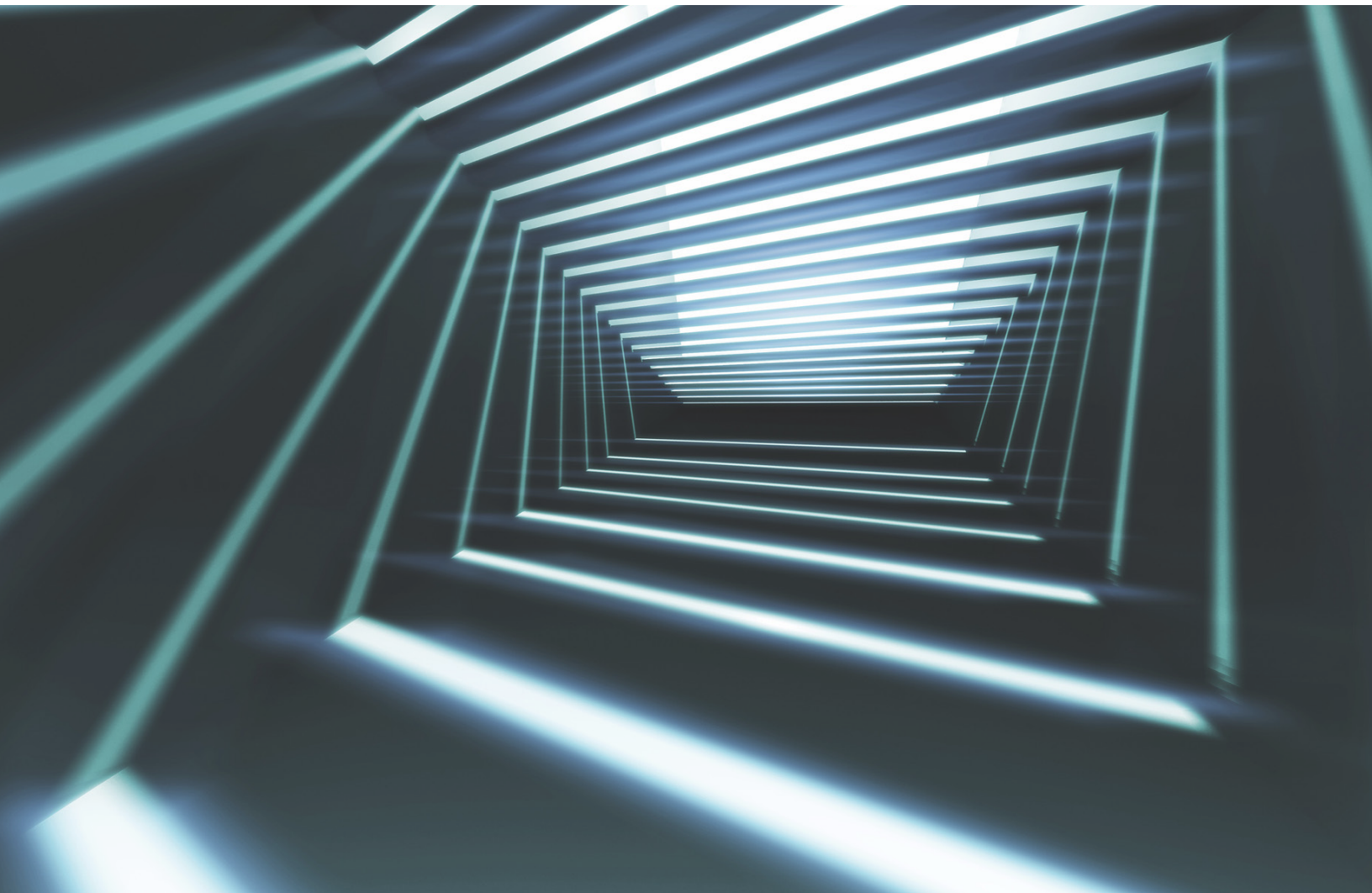


CAPCO

REASSESSING LOCATION STRATEGY DURING THE COVID-19 CRISIS



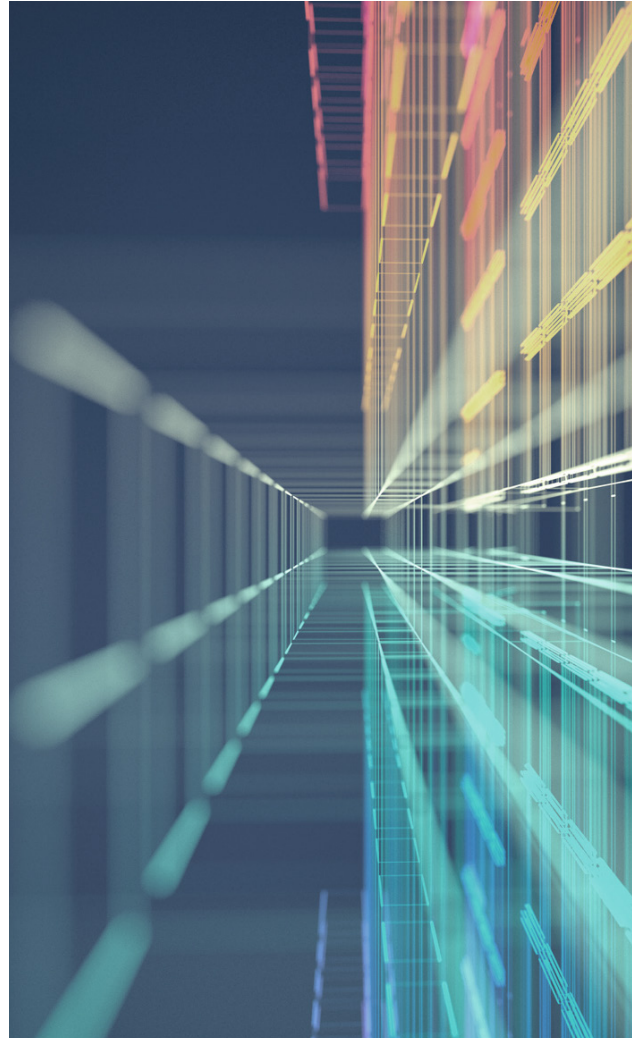
INTRODUCTION

The crisis brought on by COVID-19 has led companies across all industries to re-evaluate their business and operations models. While the most immediate and severe impacts were felt by true brick-and-mortar industries like restaurants, gyms, and movie theaters, it is clear that no sector is immune to the fallout. In particular, financial institutions (FIs) have had to re-evaluate how they conduct day-to-day business in the wake of stringent restrictions set out by health organizations and state and local governments. Specifically, FIs have been forced to adopt a remote workforce model to ensure the continuity of critical business activities. With little preparation, droves of employees have had to migrate to home offices and adjust to makeshift work environments. The drastic transition has mostly been seamless, with more focus on market volatility driven by uncertainties about the virus's global social and economic impacts.

People often refer to the current situation as the 'new normal.' The reality is, we are only in the precursor to the new normal, which will begin in earnest once these initial restrictions are lifted. Like companies in other industries, FIs have an opportunity to define what the 'new normal' looks like for their sector and take advantage of opportunities for cost reduction and operations efficiencies.

Amid the uncertainty, one pleasant surprise for FIs has been the ability of their employees to successfully execute the responsibilities of their roles, while managing risk in remote locations. Roles, such as traders, once assumed to be desk-chained, are now fulfilled from home with minimal interruption to business as usual.

This realization begs the question of whether specific roles can be performed remotely on a regular or even permanent basis, even as the COVID-19 crisis subsides. This transition will allow firms to take advantage of the benefits of remote workforces including cost savings, increased productivity and employee satisfaction. While establishing hubs in 'remote' locations is also a valuable cost lever to be considered, this paper focuses on roles that can be conducted virtually, whether at home or a coworking space.



