A Work Project, presented as part of the requirements for the award of a Master degree in Management from the NOVA – School of Business and Economics.

A model to support FinTech StartUps to bring value to millennium's customers

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A project carried out on the CEMS Business Project course, under the supervision of:

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May 20th, 2016

Extract

The seismograph shows: FinTechs are disrupting the financial industry. Millennium BCP has become aware that its competitors are interacting with FinTechs and sees its leading role in the Portuguese market at stake. The project deals with the development of *"a model to support FinTech StartUps to bring value to millennium's customers*".

A hypothesis-driven approach is used to find the most suitable FinTech method. However, internal challenges have been recognised, which hinder such an approach. Therefore, a two-stage model has been developed to tackle these obstacles. As a result, a solid digital strategy will be designed to accommodate the FinTech strategy.

Keywords:

FinTech; Innovation; Disruption; Financial Industry

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Abbreviations

BBVA = Banco Bilbao Vizcaya Argentaria

BCP = Banco Comercial Portugês

BI = Business Incubation

BP = Business Project

CEMS = Community of European Management Schools

COBIT = Control objectives for information and related technology

EBITDA = Earnings before interest, taxes, depreciation, and amortisation

et al. = Et alii

EU = European Union

EV = Enterprise value

HR = Human Resources

IT = Information Technology

Inc. = Incorporation

M&A = Mergers and Acquisitions

Mbcp = Millennium BCP

MECE = Mutually exclusive, collectively exhaustive

MSCI = Morgan Stanley Capital International

NPS = Net Promoter Score

PMI = Post-merger integration

PwC = PricewaterhouseCoopers

RBV = Resource-based view

S.A. = Sociedade Anónima

VRIN = Valuable, rare, in-imitable, non-substitutable

WP = Work Project

Introduction

This work project is associated with the CEMS Business Project (BP), which has been carried out with Millennium BCP (Mbcp) and under the supervision of Prof. Paulo Faroleiro. The BP focuses on the development of a FinTech strategy for Mbcp. To provide a holistic insight into the project, the outline reads as follows: Chapter one provides the reader with an understanding of the project's context. The second chapter reflects on the work done as well as on the author's contribution within the project. Given the complexity and page limitations, only the summary of the results will be provided. Chapter three links the author's studies with the project and elaborates on relevant academic theory. Finally, the author reflects upon his experience and states his personal areas for improvement.

1. Brief context

1.1. Millennium BCP

Founded in 1985 after the deregulation and development of the Portuguese financial system, Banco Comercial Portugês, S.A. or Millennium BCP, is the largest Portuguese privately-owned bank. It provides financial products and services to both private and business customers covering a vast portfolio. These range from current accounts, over savings and investment products to asset management.

Mbcp operates internationally with branches in Portugal, Mozambique, Angola, Poland, Switzerland and Macau under the common brand Millennium, serving 5,5 million customers worldwide (2015). Portugal represents the largest market of all operations with 2,3 million customers. Its mission of ensuring excellence, quality service and innovation are values that make the bank distinctive and differentiate them from their competition.

With a focus on retail banking in the domestic market, Mbcp serves its customers through physical branches but also through remote banking channels such as a telephone hotline, a website and a mobile app. (Mbcp, 2016)

Since its founding Mbcp has grown, both organically and inorganically, through M&A activities. Examples are the purchasing of *Banco Português do Atlântico* in 1995 (Mbcp,

2016) or *Banco Pinto & Sotto Mayor* in 2000. (Rainho, 2000) However, in 2008, the financial crisis affected the bank's operations significantly. This led to the sale of international subsidiaries such as *Millennium bcpbank* in the USA in the scope of the divestiture of non-strategic assets. (Mbcp, 2016) Additionally, Mbcp had to draw €3 billion from the €12 billion bailout fund provided by the European Union and IMF to recapitalise Portugal's banks. (Bugge, 2012)

1.2. Market overview

Focussing on Mbcp's domestic and simultaneously largest market, it can be stated that the economy is recovering. Main reasons are aspects such as lower financing costs or the overall acceleration of the European economy. Indeed, even the banking sector is recovering as the amount of borrowing from the European Central Bank has decreased significantly by 25% (year to year) in 2015. However, the country's loss-absorption capacity is still weaker in comparison to those of other European countries. (Moody's Investors Service, 2015)

