

Digitalization of Component Framework An Inside-Out Approach to Digital Transformation



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Executive Summary

The triggers for digital transformation have historically been external counterparts like the market, competitors, regulators, and customers. It is not surprising that today most of the industry players want to integrate digital technologies into their value chain closely. However, organizations lack Internal capabilities to change, build and respond to the fast-paced digital world. The financial services industry, be it retail banking, investment banks, wealth and asset management; will be unable to compete in the market without bringing in digital-technology-enabled solutions and services.

The digital transformation of businesses entails revamping of business strategy, models, operations, products, marketing approaches, and objectives by adopting various technological tools; which necessitates a relook at the entire strategy and execution methods. Most of the digital transformation models are proving to be ineffective, as they either fail to exploit the full potential of these technological upgradations or are unable to sustain the novel initiatives.

Hexaware's offering with Digitalization Component Framework (DCF), takes an inside-out approach while addressing the common pitfalls of technological leaps. DCF is an enterprise enabler that looks beyond the hype and empowers clients to adopt the fast-evolving technologies, thus, helping businesses.

DCF is built with an objective to provide a methodical yet flexible approach.

Following are the main objectives of DCF:

- To create a digital roadmap
- To create a robust automation framework
- To have an execution and governance model that will give predictable outcomes
- To accelerate the go-to-market by leveraging enablers and accelerator solutions
- To provide a continuous innovation collaborative model

This whitepaper describes how organizations can benefit by applying DCF to their digital transformation journeys of their enterprises.

The major challenges faced by financial services firms

Digitalization urges corporations to search for new business models and rethink their operating model. However, there are significant challenges that these corporations need to override. We have enumerated a few such challenges below:

- **Budgetary constraints:** Some organizations have under-invested in digitalization as their other priorities are more pressing. In such cases, digital technology implementation initiatives are not enough to provide the desired ROI
- **Limited Capabilities:** Organizations have bold visions and ambitious plans for the digital future but face immediate difficulties in managing these initiatives. Digital disruption is already taking place in the financial services sector with rapid speed. Many firms have highly fragmented IT & data architecture, thus making them incapable of providing a reliable framework for building digital offerings without a substantial investment. Another factor is the resistance to change within, as an organizational culture is not fully aligned to the transformation programs
- **Market Pressure:** New competition is arising as Fintech companies are pushing themselves in the financial services eco-system and disrupting the status quo of the industry.
- **Regulatory Limitations:** Data sharing regulations and compliances are evolving, e.g., GDPR making it quite challenging to keep the internal systems in sync with the requirements.
- **Raising Customer Expectations:** Digitally connected customers are expecting the same level of digital experience that they experience on social media.

Financial firms need to react quickly, to the fast-evolving market and disruption. However, business stakeholders are struggling to get clear answers.





Figure 1. Some of the common questions asked by stakeholder



The Digitalization Component Framework (DCF)

DCF emphasizes the five key ingredients essential for a successful transformation program: Collaborate, Strategize, Automate, Sustain, Innovate. With a holistic viewpoint, DCF comprises of Methodologies, Recommendations, Assessment enablers, and Automation levers.