As the days continue to pass with limited clarity around the end to this pandemic, remote working arrangements will become the norm, and firms must view this as a strategic opportunity.

The time is ripe to reassess critical versus non-critical roles and carefully consider which roles truly need to move back to a core office location post-COVID-19 and which can remain remote in a bid to optimize talent strategy and enable new operating models.

WHAT ARE THE BENEFITS OF MAINTAINING A REMOTE LOCATION PROFILE?

The creation of the new diversified location profile for the organization unlocks material financial and qualitative benefits for employers and employees alike.

Real Estate/Office Benefits

With limited guidance on social distancing protocols for the corporate office, there are uncertainties around the long-term impact of office space design to protect employees. Creating an acceptable distance between employees with pre-pandemic square footage may not be possible, resulting in the decision to permanently deploy a remote strategy for certain functions.

A [two-year Stanford University study](#) found that remote workers save their company an average of \$2,000 per year/per employee in office costs alone. Capco posits that you can unlock additional savings across the following levers:

- Utilities, facilities staff, security, onsite help desk support
- Lease or mortgage expenses
- Hardware
- Telephony
- Furniture and office equipment
- Business licenses

Labor Benefits

As FIs are well-capitalized when compared to the 2008 financial crisis, they are less likely to exercise furloughs and layoffs to the same extent as the 'Great Recession.' Through the lens of creating a pandemic proof workforce enabled by the work from home model, FIs can avoid such measures.

With a focus on personal wellness and safety, financial services employees are open to downward salary adjustments as a result of accepting a part-time or permanent remote role.

According to [Owl Labs' State of Remote Work 2019](#), remote recruits may come at a cheaper cost. More than a third of workers said they would take a pay cut of up to five percent in exchange for the option to work from home at least some of the

time; a quarter would take a 10 percent pay cut; 20 percent would take an even more significant cut.

For their part, employees also save an estimated \$2500 to \$4,000 per year by working at home just half the time, driven primarily by reduced expenditures for travel, parking, and food [[Global Workplace Analytics](#)].

FAST FACTS

- **69%** of employers offer remote work on an ad hoc basis to at least some employees [[SHRM 2019 Employee Benefits Survey](#)]
- **43%** of employees work remotely with some frequency [[Gallup State of the American Workpalce 2017](#)]
- **62%** of employees say they have a job that could be done remotely [[Citrix 2019 poll](#)]
- **35%** of employees would change jobs for opportunity to work remotely full time (47% of Millennials and 31% of boomers) [[Gallup State of the American Workpalce 2017](#)]
- **54%** of office workers would leave their job for one that offers flexible work part of the time [[Gallup 2020 article](#)]
- **77%** of workers reported greater productivity after starting to work remotely [[HBR 2019 article](#)]

Employee Recruitment and Retention

Offering remote work options can significantly increase your candidate talent pool due to geographic flexibility and employee preferences. In fact, Millennials ranked flexibility as the most desirable benefit, even higher than student loan reimbursement.

With a shift in the way that corporate functions and technology work together; there is less pressure to find financial services domain expertise and a focused effort to find technical talent that can learn the business side of the equation fast. For example, the emergence of the citizen developer, using low code automation tools has changed the profile of the modern-day FI role. Exploring the resource pool availability outside of the typical FI footprint enables organizations to optimize talent differently through the creation of these hybrid resources to maintain a lower total cost of ownership for the entire employee population.

