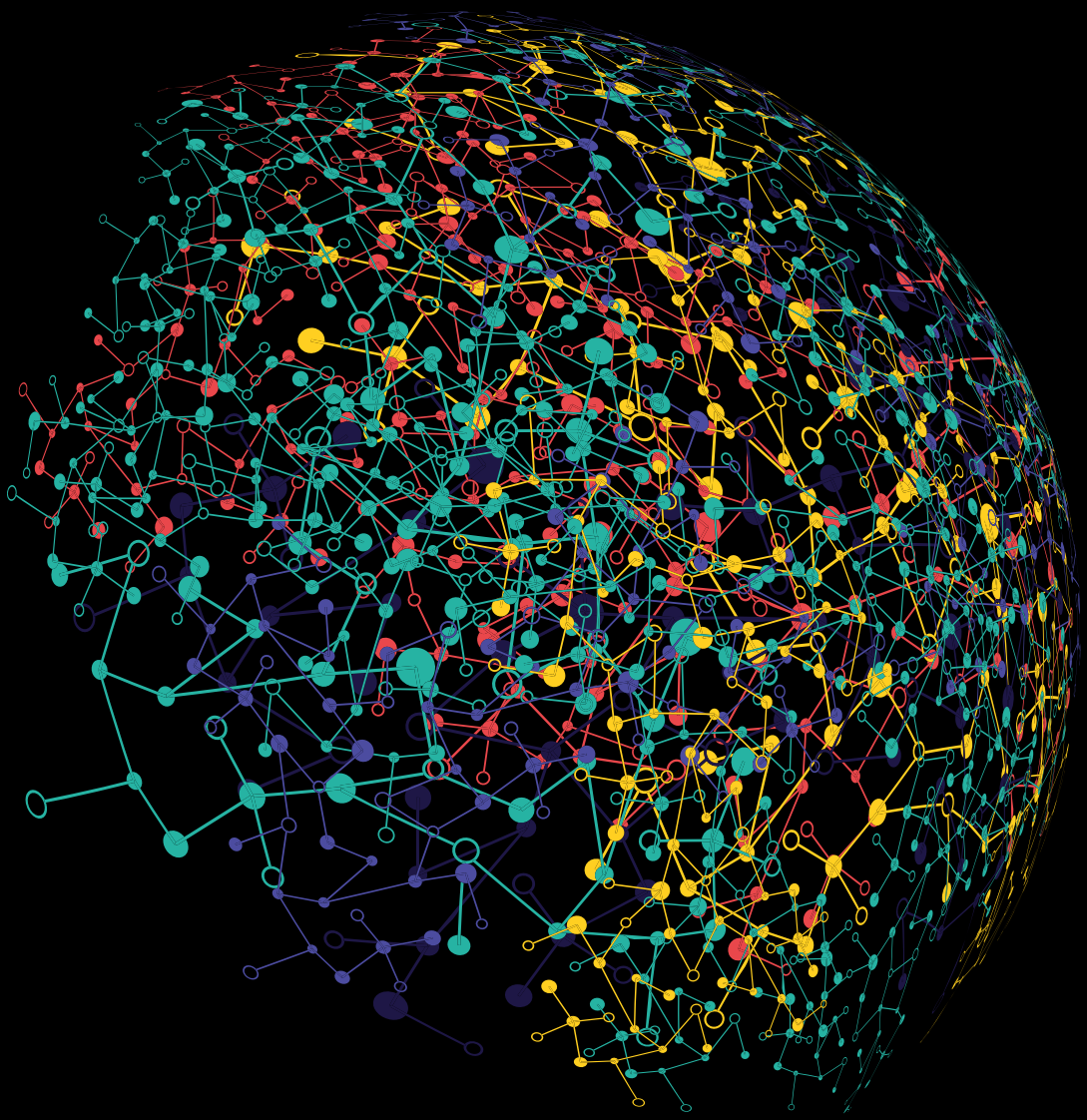

COVID-19

Lessons learned during COVID-19

A banking study

The way banks responded to COVID-19 offers valuable lessons. Traditional constructs were dismantled in favour of clarity and agility to tackle unforeseen marketplace disruption. These lessons can offer banks a new path forward.