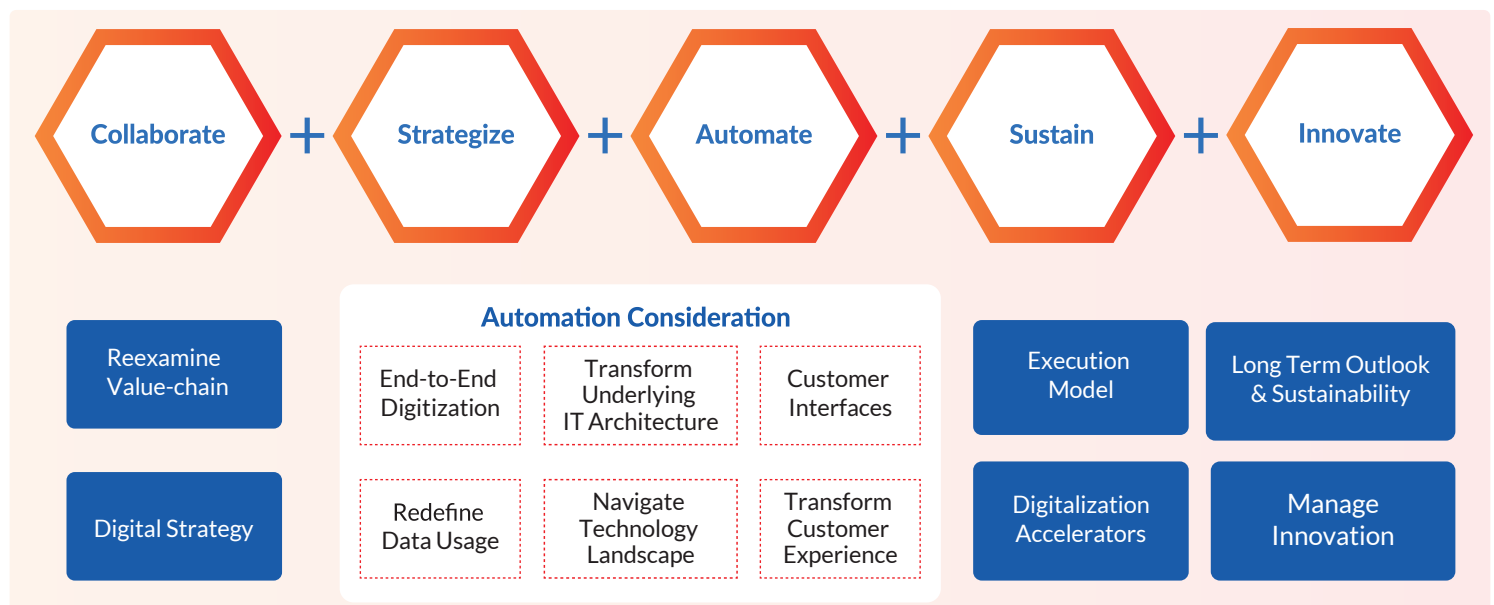


Figure 2. Digitalization Component Framework

Please note: DCF does not replace existing systems, rather it is built with an objective to supplement capabilities. For example, DCF facilitates in discovering new areas where automation can be implemented and implants the digitalization accelerators in the value chain, with an objective to improve efficiencies. It also enhances value proposition and transforms the customer experience

Formulating a Digital Roadmap

Carefully defining digital strategy is crucial. However, prior to that, it is worth revisiting value chain, re-examine and analyze it to identify potential areas where either a change or enhancement is required. Running end-to-end diagnostics will bring clarity in the digitalization roadmap.

While envisioning digital strategy, value chain analysis should be the starting point. DCF leverages innovative methodologies and templates to aid in formulating an effective digital strategy.

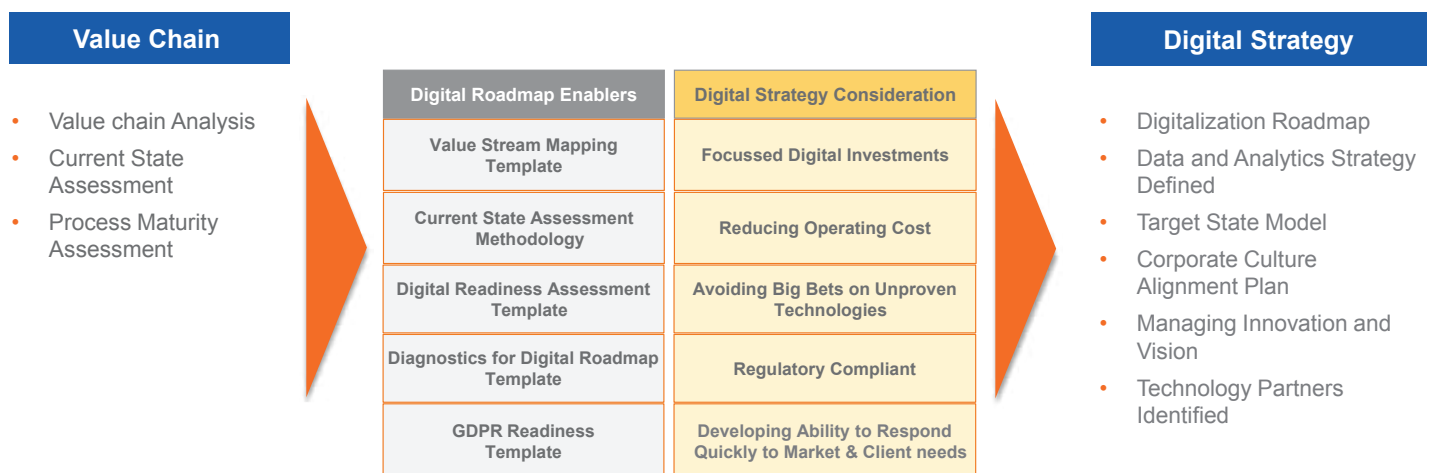


Figure 3. Digital Strategy Formulation

Digital investments should be tightly focused on areas that will either lead to operating cost reductions, faster response to market or to meet client needs. Organizations should avoid big bets on unproven technologies and market structure.