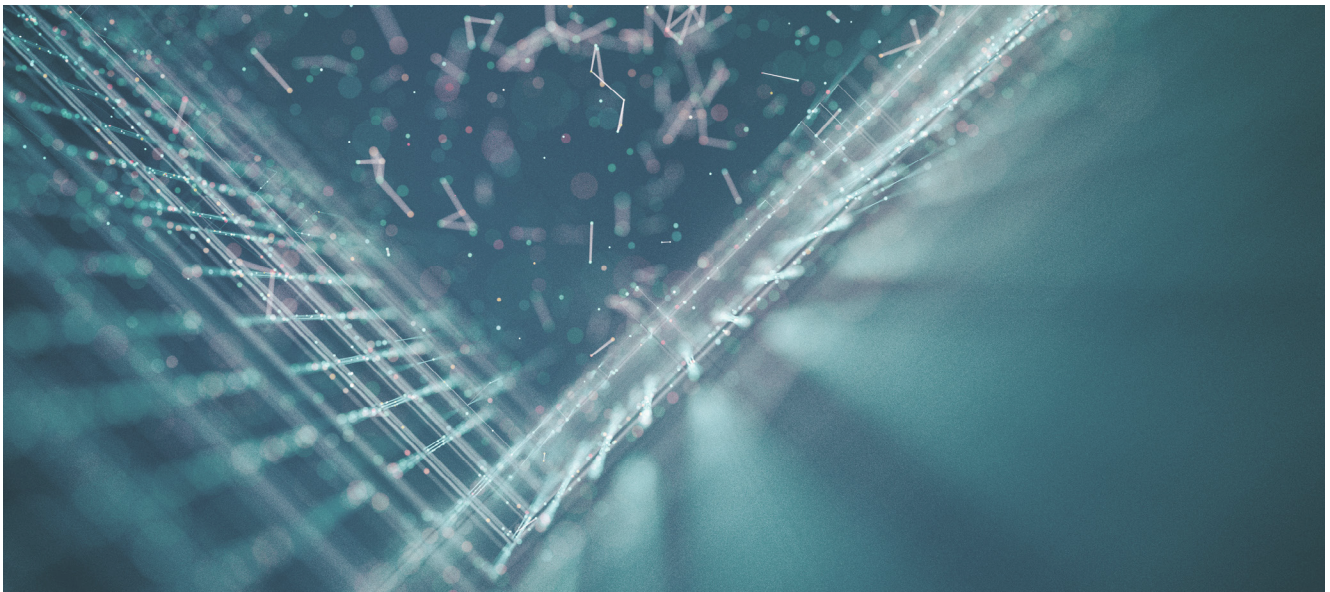
An American Express executive reported that remote flexibility enabled the company to “cast a wider net [in] reaching prospective employees,” as well as to “respond to volumes and be available for customers across time zones” [[Flex Jobs](#)].

Operating Model Design

Beyond cost efficiency and productivity, the remote work model presents an opportunity to improve processes and enhance the level of service to internal and external customers. For example, through the adoption of virtual/collaboration tools, operations personnel at broker-dealers can perform seamless action queries from custodians to resolve trade breaks and work with the trading desk to add new standard settlements instructions (SSIs) for a new customer.

Remote models put a heavier focus on the automation of manual tasks resulting in cycle-time reduction and straight-through processing (STP) improvements to enable team ‘fungibility’ and reduce key-person risk. For example, the creation of product-agnostic teams, such as a centralized middle office trade allocation group for cash products can be enabled through technology solutions. In addition, it creates a scalable model that can flex to product and volume mix changes regardless of physical location.

The development of a Center of Excellence (CoE) within a function can help ensure best practices are infused into day-to-day processing and create better velocity when it comes to handling complex tasks and providing oversight for change initiatives.



HOW CAN ORGANIZATIONS DEVELOP A SUSTAINABLE REMOTE WORKFORCE?

Where do I start?

By deconstructing the current operating model and taking an inventory of each role and its responsibilities through a risk-based lens, FIs can strategically curate a sustainable remote workforce. The combination of design thinking and jobs to be done frameworks can help quickly rationalize tasks and clarify what is needed to effectively support lines of business and corporate functions.

How do I determine what roles stay remote?