Regarding the structure of the market in 2015, 67 banks operated with more than 5.100 branches in Portugal. (Associação Portuguesa de Bancos, 2015) The competition between the banks can be described as strong, given the *Common principles for Bank Accounts Switching* by the European Banking Industry Committee (European Banking Industry Committee, 2010). These principles enable private consumers to switch from one bank to another easily. Additionally, the tightening of regulations by the BASEL III framework has increased the competition within Portugal. (Associação Portuguesa de Bancos, 2015)

Portuguese customers still prefer classic distribution channels such as ATMs (62%) and branches (42%), whereby they are above the worldwide average (+4% and +3%, respectively). In contrast, Portugal lags significantly behind in terms of digital channel usage, which only comes to 29% in comparison to an average of 45% worldwide. (McKinsey Solutions, 2015) An important factor for this circumstance is the low internet penetration throughout the country (70,8%). However, it is expected by 2020 to increase by 14,8%, boosting online banking from 28% in 2015 to 41,4% in 2020. (Statista, 2015)

Accompanied by the increase of interest in digital banking solutions, third vendor parties have been entering the market: So-called FinTechs, financial technology StartUps, are disrupting the industry with a small yet highly sophisticated product portfolio. In Portugal, seven FinTechs, ranging from fraud protection software to trade analysis platforms, have been penetrating the market. (Almeida, 2015) Although the number does not seems threatening, FinTechs are not geographically bound, which means that they can just as easily offer their service to an additional market. Like in other country worldwide, Portuguese banks are still undecided if FinTechs are to be considered a threat or an opportunity.

1.3. Current client situation

Mbcp experienced a turning point in 2015. After four years of losses the bank was able to achieve profits in both its Portuguese and international operations, amounting to €235 million. (Mbcp, 2016) To a large extend this is due to the restructuring process that has been on-going since 2005 and which involves the divestiture of non-strategic assets. As a result, Mbcp will be able to repay all outstanding debt from the bailout credit in 2017 by the latest.

Despite the continuous saving measurements, Mbcp was able to obtain a leading role within the market resulting in a market share of 18,1% in customer loans and 17,5% in customer deposits.

In terms of the average activity by distribution channel, Mbcp's customer are comparable to the overall Portuguese average. It is only the branches that are visited less often by its customers. (McKinsey solutions, 2016) Significantly, Mbcp customers tend to use digital banking even less often than the already lagging Portuguese average, which contradicts the shift in the market. To counteract this, Mbcp has launched for the period of 2015 – 2018 a new set of strategic priorities with the objective to transform the business model and the bank into a healthier organisation. An important role within the transformation part plays thereby the redefinition of the Retail distribution mode by "*exploiting the potential of new technologies, namely in the digital area*". (Mbcp, 2016) By doing so, Mbcp is trying to reach its ultimate goal: Being a reference bank in Portugal as a "*more agile and modern, closer, simpler and more sustainable bank*". (Mbcp, 2016)

1.4. Business project challenge

In this continuously changing market, Mbcp's positioning is at stake. Therefore, it is looking for strategies and techniques to remain relevant. As the trend continues to shift towards digital, Mbcp sees FinTechs as both an opportunity and a threat in the Portuguese market. Acting is better than reacting and so Mbcp is looking for ways to interact and support FinTechs. The main objective is to reach a level of excellence in both customer user experience and value proposition. Therefore, the business challenge has been defined as the development of a FinTech strategy for the client. This strategy provides both a framework and options that Mbcp should pursue in order to provide customer-centric services.

2. Reflection on the work carried out and individual contribution

2.1. Problem definition

As a result of thorough analysis of the industry, the market and the internal situation, multiple problems have been identified. The industry analysis revealed that competitors of Mbcp are engaging more and more in the FinTech areas with different types of approaches. Accepting that their market position is at stake, Mbcp faces the challenge of not having a strategy to approach FinTechs yet. However, the internal analysis, consisting of face-to-face interviews with employees, revealed that Mbcp also faces internal obstacles. This has caused it to be impossible for Mbcp to approach FinTechs, regardless of whether a strategy has been developed or not. The key concern is the lack of a holistic digital strategy. In order to set up such a strategy three foundational pillars have been defined: Information Technology (IT), Governance and Human Capital. Comparing the As-Is and To-Be state of these three pillars within a gap analysis, sub-problems have been recognised in each of them.