Automation Essentials

Getting automation right is easier said than done. To maximize the effectiveness of digital automation, the automation framework should touch all areas - right from avenues of digitizing, redefining the data usage, transforming the underlying architecture, navigating the technology landscape, digitalizing interfaces and transforming the customer experience.

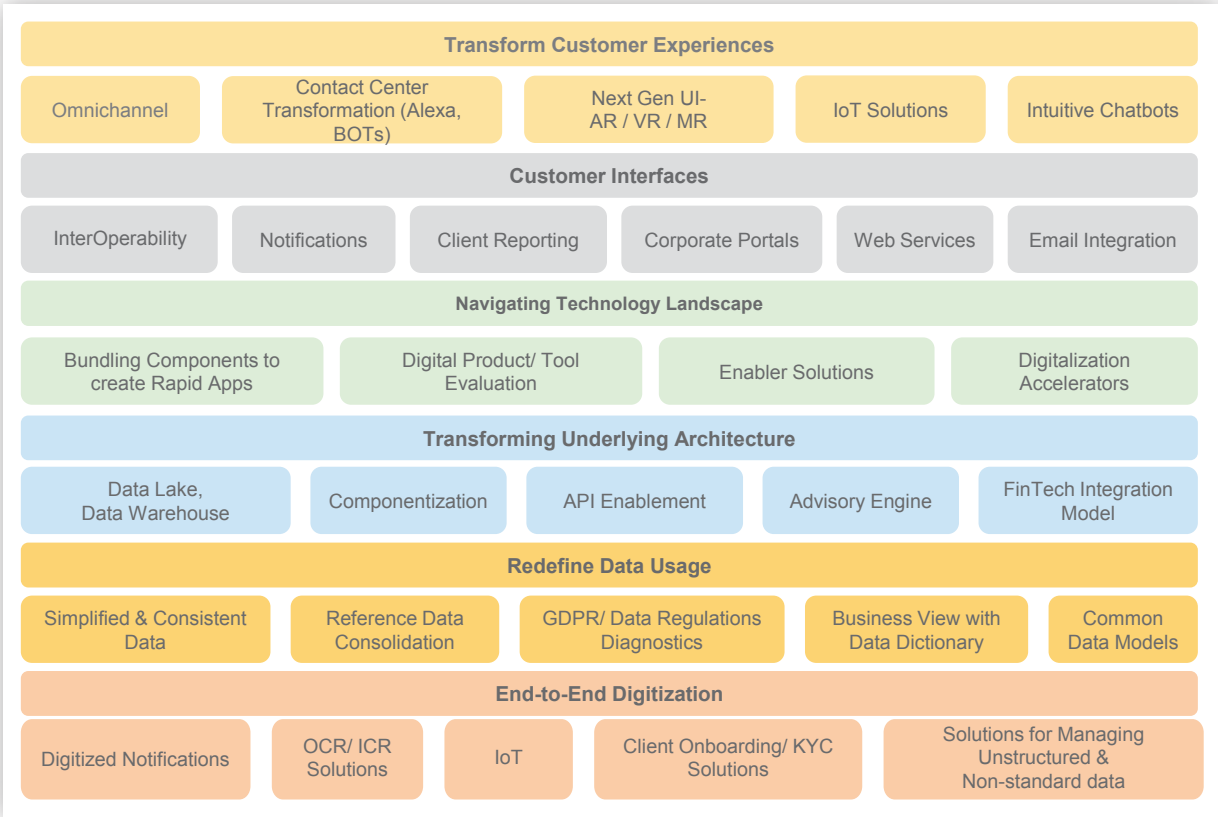


Figure 4. Digital Automation Framework

Data should be treated as an Asset only then it can be used to build a deep understanding of client needs and support decision-makers. Therefore, exploring all the avenues of digitization e.g., audio, video, scanned copies, fax, emails, and even capturing data from IoT (Internet of Things) should be a priority.

Revisiting automation avenues and assessing the current manual or non-standard processes, complex redundant interfaces, cumbersome reconciliations, manual notifications to clients and external parties are examples of good automation candidates.

In some cases, a revamp of underlying architecture is inevitable when the applications or database architecture is unable to support the digital transformation initiatives. Architecture approaches like modularization, consolidation of reference data, API Architecture are best practices that will significantly improve the potential of automation.

Apps can be created rapidly by Bundling the existing products, tools, and services along with accelerators. Bundling allows a high degree of customization and faster time-to-market.

A simple and consistent omnichannel strategy in enhancing customer experience has the largest potential to retain customers and increase business in a digital eco-system. Customer interfaces, providing intuitive chatbot solutions with speech recognition solutions and rich interactive features are some of the transformation solutions that will allow customers to experience services that were never possible before.