The development of weighted criteria that captures role complexity, capability requirements, technology maturity and level of customer interaction will form the blueprint to determine the requirements for onsite versus remote work. This approach is similar to evaluating roles for outsourcing arrangements, whereby you retain critical functions inhouse or, in this case, onsite.

Strong Job Candidates for Remote Work – Immediate Consideration

- **Online-only roles**
 - e.g., IT support, customer support and troubleshooting
- **Siloed jobs with minimal cross-functional communication**
 - e.g., data analysis, social media marketing, web design
- **Jobs requiring frequent travel to client site**
 - e.g., sales representatives, loan officers, underwriters
- **Back office and administrative functions**
 - e.g., clearance and settlements, client onboarding, P&S, internal control, reconciliations, procurement

Non-Traditional Job Candidates for Remote Work – Risk-Based Consideration

- **Jobs that require time-sensitive, cross-departmental, collaborative decision-making**
 - e.g., trading desk, product development
- **Roles requiring multiple checkpoints and handoffs to get the job done**
 - e.g., finance and accounting forecasting
 - e.g., product control
 - e.g., risk and compliance
- **Customer-facing roles**
 - e.g., bank tellers, branch workers

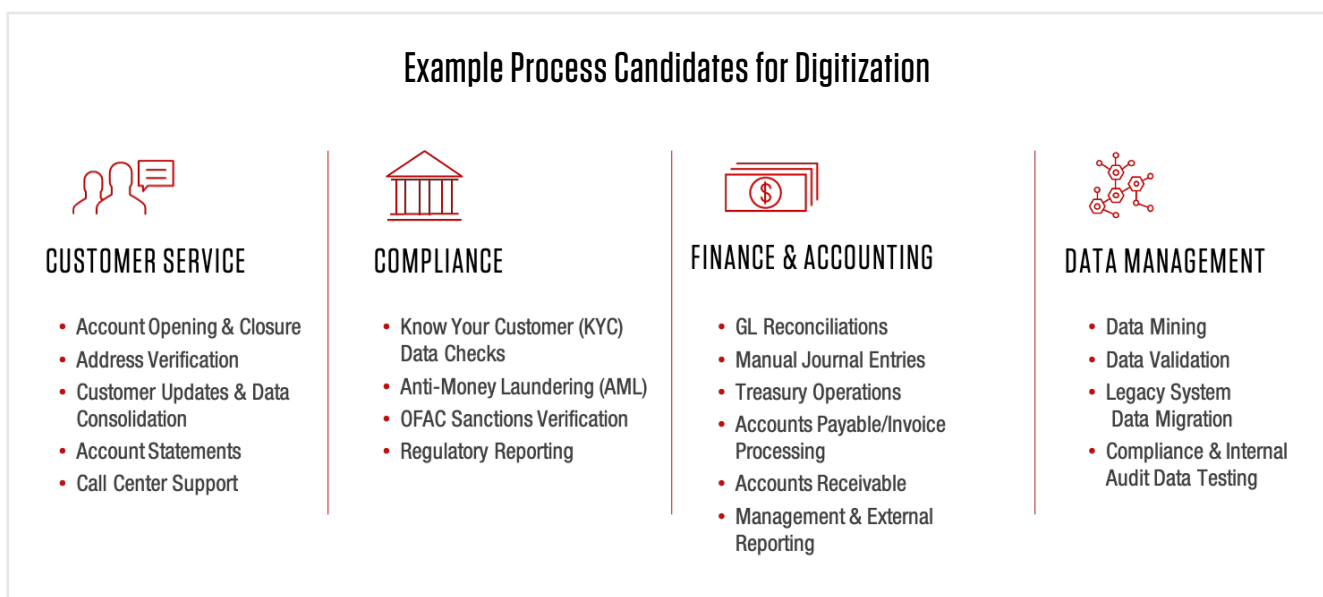
How do I structure a remote workforce program?