The pandemic forced banking institutions to respond in ways that were unimaginable only a few months ago. They not only ensured that there was minimal operational disruption, but they also engaged in unmatched levels of collaboration – with government agencies, other banks, and internally. The pandemic has necessitated a dramatic acceleration towards operating norms that allow for enhanced alignment, pace, and performance. Outcomes that would have normally taken years to achieve took place within weeks. These swift responses poised banks to respond effectively to their clients' needs in a time of crisis. Banks should be proud of this accomplishment.

What did banks learn in responding to the COVID-19 pandemic? And how can these lessons be "normalized" to build stronger, resilient, and more purposeful institutions?

Uncertainty remains months after COVID-19 upended the world. Yet, it is increasingly clear that when the pandemic ends many things might not – and should not – return to previous norms. The experience gained through the pandemic has made us realize that we were stuck in old ways of working that hampered our collective ability to best serve customers. It would be a shame if we let this experience go to waste.

In particular, we believe cultural norms and practices related to decision-making, trust and empowerment need to be updated. Banking culture needs to move away from the rigid bureaucracy that currently dominates operating models, and toward a more agile approach. We realize such radical change is hard. But to thrive in a post-COVID-19 world, banking executives will need to make deliberate choices to lead differently, and inspire their organizations to look at the world through a new lens. Only then can institutions unlock new competitive advantage and resiliency.

Deloitte's perspective on the lessons learned and how best to execute this change was informed by discussions with 40 senior banking executives. To a large extent, there was significant commonality among the leaders' reflections. There were also some unique viewpoints that added fresh insights to our own thinking. The contents of this briefing are a summary of those accounts. We present and expand on three recommendations distilled from the lessons learned during the response to COVID-19: accountability to swift decisions and results, new expectations for interaction, and heightened attention to the employee experience.

Our observations: Distinct decisions pre-crisis. Common actions during.

Banks have historically struggled to balance the competing needs of investing to grow and running core operations, with the tendency to focus the majority of resources on near-term performance. Despite the historically slow pace of future-focused change, not all banks started from the same position when the pandemic began. Banks that had previously invested in technology were able to respond faster, with less disruption to productivity. However, there were remarkably similar patterns in how bank executives responded to COVID-19 in spite of these differences.

In particular, we observed these specific patterns:

- **Decision rights were centralized** with a smaller set of executives held accountable for enterprise outcomes
- **Formalities of processes and burdens of perfection were decreased** in favour of speed
- **Collaboration technologies and tools were leveraged** across teams to enable connectivity within a virtual environment
- **Risk partners were integrated** as part of the solution design, and not only seen as a control function
- **Project teams were delayered, thereby** flattening hierarchies and empowering those closest to the 'work' being done
- **Employees in similar job families were shifted** to support priority areas
- **Form and tone of communications were adapted** to be more frequent, consistent, and transparent
- **Leaders were required** to support their teams differently amid dramatic changes to work-life stresses

These common actions stabilized operations to continue to serve customers. The majority of bank executives we spoke with highlighted that despite the swift dramatic shifts, sound decisions were made, and execution excellence was upheld – busting the myth that agility creates chaos. One executive remarked: "We surprised ourselves with how quickly we pivoted. We adjusted and came together in ways most of us never thought possible". To that end, there is a recognition that new ways of doing things can be highly beneficial. It will be difficult to resist slipping back though, and executives must work to protect their people and institutions from reverting to past norms.

So, what then is the vision and plan that executives need to adopt to make the shifts made during COVID-19 more permanent?

> "The strategic investments we made 3-5 years ago proved to be a crucial differentiator in our pandemic response effectiveness."

> "The risk of being slow far outweighed the risk of making the wrong decision. We had to trust our people."

The opportunity: don't let good learnings go to waste

COVID-19 has created a watershed moment. Many leaders discarded orthodoxies, embraced informality and agility, and made creativity and collaboration the norm. Digital capabilities and more customer centricity became immediate critical enablers to being able to serve customers and support employees effectively. This moment in time is not to be lost: those who spend the time and energy that will be required to institutionalize key elements of change that worked well during COVID-19 will be far better equipped to compete and win.