2.1.1. Sub-problem set IT

Analysis has revealed that the core IT system is outdated and is a so-called legacy system, which causes high costs and represents an obstacle when adapting to changing market trends. Thereby, it harms the company's agility when dealing with new technologies. Additionally, the IT department has been identified as a bottleneck when it comes to developing initiatives that help transform the company. The main reasoning for this is that every initiative, regardless from which department, needs to be assessed and developed by the IT department. As resources are limited, both financially and in human capital, initiatives are piling up. The monetary constraints also create their own problem: The budget, which has been cut continuously since 2001, is spent mainly (90%) on maintaining the current systems rather than developing innovation. This in turn leaves Mbcp paralysed and fighting rather for survival than for innovation.

2.1.2. Sub-problem set Governance

The analysis of the corporate governance has revealed issues such as a lack of digital strategy, the current innovation organisation and the lack of a digital presence. Indeed, Mbcp launched Projecto Avançar, a project to make Mbcp more digital. However, there is no overall digital strategy in place, which is supposed to include a FinTech strategy. Regarding the organisation of innovation, employee interviews revealed that initiatives that are to be or have been launched are not aligned with one another. This in turn leaves possible synergies unrealised. Additionally, the issue of a lack of digital presence has been recognised. Striving to be a digital bank, Mbcp needs to be trustworthy towards both their clients but also the FinTechs they aim to attract. Therefore, being digitally present is key. Currently, Mbcp lacks such presence in digital channels, namely social media platforms among others.

2.1.3. Sub-problem set Human Capital

Although the aforementioned problems are significant, employee interviews revealed that especially the pillar of Human Capital has great shortcomings. The most significant is the lack of a digital mind-set, which is a definite prerequisite to set up a FinTech strategy. Employees currently both do not want to understand the impact of digital on their industry and do not consider innovation as a significant part of the company's future development. Such mind-set makes it impossible to accept FinTech as a mandatory part of the business. Concomitant with the lack of mind-set, employees lack the Know-How of technology, trends and implied changes in the context of digital. It has further been identified that Mbcp outsources key functions that are required to assure an appropriate innovation focus. Additional to its outsourcing efforts, it does not attract young and innovative talent that is of the necessary calibre to maintain the market positioning.

2.2. Methodology

2.2.1. The two-stages model

After conducting all analyses and reviewing the problems, it has been recognised that some problems need to be tackled and solved before other problems may be tackled. A significant problem identified, for instance, is the lack of a holistic digital strategy in which the FinTech strategy is supposed to be embedded within. However, considering the other problems that have been recognised throughout the project, it becomes obvious that a digital strategy cannot be set up easily: The previously mentioned three pillars need to be shaped to such a degree that they serve as a foundation for a digital strategy.

Based on these insights, a model has been developed to illustrate the relationship of problems and the timely sequence of solving these (see appendix 2). The model consists of two stage: *Stage 0* and *Stage 1*. The purpose of Stage 0 is to assure a *FinTech readiness* for Mbcp by preparing Mbcp for the present and the future. It tackles the basis-building challenges, namely the foundational pillars for the digital strategy. If these challenges are accomplished, Mbcp is able to set up a digital strategy on top of it.

By solving all problems within the three pillars and setting up the digital strategy, Stage 0 is finalised and enables Mbcp to proceed to Stage 1, the phase for defining the *FinTech approach*. The purpose of this stage is to accelerate an innovative Mbcp by defining an approach to interact with FinTechs. This is required to reach a new level of customer service excellence. Within this stage, six approaches are considered: *Research Centres*, *Mergers and Acquisitions*, *Partnerships*, *Incubators*, *Venture Capital funds* and *Product Development*. By accomplishing this stage, Mbcp is able to interact with FinTechs in the defined way.

2.2.2. Hypothesis Stage 0

Based on the insights gained from the two-stages model, the following hypothesis has been described:

H_0: *Given the current circumstances, Mbcp is not yet ready to interact with FinTechs.*

As the analysis of the three foundational main pillars revealed a sub-set of problems within each of them, the pillars have been further broken down into the areas *Mind-set*, *Digital presence*, *IT*, *Know-How*, *Governance*, and *Strategic Positioning*. In order to understand the current and the required standpoint of Mbcp the six aspects have been plotted into a spider web diagram. The spider web diagram (six axes model) enables quantifiable values to be produced and illustrates directly when the As-Is and the To-Be state differ from one another. This allows the hypothesis to either be verified or falsified.

