EXPERT INSIGHTS: Building a Business Case The key to unlocking value

Building a business case is critical to successfully delivering any technology project in the wealth management sector. Yet, according to Gartner, 35% of transformation projects fail to meet their business case. So how can you assure success, or at the very least, de-risk your transformation project?

Diving into the thorny topic in our webinar discussions on 13 September 2022, a panel of experts sought to highlight the pitfalls of the process. What are the common blockers, what challenges are unique to the CLM (Client Lifecycle Management) business case, and how can you arrive at metrics you're confident in? Here we share the insights gained through a thought-provoking webinar.

Hosted by **Founder of The Wealth Mosaic, Stephen Wall,** the live webinar featured the expert opinions and experience of **Johnny Beloe, Director of Pre-Sales at Wealth Dynamix, Will Rouse, Commercial Director UK, MEA & NA at Wealth Dynamix**, and value management expert, **Jonathan Keighley, Managing Director at Shark Finesse.** Read on to benefit from their decades of experience building solid and effective business cases and discover some valuable pointers on delivering a transformation project in the wealth management space.

The context for your CLM business case

In the current context of digital-first experiences and lower fees, the importance of the business case cannot be overstated. As relationship managers strive to service more clients faster and more intuitively through a range of channels, it's clear that technology has a critical role in supporting the modern wealth manager to succeed.

A carefully constructed business case sets the scene. It establishes the proper framework for any technology and change project in wealth management - especially where a project touches multiple aspects of a business. A strong business case will support a firm in making decisions confidently, delivering a return on its investment, engaging its employees, and potentially driving more efficient, client-centric ways of working.

Wealth Management is undergoing a period of intense technological transformation making the business case particularly relevant.

This premise kicked off the webinar with Johnny Beloe, Director of Pre-Sales at Wealth Dynamix, a global wealth CLM solution specialist, confirming that the business case has become a real focus point over the past few years. "So many of the private banks we speak to are under real pressure to reduce margins and to transform, which comes at a cost of its own. It's really put the business case around business transformation at the front of their minds," he explained.

William Rouse, Commercial Director UK, MEA & NA at Wealth Dynamix, expounded on this, discussing the forces driving this transformation, citing an evolving client base interested in digital-first experiences, lower fees, more information, and instant access. In summary, he described today's clients as "becoming smarter and more demanding", seeking "everything for less". It's a narrative playing out across the wealth management industry as firms find client expectations have shifted. Digital presence is a higher priority than ever for banks and wealth management firms as clients regard digital-first experiences as the norm, using apps and websites to execute tasks daily.

Additional pressures and trends are also accelerating the business case process, including the intergenerational wealth transfer. To reinforce this point, Johnny Beloe explained that currently, the vast majority of firms "feel their digital strategy is currently not meeting client expectations" while, according to Capgemini, approximately 80% of the new generation due to inherit as HNWIs have stated they are likely to change their wealth provider on doing so. It's a situation that's piling pressure on incumbent firms in particular. And while change is often positive, as Johnny Beloe pointed out, speeding to implement a solution without due diligence can be dangerous.

It's a context in which technology budgets are growing as the wealth industry seeks to evolve to align with its clients' heightened expectations. Getting it right begins with a tried and tested business case underpinning the investment.

Jonathan Keighley, Managing Director of Shark Finesse, which provides metrics via a value management platform, added that while technology budgets may be increasing, "margins are still being squeezed" and "cash is still reasonably tight". He emphasised that allocated budgets need "compelling justification for going ahead" and must be "credible and professional", acknowledging that there is often internal competition for funds. Indeed, investment in technological transformation represents a "surrender of wealth" in the short term that will likely impact shareholder value or the viability of other projects. It's no wonder that a degree of internal friction is often experienced within wealth management firms faced with the considerable scope and cost of change transformation projects that require cross-departmental collaboration and a future-focused mindset.

Moderator Stephen Wall then moved the conversation on to the pitfalls of business case creation, encouraging the panel to unpack the risks, oversights and complexities behind the Gartner statistic, which asserts that just over a third (35%) of transformation projects fail to meet their business case.

Johnny Beloe began with the primary premise of a business case – to give the business confidence in a particular solution or business decision. He warned that if the business case process is flawed, however, it can potentially increase confidence in the *wrong* business decision. The pitfalls of the process are, therefore, vital to be aware of to navigate a safe path to a well-informed business recommendation.