Here are considerations we believe will be critical to sustain change:

1. Unwavering accountability to results

The bank executives we spoke to consistently attributed their ability to pivot operations during COVID-19 to a clear set of priorities articulated from the top, giving execution authority to delivery teams, and a shift in mindset from perfection to completion. These observed changes replaced traditional operating norms of banking culture, such as slow decision-making, friction due to competing priorities, and analysis paralysis.

Impactful ways to sustain change through recovery and beyond include:

- Design a new leadership model that focuses on holding cross-functional teams accountable to a shared set of enterprise goals
- Create a quarterly process for cascading alignment to enterprise-wide priorities and methods for value-based measurement
- Employ new methods for communicating two-way and continuous feedback on results amongst delivery teams and across business and functions; likewise creating new mechanisms for external collaboration
- Re-evaluate incentive structures to reward and reinforce desired behaviours that promote shared accountability to achieve key business outcomes

> "The power of the crisis is that people become focused; everyone agrees what the goal is. In this crisis we've become laser sharp on our priorities. That brings a lot of clarity."

> "We've needed to reconstitute centralized decision making to make decisions faster and ensure clarity top down. Fragmented decision authorities across spans, layers, and regions will be a thing of the past."

2. New expectations for interaction

Leaders and teams were quick to absolve themselves of the constraints of role and title to become cross-functional and deliver at pace during the crisis. Teams worked in lock-step across the board by adopting available technologies and tools (and compensating for lack thereof through texting or phone calls) to remain connected. Frequency and inclusivity of interactions up and down the hierarchy changed dramatically as teams became delayered and more collaborative.

Impactful ways to sustain change through recovery and beyond include:

- Re-write decision rights and processes that support flattening hierarchies and bringing the right partners together when delivering on solutions
- Avoid the tendency to organize and manage people by tasks, and instead empower teams to be measured by the outcomes they deliver
- Design role profiles around a core set of important competencies and improve coaching and training programs to teach project-based skills 'as needed' based on demand
- Elevate the value placed on and capability within strategic change management and communication functions to drive high-impact information sharing

> "Of significant note was how teams were more effective when they included all partners—across business, technology, operations, and risk—in solution design and delivery"

> "Our customers needed help and support and we had less than three weeks to go live. So we launched 'project 72.' This gave us 72 hours to design a platform, 72 hours to choose it, 72 hours to process map it, and 72 hours to secure legal and compliance reviews."

3. Heightened attention to employee experience

Leaders reported that they spent more time listening, sharing personal stories of how they were managing, and seeking to understand how they could better support their teams. As the abrupt transition to work-from-home created new challenges for many, leaders had to manage more connections in the virtual environment. Core outcomes that came from this included personal connection with employees, and clarity on preferences and capabilities. Executives reflected that strengthening trust among and between leaders and teams was and is critical to long-term engagement and productivity, high-performing teams, and talent retention.

Impactful ways to sustain change through recovery and beyond include:

- Develop sustainable ways to provide employees access to support mechanisms such as an Employee Experience Office focused on well-being, skill building, and career transition
- Craft new policies that offer employees a wider variety of choice in their work-life experience, including physical vs virtual environment, standard operating hours, and office locations
- Employ a behavioural assessment tool, supported by training and action plans, to support leaders in evolving their behaviours towards greater empathy, inclusion, and employee development
- Deploy short and frequent 'pulse checks' to understand how people are feeling and how concerns or needs are shifting

> "We've now tested at scale how to onboard a contingent workforce. We had 1,000 people volunteer to do loan-deferral process from head office who had capacity, and quickly did virtual training. We accelerated the fungibility of that capacity by 12 to 18 months because of the real-world situation we are in."

> "People are similarly productive working from home but they are much less happy, whether that's due to child-care stresses or overall anxiety. Previously, we had assumed the opposite: that people working from home would be happier but less productive. We are starting to focus on this, and are going deeper on how to continue to help our people thrive in this environment."

The challenge: normalizing the lessons learned from COVID-19 experiences

While the pace experienced during the pandemic is not sustainable, executives agree that the organizing principles hold true. There should be no tolerance to revert to previous inefficiencies now that we know we have the capability to accomplish so much. The opportunity for banks recovering from COVID-19 is the creation of a unique competitive advantage, driven through a new standard of operational excellence and redefined banking culture.