The spider web diagram displays the As-Is state, which is extracted from prior insights and quantified by both the team and the Business Advisor. It further displays the To-Be state, which has been defined and evaluated quantitatively by the team. By doing so, the assessed distance between the two dots on each axis has been set relatively for each of the aspects. This means that a score of 10 in IT may not represent a comparable sophistication in Strategic Positioning. The reason might be that the project does not require a sophistication of the latter to such an extent. Therefore, a one-point increase in IT may mean a relatively larger advancement than the same increase in Strategic Positioning. This fact will also be discussed in chapter 2.5.

After conducting the assessment of the As-Is and To-Be state in quantitative measures, it was recognised that the required level of sophistication for Stage 1 has on average an evaluation of

3 points above the current state. (see appendix 3) Therefore, the hypothesis can be confirmed: At the beginning of the project Mbcp is not ready to approach FinTechs in any possible way.

2.2.3. Hypotheses Stage 1

Assuming that Mbcp is able to proceed to Stage 1, it must be decided which FinTech approach is the most adequate, given Mbcp's situation. Possible approaches are those that have been identified as commonly known and popular methods to interact with FinTechs, namely *Research Centres*, *Mergers and Acquisitions*, *Partnerships*, *Incubators*, and *Venture Capital funds*. *Product development* has been considered previously for completeness reasons. However, developing in-house, which is the core function of product development, did not match the project's scope. Additionally, Product development requires one of the aforementioned approaches and hence, is not independent: A Stage 2 would be required, which is, given the limitations, neither desired nor applicable.

For the other five approaches, a generic approach has been defined: A definition as a starting point assures a common understanding for both the team and the reader. Additionally, an overview of the market was given that revealed the extent to which the specific approach is used. To further elaborate on this, best business practices have been presented emphasising how different financial institutions have executed this approach.

After each approach has been presented, the suitability for Mbcp in specific has been tested: Within the project, a hypothesis-driven approach was chosen to evaluate the fit. In order to assure coherence throughout the testing, a general hypothesis has been elaborated and has been tested for each of the approaches, whereby X represents the specific approach:

H_0: [Approach X] is/are the right approach for Mbcp to tackle FinTech.

As the hypothesis itself is rather broad to be applied to all approaches, either 2 or 3 sub-hypotheses have been defined. These should either verify or falsify the main hypothesis. Generally, both micro and macro factors have been considered when testing the hypotheses.

The relevance of the particular argumentation for the specific evaluation was decisive and not the amount of falsified sub-hypotheses.

As the project's findings serve only as a recommendation for Mbcp, it is up to the bank if it will follow these results. In the case that Mbcp still decides to choose an option that has been evaluated as non-suitable, the project deliverable still provides information about the required characteristics of the six axes model. This is necessary since a specific approach might require an even stronger focus on certain axes of the model. By providing these requirements, Mbcp still has the opportunity to pursue these options immediately without further research.

As an outcome of the hypothesis-testing, following results can be presented:

Mergers and Acquisitions can be neglected as the hypothesis has been falsified. This is mainly due to the high risk of overvaluation and uncertainty associated with acquisitions. Additional risks come from the monetary resources, that will be highly constraining even after the debt repayment, as well as from the uncertainty of the European and worldwide financial industry.

Partnerships can be neglected as the hypothesis has been falsified. Although Mbcp will have an improved digital skill level, cultural and organisational clashes may still occur. This would involve significant risk for the company and its brand, which serves as competitive advantage.

Since the FinTech industry is described as a fast-paced industry, Research Centres can be neglected as well. Main reason is that the ramp-up takes too much time until they are able to start operating. In the long-run Research Centres may be beneficial, yet the following confirmed approaches bring higher benefits as they are, for instance, quicker in generating results.

The hypothesis for Venture Capital (VC) funds can be verified. An independent Venture Capital fund is the right approach for Mbcp. Since Mbcp suffers from investment regulatory, an independent VC fund would help to circumvent these since it does not underlie the same regulatory as the bank. Additionally, Mbcp can set a different focus to that of the parent company. This in turn enables the fund to focus on specific segments outside Mbcp's core segments, namely Millennials. Last, the independence will foster an efficient FinTech approach: As the fund claims full responsibility for its operations, it has to carefully manage costs and revenues. Thereby, it will be motivated to be as efficient as possible.