Companies do not have to take an all-or-nothing approach when adopting remote work schemes, nor is there a one-size-fits-all remote strategy. In fact, a decade-long [Gallup research](#) found that employees who spend 60-80 percent of their time working offsite (or three to four days out of five) were maximally engaged. Companies can adopt a mix of best practices to ensure those cost efficiencies and productivity gains of remote work outweigh the drawbacks of working in isolation.



How do I mitigate the risk of the new go-forward model?

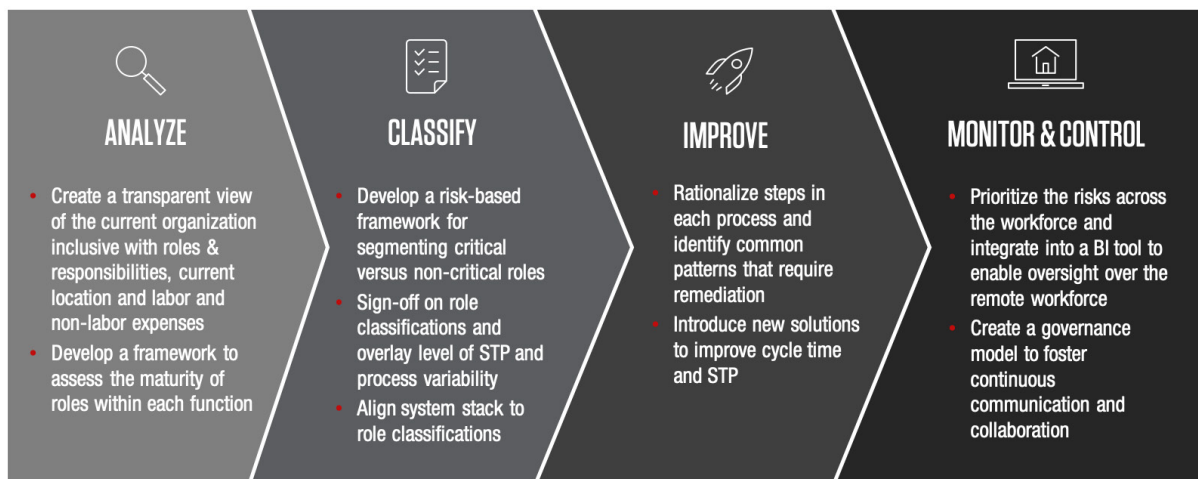
As part of the execution of a new location strategy, FIs will need to quickly pivot and scale existing automation programs to focus on the design and development of their digital workforce. The use of emerging technologies born from our fintech community will drive process automation and workflow while enabling enterprise-level scale through the development of an automation Center of Excellence (CoE). Additionally, improved UI/UX design can enable user-friendly frontends that offer simplified processing paths tied to clear business outcomes.



How do I manage a remote workforce?

Data analytics and business intelligence (BI) tools will become more critical than ever to monitor and control a dispersed workforce. The right management information (MI) will help ensure regulatory compliance and alert management to capacity challenges as business mix and volumes change. The integration of KRIs/KPIs into a dynamic reporting mechanism will enable FIs to continue to measure and manage business performance, irrespective of employee location. Based on current office locations, FIs should define an approved list of remote locations as a part of the overall governance model.

