

# Create the **RIGHT ORGANISATIONAL CULTURE** for digital success

Dr Joerg Ruetsch gives Alan Hosking insight into what other sectors can learn from the financial sector about digital transformation.

FROM THE UK



## PROFILE

Dr Joerg Ruetschi is a transformational technology specialist, Chief Operating Officer at London-based Cosaic and author of new book *Transforming Financial Institutions* (Wiley).

challenges throughout my entire career. I got interested in financial markets through my interests in geo-politics, economics and business. Before university I had the opportunity to work in asset management, which shaped my academic studies and led to a PhD with core focus on financial engineering. I then worked at Goldman Sachs while the financial system went through its biggest crisis from 2007 to 2009; and further led a number of restructuring mandates at global financial institutions in the aftermath of it; before focusing on the technology innovation that shapes the future of the financial industry.

My book is a reflection of this journey, with a focus on the applied managerial methods and technical concepts – their success and failure. It combines my professional experience with my research interests. Over the last twenty years, I have continuously documented the events and experience, the technical concepts learnt through my continuous research, and the tools I learnt from working with industry leaders and colleagues. The book develops its narrative around that, and introduces a value-creation framework to execute a comprehensive management methodology based on experience and cutting-edge decision frameworks. With asset liability management and technology innovation, this methodology can be broken down in two main areas that transform and bring the financial industry back on a growth track.

Innovation in finance happens today in technology, with which is an area that many of its leaders are not so familiar. The core recommendations of the book are about value

creation through transformative technologies while embedding them in the management frameworks that have shaped the financial industry since the big deregulation of the 1980s.

## WHICH TECHNOLOGIES DO YOU THINK WILL HAVE THE MOST TRANSFORMATIVE IMPACT ON THE WAY BUSINESSES OPERATE IN THE COMING YEARS?

A number of key emerging technologies shape today's digital transformation agenda. They can be classified in three building blocks; each of them defines their own value-creation framework in the way they drive the future of the business.

Open source technologies have substantially improved operational efficiency through automation and collaboration as the first value-creation pillar. Advanced software solutions such as application programme interfaces (API), cloud computing (CC) and smart desktops drive today's open architecture models. Open collaborative architecture allows incumbent organisations to specialise in their core competence and to embed best-in-class services with the objective to provide customers a comprehensive experience through core platform offerings. The area of interoperability allows those different apps to communicate with each other and optimise the workflow accordingly.

Artificial intelligence (AI) with its focus on big data and advanced analytics represents with augmented decision making the second pillar. There are many and varied definitions of AI and the term is often interchangeably used with machine learning (ML). ML is a key field of study of AI that uses mathematical procedures, or algorithms, for the analysis, manipulation, pattern recognition and prediction of data. This allows it to process large data with mathematical accuracy and objectivity, which leads to unbiased results, substantial efficiency gains and new insights. It allows the optimisation of decision analytics and leads to a more comprehensive, objective and accurate decision making such as the prediction of specific political, macroeconomic and/or corporate events. With robotic process automation (RPA), AI further allows the autonomous replication of repetitive tasks through intelligent behaviour. It allows an organisation to keep the value chain with its processes unchanged while automating it.

The third of the emerging technologies is decentralised technologies such as distributed ledger technology (DLT), the parent technology behind blockchain. It facilitates identity management, value storage and back office operations such as settlement of payments and securities transactions. DLT and blockchain digitise and renovate today's financial and legal infrastructure. The technology has so far mainly been known for financial speculation through cryptocurrencies such as Bitcoin and Ether, and experimental forms of finance under the broad term of decentralised finance (DeFi). DeFi utilises smart contracts on blockchains to perform financial services functions but without the traditional intermediary model. With Web3, there is now even a more ambitious vision of digital decentralization and tokenisation emerging. It envisages a next iteration of the World Wide Web across a variety of use cases, such as data ownership, scalability, security and privacy.

## IN YOUR EXPERIENCE OF WORKING ON DIGITAL TRANSFORMATION PROJECTS WITHIN ORGANISATIONS, HOW IMPORTANT A FACTOR IS COMPANY CULTURE?

Corporate organisations with their decision-makers are in continuous demand and are challenged to identify technology trends and adapt accordingly. Decision-makers need to establish a structured planning and execution process to create and protect the value of their businesses. They need to amend the commercial and operating models accordingly. Organisational silos and political interests often slow down adaptability. For the implementation of this approach, the culture of a company is key. Employees need to be open and agile in change that's driven by innovation. Such culture has to be built by thought leadership and the appreciation of new ideas and ways of working that can be embedded across the operational requirements.

## WHAT ADVICE WOULD YOU GIVE TO HR PROFESSIONALS AND BUSINESS LEADERS THAT MIGHT HELP THEM CREATE THE RIGHT ORGANISATIONAL CULTURE FOR DIGITAL SUCCESS?

A culture of innovation can be facilitated by an agile model that shares and exchanges ideas freely and openly. Employees at all levels should



get the opportunity to spend a dedicated amount of their time on developing and driving the ideas they believe are relevant for the future of the business. At the same time, the organisation needs to make sure that the ideas are getting integrated through a continuous design and feedback loop across the existing commercial focus, capabilities and strategic coherence. Incentives and work arrangements need to be structured accordingly. The digital agenda becomes an important pillar of annual performance assessment and appreciation across the organisation.

**WHAT DO YOU THINK OTHER INDUSTRIES COULD LEARN FROM THE FINANCE SECTOR WHEN IT COMES TO DIGITAL TRANSFORMATION?**

The financial industry has been slow in adapting some of the emerging technologies such as open architecture solutions (e.g. APIs and cloud integration); with others such as artificial intelligence and machine learning as well as bitcoin and decentralised technologies, it has been at the forefront of the innovation agenda.

At the same time, global and large-scale financial institutions have faced immense innovation and re-platforming challenges. Many

financial institutions rely on core systems that were developed more than 30 years ago, leading to a patchwork of different system applications. These legacy systems provide stability but are inflexible to adapt to new requirements. When the incoming regulatory agenda after the GFC revenues in many previously profitable areas tumbled and the cost-income ratios increased dramatically, the real operational costs of many of these outdated systems became transparent. Investments of several billions of US dollars have been required to modernise these platforms.

The developments in the financial industry show that organisations need to innovate and adjust continuously with the emerging technology agenda. You can be leading in specific areas to enhance your business but struggle to address the overarching issues. The longer you wait with executing the digital transformation agenda, the more expensive and painful it gets. There further is the risk that you are losing your competitive edge as the wider commercial agenda evolves. In the US and UK, a number of neo-banks have challenged the status quo by offering specialised customer propositions on agile technology platforms that incorporate the different innovations. The speed of digital disruption is constantly accelerating - even former disrupters are now facing the risk of getting disrupted. ■



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