So how will you carry forward the lessons learned during the pandemic to build a resilient institution?

- How will you translate the actions and behaviours observed during the crisis more permanently?
- How will you continue to partner and influence external partners regularly?
- How will you ground new norms in a customer centric mindset?
- How will you guard against the risk of employees retrenching to past practices?

> "There is some pull-back to the original centre of gravity, but we want to encourage people to continue being agile."

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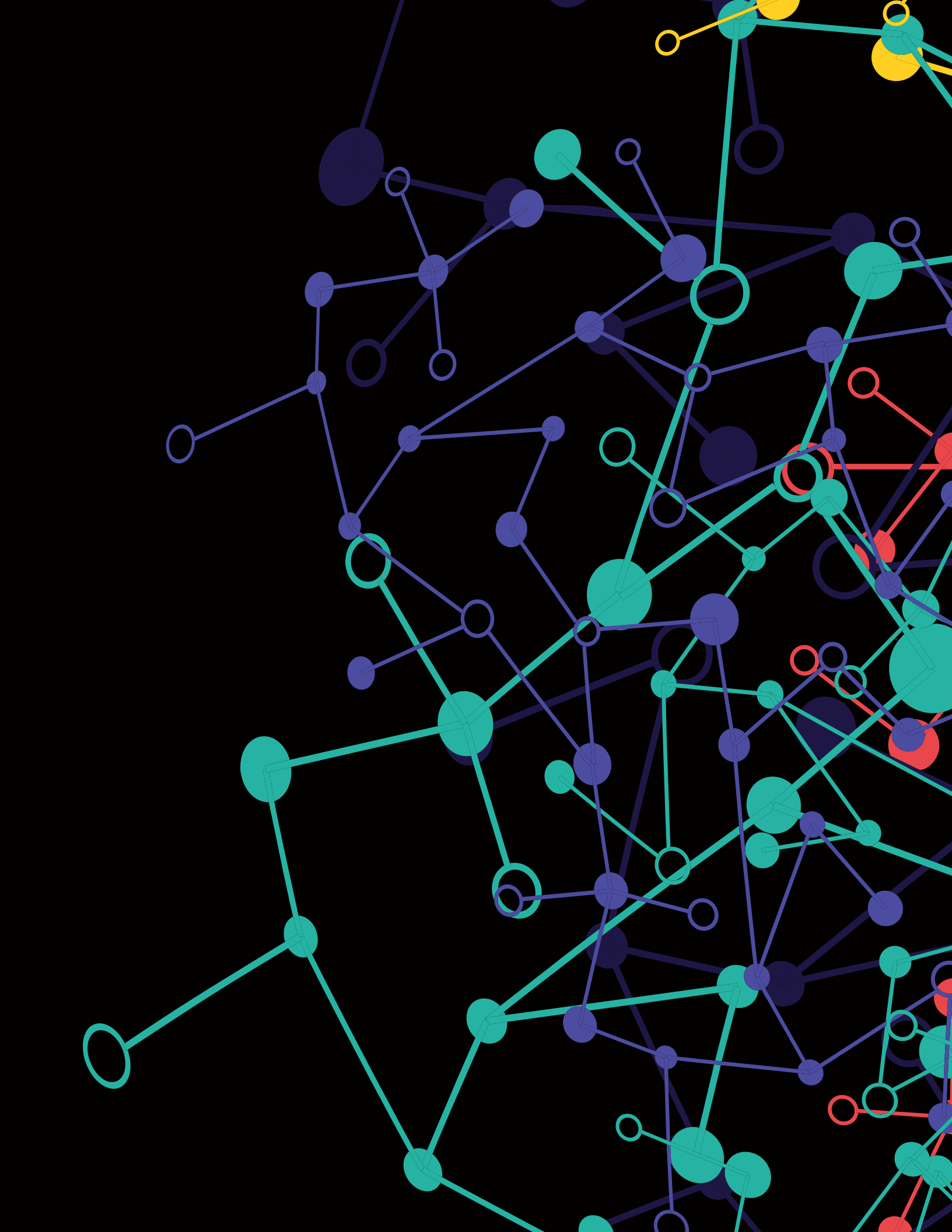

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