However, VC is not the only accepted hypothesis. Business Incubators (BI) are also considered as a right approach for Mbcp. Focussing on accelerators as part of BI, it can be stated that this kind can help provide an understanding and overview of the market as well as transfer knowledge easily. Indeed, Mbcp does not have the ideal capabilities to optimally support the most promising StartUps in their accelerator yet. However, the strong brand can serve as a foundation for such an accelerator as the Mbcp brand is trustworthy and innovative.

2.3. Recommendations to the company

2.3.1. Recommendations for Stage 0

Given that the hypothesis has been falsified, it becomes obvious that the required state and the current state are mismatched. To advance in the lagging areas, initiatives have been created that tackle the As-Is state on the axes in detail. The designed initiatives differ in scope, yet require all to be accomplished in order to assure the FinTech readiness on this specific axis. An exemplary initiative for mind-set is, for instance, the implementation of visits to FinTech related events such as the Web Summit in Lisbon, Portugal. Thereby, the mind-set for executives will be sensitised for innovations and the understanding of the changing environment caused by digital distribution. A full overview of the initiatives can be found in appendix 4. Only if all mentioned initiatives are accomplished and/or set in place, Fintech readiness is possible, allowing Mbcp to proceed to Stage 1.

2.3.2. Recommendations for Stage 1

As explained in chapter 2.2.3, the hypotheses of only two approaches have been verified. The benefit of implementing both are possible synergies, namely the strong ties between

Accelerators and Venture Capital funds: The former serves as a funnel for the latter by providing both information about the market but also concrete FinTechs. This in turn will help to reduce the search costs for the VC fund.

In order to implement each of the two, a general implementation framework has been defined, dealing with the required staffing, the bank's role as well as the strategy. Furthermore, the strategic alignment has been discussed and a 5-steps implementation plan has been set up. The key points for both approaches will be explained, as followed:

2.3.2.1. Setting up an independent Venture Capital fund

The VC fund is independent in its investment operations, yet the strategy of the VC fund should comply with the overall business and innovation strategy of Mbcp. In order to maintain the alignment, it is crucial to thoroughly design communication channels among the two parties.

To operate such a VC fund, a management team has to be determined that has an interdisciplinary background, namely VC and StartUp experience. The team size should be small and preferably have a supportive consultative committee. The committee should include Mbcp executives, independent advisors and the digital unit set up in Stage 0. As the fund operates independently, the bank's role should be limited to committing funds and supporting, yet not steering the fund's decision. Regarding the capital sourcing, it is recommended that Mbcp partially liquidate the current investment unit *bcp capital*. In the case that Mbcp wishes to leverage its funding with external options, Mbcp could apply for funds from *Insituto Financeiro para o Desenvolvimento Regional*, which provides EU-sponsored funds to capital investment firms engaging in equity of early-stage ventures. However, as the main objective of the VC fund is to profit from knowledge transfer, only a minority stake up to 20% of the equity should be pursued. Thereby, the option of investing in more than one StartUp will be maintained as well.

If the recommendations are followed, it implies multiple advantages for Mbcp: The VC fund will have the benefit of having a better access to FinTechs as they carry a distinct name from the bank. This is important as research in scope of the project revealed that banks' brands cause an immediate denying attitude of FinTechs. As the fund is independent, a decrease of bureaucracy will be recognised as beneficial. This is because the fund has its own payrolls and needs to care of its profitability and shareholder satisfaction.

Although the implementation of a VC fund is recommended, risks have also been identified: Even though the bank gets board positions in the invested companies, information asymmetry in favour of the FinTech founders, a so-called principle-agent-relationship, exists. Therefore, it is challenging to design a contract that guarantees a reliable and steady flow of Know-How.

Additionally, investing in incumbents in general is challenging. The main reason is the trade-off between exercising powers on Mbcp's side and granting freedom to let entrepreneurs experiment with technology that eventually might add value. It is always a major challenge to find the right FinTechs to invest in as they should not only add value in terms of Know-How but also fit the overall innovation strategy. To circumvent this issue, the implementation of an Accelerator as described in the following can be recommended.