There are a myriad of digital technology players in the market and selecting the Machine Learning Algorithm or Natural Language Processing (NLP) Libraries, Robotic Process Automation (RPA) tools, Chatbots, databases can be tricky. A robust strategy and approach are needed to adopt and internalize these fast-evolving technologies. Collaborating with a technology partner and evaluating the right product and tools is essential to navigate the technology landscape.

Execution and Governance

Prioritizing the low hanging fruits first while planning process digitalization, reduces the risks associated with the outcome. Starting small with 2-3 critical implementation to prove value is recommended. Using agile methodology enforces a culture change where IT and business work closely as one team. Address the regulatory impact in the program avoids.

Accelerating Transformation

Digitalization accelerator solutions can add instant value to digitalization programs.

Accelerators can be built on technologies like ML/AI (Machine Learning/ Artificial Intelligence), NLP (Natural Language Processing), NLG (Natural Language Generation), RPA (Robotic Process Automation), OCR/ICR (Optical Character Recognition), Chatbot solutions like Google DialogFlow;

Some of the key areas in banking and financial services where digitalization accelerators can be implanted:

- **Smart digitization solutions** for client onboarding, KYC, client interfaces, digitizing PDFs, text, fax.
- **Managing Unstructured Data:** Capture, Translate & Compare Unstructured data. This data can then be integrated to supplement the structured data.
- Building **advanced analytics** solutions on historical data and transactional data can help in **predicting** customer behavioral pattern, performance and thus assist in important investment decisions.
- Client communications with next-generation **Intuitive Chatbots** on automating business-specific scenarios are essential tools in customer service. The client responses/ actions can be integrated with the Internal systems for end-to-end automation.
- **Robotic Process Automation (RPA)** solutions are useful automation tools where repetitive but deterministic manual process, high volumes or where decision making is involved; are good candidates for RPA initiatives.

Managing Innovation

No matter how successful the digital transformation programs are, innovation pipeline is increasing. However, staying connected is counter-intuitive since the organizations need to focus on its core competencies. Collaboration is the need of the hour. A technology partner with a focus on innovation can add significant value with insights on the ever-changing industry trends, issues and best practices along with similar engagement experience.

Conclusion

The digital ecosystem is complex and fast evolving. Organizations need to be future ready. Committing to a systematic approach and incorporating dynamic frameworks like Digitalization Component Framework (DCF) can take automation capabilities and customer experience to the next level. The inside-out-approach of DCF empowers the organization to envision, execute and excel in their digital transformation journey.

Hexaware is a technology partner that is constantly engaging in market trends and futuristic technologies. Hexaware's proven track record and passion for providing solution have led to a state-of-the art innovation engine with an endeavor to fuel its clients' innovation pipeline. Hexaware's Innovation lab with its team of experts focuses on building digital accelerators, solutions, templates, and architecture. Its state-of-the-art training engine enables rapid ramp-up of digital competencies.

About Author



Amit Kadam currently drives the BFS practice unit at Hexaware; building digital transformation solutions like Digitalization Component Framework and accelerators using technologies like Predictive Analytics, Machine Learning (ML), Chatbots and Robotics Process Automation (RPA).

Having been a part of the IT industry for most part of the last two decades, Amit has been abreast with its functioning and rapid changes. The last 16 years for him have been an exclusive insight into the Banking and Capital Markets, rubbing shoulders with clients and gaining invaluable experience in building and leading teams; conceptualizing and executing BFS practice service offerings, consulting and leading successful Enterprise Data Management (EDM) implementations for some of the leading investment banks, tier-1 banks, asset management and custodian based in

US, UK, Australia and Canada. Amit is endowed with an excellent understanding in problem solving avenues, which makes him a favorite among his clients. He also brings a unique perspective that delivers instant value to his clientele.



About Hexaware

Hexaware is the fastest growing next-generation provider of IT, BPO and consulting services. Our focus lies on taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight by 'Powering Man Machine Collaboration.' We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy— Automate Everything®, Cloudify Everything®, Transform Customer Experiences®.'

We serve customers in Banking, Financial Services, Capital Markets, Healthcare, Insurance, Manufacturing, Retail, Education, Telecom, Professional Services (Tax, Audit, Accounting and Legal), Travel, Transportation and Logistics. We deliver highly evolved services in Rapid Application prototyping, development and deployment; Build, Migrate and Run cloud solutions; Automation-based Application support; Enterprise Solutions for digitizing the back-office; Customer Experience Transformation; Business Intelligence & Analytics; Digital Assurance (Testing); Infrastructure Management Services; and Business Process Services.

Hexaware services customers in over two dozen languages, from every major time zone and every major regulatory zone. Our goal is to be the first IT services company in the world to have a 50% digital workforce.

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