

INSIGHTS

Embracing a digital mindset for innovation and transformation

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‘Digitisation’ is a term we hear every day. Too often, we dismiss it as ‘something to do with technology’. Rather, almost every aspect of our lives incorporates a digital element, from the alarm on our phone to wake us up through to reading an e-book when we go to bed. But exploring and realising the potential of digitisation in our workplace is not something that should be left to the technologists.

Rather, embracing a new mindset that challenges us to not only apply digital technologies to existing activities, but unlearning old reflexes and learning different ways of working is key to maintaining efficiency, agility and competitive advantage in a digital age.

The courage to disrupt

What do we mean when we talk about digitisation? Originally, it referred simply to the conversion of physical information to a computer-readable format. Its companion term digitalisation was used to describe the use of this digital information to improve business processes. However, in reality, the concept of digitisation has become an overarching concept that reflects not

just the conversion from manual to digital, but the enabler of entirely new ways of working, communicating, shopping, banking, consuming media, healthcare, public services and beyond.

In this environment, innovation and the disruption of entire business models is not a choice, but a matter of survival if companies wish to remain competitive. However, establishing a future, digital vision is not easy, and is rife with natural tensions. If companies are already operating successfully, why disrupt it? The reality is unless industries disrupt and reinvent themselves, a third party, that may come from an entirely different sector, will do so instead.

Reimagining banking

Banking is a sector which is being disrupted from the outside, with the emergence of fintechs offering a range of banking services, particularly for retail customers, but also from within the industry itself. Mobile access to banking services, for example, is now a customer expectation rather than a differentiator. At Standard Chartered we have launched nine fully digital banks in Africa, and recently launched Mox, one of the first virtual banks in Hong Kong, in partnership with leaders in the telecoms and travel industries.

For a bank like Standard Chartered, digitisation is about more than simply moving existing bricks and mortar business models online. Rather, we see the potential for a wider industry transformation. Software-as-a-service and cloud computing have already emerged strongly, and the same concepts can also be applied to banking. In March 2020, we launched our 'Banking-as-a-Service' solution, nexus. Through nexus, digital platforms and

ecosystems such as e-commerce, social media or ride hailing companies, can offer loans, credit cards and savings account solutions to their customers under their own brand name, co-created with Standard Chartered. In Indonesia, for example, which has the world's highest e-commerce rate globally, we are partnering with a major e-commerce platform to co-create and launch products powered by nexus in 2021. This is a powerful means of reaching Indonesia's large unbanked population and delivering services in a way that is intuitive and integrated with customers' day to day lives. So called 'life style' apps wherein a range of digital services are embedded within an ecosystem are widely thought to be the future norm.

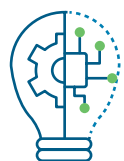
Creating space to innovate

Innovation and disruption changes the risk reward dynamics considerably from 'business as usual'. Based on our experiences, there are three success factors that we would highlight below.



Tone from the top

Clarity and commitment from the leadership, and the ability to take calculated bets. We have been very fortunate to have visionary leaders who have not just tolerated, but have actively supported our transformational ambitions.



The spirit of innovation

The ability to unlock the spirit of innovation that exists at every level, and in every segment, of the organisation. Too often, innovation and digitisation is relegated to a technology department; however, the people engaged in the day-to-day business of banking, who work with customers and understand the challenges we experience today who often bring the best ideas. Some will have been in banking for 20 years, others only for a couple of months. Being open to ideas, and creating a forum in which these ideas can flourish is essential.



Developing a digital mindset

Digitisation is less about technology, and more about mindset. It can be difficult to think differently when people are enmeshed in the day-to-day business, caught up in legacy processes, technologies and ways of thinking. To overcome this, and create a space in which innovation can flourish, we set up a dedicated innovation hub, SC Ventures, as a principal of change. By investing in, inspiring, partnering and incubating new innovations within a dedicated business, we give ourselves the freedom to rethink and rearchitect banking without being hampered by day-to-day issues and vested interests.

Two years on since SC Ventures was first formed, we have explored thousands of ideas and hundreds of partnership opportunities. We are finding the right partners who will help us to reimagine banking, and help them scale up. Our aim is to create an environment in which we can think about, experiment and deliver banking in new ways. In addition to SC Ventures, various business areas are exploring and implementing innovation within their respective areas. A successful example in retail banking is Mox, a new virtual bank in Hong Kong backed by Standard Chartered and in partnership with HKT, PCCW and Trip.com. This partnership is combining the strengths in international banking, the city's telecom and lifestyle/travel to deliver a suite of retail banking services as well as lifestyle benefits all in one place.

Democratising industries and business models

While the traditional model of banking – as with many industries – is vertical, digital models are horizontal, with platforms on which multiple providers co-exist. We are seeing this across all industries as ecosystems emerge that connect traditionally siloed industries in order to deliver an integrated customer experience. In healthcare, for example, telehealth, insurance companies, hospitals, pharmaceuticals, and medical technology companies are all part of a closely interconnected ecosystem. The faster and richer the flows of data and transactions between them, the better the customer experience. This same concept applies in banking, which is becoming

closely embedded into not just the financial ecosystem but to facilitate transaction and information flows across all ecosystems. For example, in 2019 we forged a flagship partnership with SAP Ariba to embed financial 'microservices' into the world's leading supply chain management system. As a result, buyers using the Ariba network can manage their payments and supply chain financing needs directly through the SAP Ariba digital platform, as opposed to sourcing these services separately. Likewise, suppliers have quicker access to financing and foreign exchange via Standard Chartered's global network.

An innovative treasury mindset

Corporate treasurers are already embracing an innovation mindset by rejecting manual processes and constantly looking for ways to increase automation, improve decision making and support the business in new ways. They are also instrumental in facilitating the company's wider digital agenda by supporting digital payment and collection methods, analysing changing cash flow dynamics, helping to streamline, accelerate and reinforce supply chains, and managing "just in time" liquidity. Digitising existing ways of working and thinking will deliver some benefit, but will not be transformative in its impact. Instead, by conceiving entirely new ways in which the company operates and engages with its wider ecosystem, with digitisation at its heart, treasurers can help shape the company, or even the industry, of the future.



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