2.3.2.2. Setting up an Accelerator

In earlier stages of the project it was recognised that the bank has a hard time in developing the right skills for the digital transformation. The same will be valid for the setup of an Accelerator. Therefore, it is recommended to partner with a third party vendor that helps Mbcp to manage and asses the information but also provides the StartUps with the appropriate support to grow. From the side of Mbcp, a manager should be appointed, who has the knowledge of digital, business development and Mbcp's strategy. Additionally, it has to be an individual who is able to ensure a strong C-suite and board commitment in order to push innovation and the setup of a VC/Accelerator combination.

The team of the bank will then take over the role of a mentor and will place the FinTech strategically within the market. Thereby, both the FinTech and the bank have a mutually beneficial relationship, as the venture will provide market proximity, innovations and technology in return.

By offering capital and a strong brand Mbcp will attract FinTechs naturally. However, the accelerator should only support FinTechs that have at least a minimum viable product in the market. This means that no FinTech with a sole prototype should be supported in order to limit the risk of capital loss. Additionally, the consulting committee suggested within the VC chapter should be asked for support as it has the required Know-How in business development and the valuation of FinTech scalability. Thereby, the risk can be limited as well as non-promising StartUps can be excluded.

As the accelerator will most likely be a cost centre rather than a revenue centre, as there is a high probability that StartUps will fail to achieve acceptable results, it is key to secure commitment from financially supportive stakeholders.

If these recommendations are followed, having an accelerator can enable the bank to get direct insights into the market and its development. Additionally, it will save the time and money for prototyping and viability tests on its own. Therefore, it can focus on managing a portfolio of StartUps that have an approved market fit. However, to ensure a successful operation the communication interface between the two entities, Mbcp and the Accelerator, must be given and ensured. Otherwise, the Accelerator will fall behind its expectations.

2.4. Concerns

Although the team aimed to be concrete, conscientious and detailed, in order to prevent possible uncertainties, it was not possible to exclude those exhaustively.

The first uncertainty lies in the nature of a consecutive model: As two stages have been defined, one depends on the other. That is why it is always uncertain whether the client will be motivated and able to accomplish both of them. This is especially unpredictable as the further development of the industry is unknown, given the current fragile financial industry in Europe and worldwide. A sudden crisis would shift the priorities of Mbcp significantly, leaving the project far behind other priorities. Furthermore, it is always difficult to change the overall working attitude. Even if it is possible, it will require significant time. However, as the FinTech industry is a fast-paced industry, disruptive innovation happens literally every day. Thereby, the bank might already be lacking in new requirements upon accomplishment of the pre-defined Stage 0.

Another concern is the contestability of hypothesis testing. Although the main hypothesis is equal for each of the approaches, the sub-hypotheses differ significantly. It can be argued that the chosen sub-hypotheses are biased and have been chosen to support a desired outcome. Nevertheless, it has to be considered that the approaches are not comparable by nature as they differ significantly. Therefore, both sides of the argumentation are valid.

Finally, the scores given within the *FinTech readiness* phase can be further debated. Indeed, the As-Is values have been co-defined and approved by the company, yet the team evaluated the To-Be values individually, based on previous insights such as the benchmark. Therefore, it can be argued that these outcomes are not objective enough. Furthermore, it is arguable whether the described situation should be rated as 7 rather than 8. This is valid for everything that has been evaluated subjectively. However, the actual objective of this evaluation is to emphasise the point that there is a gap on the axis that requires action.

2.5. Individual contribution

The author made several contributions. First, he conducted the internal analysis according to the renowned 7-S model by Tom Peters and Robert Waterman at McKinsey&Company (2008). Introduced in the 1970's, the model does not focus on the structure of the company itself but rather its ability to change its organisation. Given the project scope and development throughout the processing, which focuses on digital transformation, the author considered this model as the most suitable. There are also other models to analyse organisation such as the *St. Gallen Management Model* (see appendix 5), yet it goes into too much detail and fosters areas that may not be of specific interest to the project. In comparison the 7-S analysis is easy to understand and simple in its application yet still pretty much exhaustive. (see appendix 6)

As the 7-S model covers several aspects ranging from skills over strategy to structure, multiple models within the 7-S model were applied to reach detailed conclusions. For the structure, for instance, the author decided to first present the organisational structure to clarify where innovation is located within Mbcp. However, interviews revealed that some departments seem to have either no interest at all or no interest in changing their daily routine. Therefore, the author decided to conduct a stakeholder analysis with regards to possible interventions in the project. To emphasise which department might be the most threatening, an analysis of the involved stakeholders, according to Mendelow's Power-Interest grid, was conducted. (Thompson, 2016) Within the grid, departments are split into four fields depending on their degree of power and interest respectively. (see appendix 7) As the stakeholders in the upper right field, the high-power/high-interest field, are considered to be the most influential, these stakeholders were analysed regarding their risk of intervention in specific.