This led to discussions surrounding the complexities of business case formulation. Often regarded as a linear, end-to-end process, the business case process usually starts with a simple question: "What are we building a business case for?" As Johnny Beloe highlighted, it is "all too tempting to jump to a perceived solution" in response. This can, in turn, lead to a misaligned, knee-jerk reaction to the perceived problem, during which there is a **failure to scrutinise the fit of technology** against the desired benefits.

Research again by Gartner shows that generally, firms want to conclude the business case element of a transformation process within 3 months. However, while the stakes may be high, rushing to define your end goal and **taking action without strategic alignment** will have long-term consequences. It's essential, instead, to see the business case process as an investigative process aligned to the firm's strategic intent. It was mooted that in the current climate, which is flooded with tech-savvy start-ups, established banks and firms may well consider speeding to put a digital app in place for onboarding or implementing a client app without considering strategic alignment, alternative solutions, or consulting users. This, Johnny Beloe cautioned, is to "put the cart before the horse" and may lead to poor uptake or a solution that doesn't deliver against the critical needs of the business.

Another common pitfall is **overlooking the importance of soft benefits** to your business case. It's an oversight that William Rouse has observed on numerous occasions - perhaps unsurprisingly, given that soft benefits are "more difficult to quantify" and not "immediately demonstrable in terms of ROI". Factors such as improved client satisfaction or greater staff retention may be deemed incompatible with a statistically-driven business case that hinges upon financials and operation efficiencies. As argued by William Rouse, when you consider how relevant they are to your business's prosperity, it seems counterintuitive to overlook them. He conceded that they can be quite tricky to evidence, though there are ways to tackle this. By turning the intangible into something much more tangible through applying metrics, reason and logic, you can ensure potentially lucrative benefits are not omitted. William Rouse suggested this can be particularly useful when two solutions are proving challenging to tease apart upon assessment of the hard benefits.

Data quality is a long-standing challenge across the business world, and in the business case context, accurate metrics are vital to make informed decisions. Johnny Beloe explained that **poor quality of business input data** is a common stumbling point for many, as business case owners fail to distinguish an accurate estimate from a vague, "finger in the air estimate". He observed that everyday business processes such as responding to a client complaint, onboarding a client or undertaking a periodic review for a client have a cost associated with them. Primarily these costs relate to people's time, and this is where an oversimplification of the numbers can lead to wildly different figures.

By way of example, Johnny Beloe compared a scenario where onboarding a client was estimated to take "X amount of hours" at a rate calculated at the "average across the staff" to a much more detailed means of arriving at a satisfactory figure. He explained, "it's another thing entirely to take a sample of the last 100 onboarding cases - to consider all the different client types, to look at how many go via the happy path and non-happy path and factor in the different types of roles involved and the percentage of their time required." The differential between these two approaches could be significant and the difference between a business case that "looks like the proposed action is a no-brainer and a business case that looks like you shouldn't be taking that action at all."

Many of the pitfalls discussed could apply to any business case; what differentiates the CLM business case, and why is it deemed so challenging?

Moderator Stephen Wall challenged the panel to define what makes the CLM business case so complex. The panel felt this predominantly down to CLM's broad scope. Given by definition, Client Lifecycle Management concerns everything from the initial interaction with a prospect and onboarding to ongoing service and management of that client, the breadth of the journey and the capacity for benefits and cost-saving is vast. It's a double-edged sword, of course, adding to the complexity of the task for the CLM business case owner yet offering benefits across departments if the proposed solution delivers. Compare that to a CRM system, and you can see that CLM solutions are not trying to fix just one piece of the puzzle but to offer a complete, seamless solution.

Another added complication William Rouse of Wealth Dynamix observed was that often, when clients first request their assistance, they are working with a mix of legacy systems designed to do different tasks, from calculating the risk relating to prospects to tracking ESG attitude and generating documentation. However, it was noted that firms are reaching a tipping point as the cost of maintaining these systems becomes "unsustainable".

A dedicated wealth management CLM will impact processes and ways of working across Front and Back Office, IT, Marketing and Compliance, eliminating friction and inefficiency throughout the client lifecycle. Within the sphere of the business case, this means budgets can often be combined, removing some of the barriers to initiatives going ahead due to budget restrictions. Yet while operational efficiencies will be top of mind for stakeholders internally, William Rouse cautioned that the conversation must be brought back to the client, underlining clients' needs should remain central to your aims in pursuit of "the ultimate CLM".

Cross-departmental collaboration was a theme that ran through the webinar, both as a possible benefit from an effective CLM and a necessity when building a compelling business case. And when it comes to arriving at metrics to support your business case, it was iterated that collaboration will be critical.