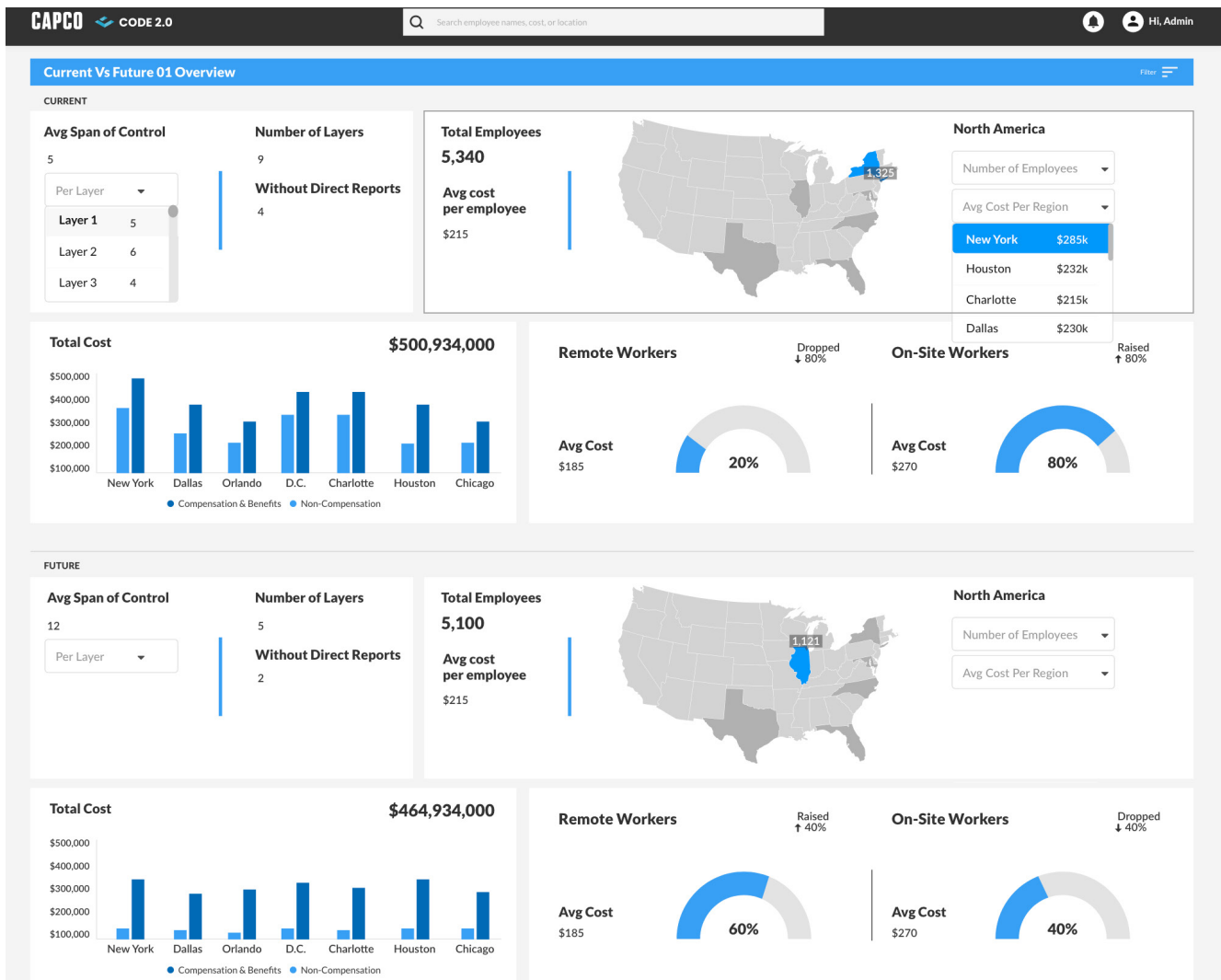
Remote Location Strategy Planning Ahead of Reintegration



HOW TO GET STARTED?

Capco's innovative approach to organizational design – powered by Capco's Organizational Design Engine (CODE) – enables our clients to achieve the following business objectives:

- Greater transparency into complex organizations to make better operating model decisions
- Identification of roles and skills required to drive growth and sustain change
- Segmentation of the organization to delineate critical versus non-critical roles using custom criteria
- Analytics to enable dynamic views of the organization's cost profile based on location
- Ability to drill down on various labor and non-labor cost components to inform out of the ordinary cost levers
- Better alignment between organizational design and strategy
- Flatter, more efficient and effective organizations
- Elimination of silos and redundancies



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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

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