



## FINANCIAL SERVICES INDUSTRY

# Improving Change Implementation in Regulated Financial Services Firms

## Background

When regulatory pressure mounts and financial services firms need to respond, firms often make the mistake of assigning this responsibility solely to technical experts (people exclusively or predominantly from a regulatory, risk or compliance background). In our experience, the key to success is to apply a deal-driven mindset using a multidisciplinary team with strong regulatory expertise, as just one component.

**Paul Sharma**, Managing Director and Head of Regulatory Advisory Services with Alvarez & Marsal, says, “The response to any serious regulatory challenge is too important to be left to solely to compliance or risk but needs the attention of the full C-suite. Where this is absent, the firm may quickly lose the confidence of its regulators with all the undesirable consequences that flow from this.”

**Hassaan Noor**, a Senior Director within Alvarez & Marsal’s (A&M) Financial Services Industry practice says, “In a recent case, we helped our client to recalibrate its capital model over a nine-month period, where we found that senior stakeholder consensus building was the most challenging element due to the sheer technical complexity of assessing alternative solutions bound by commercial, operational and regulatory limitations, all of which had to be respected.”

## A&M’s approach to improving execution effectiveness in financial services

A&M’s approach to implementing complex change programmes is to have the programme led by a senior, experienced and commercially minded individual, as part of an integrated and multidisciplinary team with deep regulatory expertise.

We have developed this approach over time. It is predicated on the following differentiating features of financial services firms versus other sectors:

- Complicated front office organisation structure often with matrix reporting lines (functional/geographic/product etc.)
- Inconsistency in reporting data together with low levels of integration between front office and support functions (i.e., risk, finance, compliance)
- An under appreciation of the rationale and limitations posed by regulations

**“A&M’s differentiated approach to financial services is predicated on our vast experience in developing feasible and appropriate operational solutions, which incorporate limitations from complex regulations.”**

## Below are three of the most valuable lessons to keep in mind:

### 01 Instill a deal-driven mindset to implementation

“In our experience, successful change implementation is not just a matter of obtaining buy-in, but rather, success is hugely linked to instilling within the ‘deal/delivery team’ a corporate transaction mentality with hard deadlines, stretching targets and a relentless

can-do attitude,” says Mr. Noor. “This is easier said than done. In the current heightened regulatory environment, knowledge is concentrated in fewer people and resources in financial services firms are stretched more than ever before performing ‘business as usual’ activities.”



**Where complex regulatory knowledge and input is required, obtaining an independent view can help with deliverables definition, capability assessment and achieving the right level of engagement from senior management.”**

In recent cases, A&M has worked in teams with a mix of resources (client and A&M) supplemented by internal and external subject matter experts. In all assignments of this nature, A&M provided without exception, senior and experienced implementation leadership, with the right gravitas to mobilise resources, small and medium-sized enterprises (SMEs) and connected parties to deliver the desired results.

## 02 Get it right first time

“A relatively high proportion (in excess of 60 percent) of our client inquiries are where the regulatory change programme has either missed a number of important milestones, or are at the brink of failure,” says Mr. Sharma.

Mr. Noor added, “I cannot stress how important it is to get it right the first time, which requires using the right

people and the right skillset. Once a programme fails, achieving senior stakeholder buy-in through a new implementation journey is both difficult and confusing.

This, together with the need to correct and re-energise a delivery team, can add approximately 50 to 100 percent incremental cost to programme delivery. The worst situation we have seen, is where our client spent four times the original project budget to rectify a project, which A&M helped to bring back from the brink of failure.”

## 03 Set the right targets by obtaining an independent view including capability assessment

An independent opinion can help senior management see through layers of complexity and provide a view on the following mission critical benefits:

- Provide an objective assessment of delivery capability and help to reshape programme deliverables accordingly. We have observed a general bias in senior management to overestimate internal delivery capability and capacity
- Simplify the message to the senior management to focus on the most important issues. In our experience, poor messaging can put a programme at risk by assigning incorrect priorities to workstreams and initiatives
- Improve stakeholder alignment by providing a sense of focus and urgency through a formal programme set up

## KEY CONTACTS



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## ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 6,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

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