Jonathan Keighley, Managing Director at Shark Finesse - the company which provides a robust, value management platform utilised by Wealth Dynamix to add rigour and impartiality for their clients during the business case process - emphasised that "getting the metrics right" is a matter of "getting agreement across stakeholders to get scrutiny across the business".

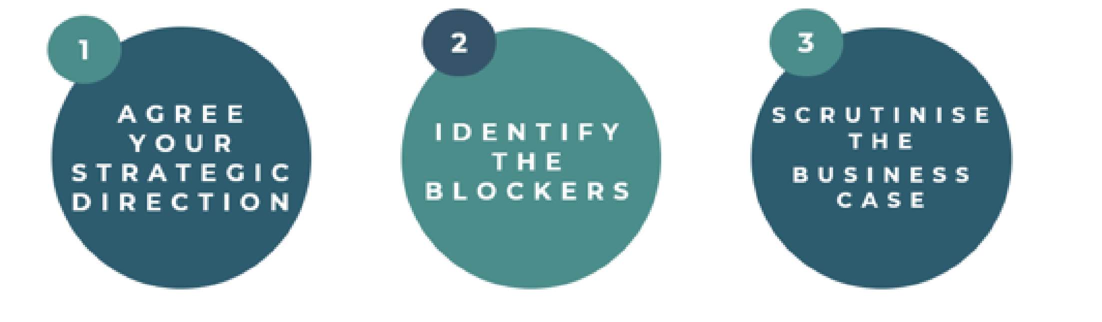
His tips for looking into the future of the business via "your crystal ball" include approaching the task conservatively and avoiding over-selling. Describing de-risking as an essential part of the process within an "open and transparent process", he advocated using supporting metrics from industry analysts and homing in on the benefits and the finance, saying, "What are we going to save?" and "What revenue can we generate?" are two of the most important questions firms can ask themselves.

He underlined that "it is not always about the low hanging fruit" and that business case owners will need to be particularly proactive, embarking on a process to identify specific stakeholders within the business that will have an impact. Once the high-level benefits are agreed upon, he explained the next step should be to work through the detail for each benefit, removing the ones which are unlikely to be sponsored and to phase the benefits to impact in the future to make the business case ultra conservative.

The benefit of using a platform such as Shark Finesse is that it also allows Wealth Dynamix to track and trace the benefits of their solution once it has been deployed to their clients. Crucially, it also helps Wealth Dynamix customers move forward with added confidence knowing the numbers have been agreed by all stakeholders. Jonathan Keighley added it can be advantageous to test different scenarios and manage risk by assessing optimistic and pessimistic views of the benefits, which led the panel to another business case pitfall: **the failure to provide a point of comparison**.

Given the complexity of the business case process and the pressure to act, it's perhaps only natural to wish to streamline the undertaking. Yet, when embarking on your business case journey, it's worth remembering that a decision-making process involving only one option is not much of a decision at all. Presenting only one option is an oversight Johnny Beloe described as tantamount to "making a far less informed decision." At the very least, he advised, the business case should include a comparison to doing nothing. This can help put things into perspective, as even taking no action has a cost over time. It's a consideration, he explained, that can be vitally important when businesses have investment hurdle rates that proposed solutions must meet, providing a clear view of the implications of non-investment in a change project or the cost of delay.

To close, the Moderator for the session, Stephen Wall, Co-founder of The Wealth Mosaic, requested three top tips from the panel to unlock the value in their business case. Here's how they responded:



1. **Agree your strategic direction** – the experts unanimously agreed that considering the strategic direction of the company will be key to supporting the optimal business decision. In the words of William Rouse, "Gaining alignment across key stakeholders is of paramount importance. They need to have a clear, shared vision of the end goal in sight."
2. **Identify the blockers – not factoring in delivery risks** is a mistake. The panel advised that understanding your company and the likely "speed bumps" along the way will ensure you are ready to tackle them head-on. It is worth noting that often business cases require a separate innovation team to support the pulling together of the case with autonomy – and to champion the change, through the build and into implementation. This will ultimately aid adoption by employees and clients and help mitigate delivery risks.
3. **Scrutinise the business case –** finally, the group urged business case owners to "kick the tyres" of their business case and subject it to in-depth scrutiny, keeping figures conservative to instill confidence and build to a positive outcome. **Thinking the final step marks the end** is a common pitfall, and it is crucial to ensure your business case is as watertight as possible in preparation for management scrutiny.

The themes within this article are further explored in the Wealth Dynamix ebooks 'Building an Effective Business Case – Six Steps to Success' and 'Building an Effective Business Case – 7 Pitfalls to Avoid'.

Visit our website to access these resources and additional tools, including a benefit calculator.