Out of initially eight departments, the author analysed five in more detail given their possible influence. In order to do so, a modified version of the Net Promoter Score scale was used as a risk analysis tool. (Reichheld, 2006) On this scale, ranging from low risk to high risk of intervention, stakeholders were placed according to their assessment. In reference to the actual Net Promoter Score model, stakeholders that are high risk were defined as *distractors*, medium risk departments as *passives* and low risk stakeholders as *promoters* of the project. Detailed information about the risk of intervention of all involved stakeholders could be gained and presented clearly and simply for readers such as the client.

To give an additional insight into the company the author decided to carry out the analysis from the resourced-based view (RBV), which understands a set of intangible and tangible assets as a competitive advantage. The theory was applied since the 7-S model neglected various insights gained through internal interviews. Applying the RBV enabled the author to cover topics such as the branch of the future, but also the brand itself. In addition, the RBV allowed the author to assess topics critically as Mbcp's perception of these aspects were partially biased. An example for such bias is the *branch of the future*. According to Mbcp*,* this branch is supposed to represent what customers are looking for. However, recent research revealed that the future customer base, namely Millennials, have an overall low interest in branches. Therefore, it was not possible to identify any competitive advantage despite the efforts and resources invested by the bank.

As the internal analysis consisted of a large amount of information, the author decided to summarise the insights of the internal analysis. They were further connected with the industry findings and the market analysis and finally a SWOT analysis was carried out. Thereby, the author was able to conclude and illustrate the prior insights but also call attention to the risks Mbcp might be facing.

Secondly, the author analysed M&A as a possible FinTech approach. The main motivator was his strong interest in M&A as well as the chosen topic for the academic part of the work project (see chapter 3).

To emphasise the increasing importance and interest in FinTech the author used total number of transactions as well as the total transaction volume in the introductory slide. However, the author did not wish to neglect the risk involved in M&A activities in the FinTech context. Therefore, he compared the EV/EBITDA multiple for FinTechs and the one for the financial industry on average. The comparison revealed that FinTechs are on average valued significantly higher than the MSCI Europe, a "*free float-adjusted market capitalization* *weighted index*" (MSCI, 2015) for 15 European countries. Having said this, companies can easily run the risk of buying a FinTech that is overvalued and that will not bring the expected return on investment.

For best business practices, the author decided to use the example of MasterCard and BBVA. As BBVA has significantly more resources and is considered to be state-of-the-art in terms of FinTech interactions, Mbcp cannot be directly compared. However, it shows a good comparison between two approaches: One bank acquires FinTechs but keeps them separately under its umbrella. In comparison, the credit institute fully integrates its acquired FinTechs and considers this as the ideal approach.

For the hypothesis testing, the author defined three sub-hypotheses questioning the main hypothesis as collectively exhaustive as possible: The type of acquisition, the IT capabilities as well as the financial resources are tested. The latter is of importance given the current situation of Mbcp and the forecasted development. The IT capabilities are of importance as Mbcp has a non-adaptable system that does not allow interaction with FinTechs.

Finally, the authors compiled the final report itself. Each team member handed over raw material, which led to the challenge of visualising the sheer amount of information on a limited number of slides. The author decided to take responsibility of putting together the slide deck upon himself. This is because prior PMOs have shown that if multiple people work on one slide deck, inconsistencies occur. These inconsistencies occurred not only in terms of visual style but also in terms of logic and strengths of conclusions within the slides. As the sole team member working on the slide deck, the author was able to build a smooth train of thought that guides the reader from the beginning to the end. Furthermore, by receiving the data as raw versions, the author was able to visualise and analyse the data in such a way that strong statements could be formed. One example, for instance, is the combination of the

FinTech user characteristics, which also describe more than half of Mbcp's customer base – A significant potential was been identified.

3. Academic discussion

3.1. Possible links with the Masters in Management

During the internal analysis two courses were considered beneficial as the author was able to apply course content and thereby gain a more detailed insight: Firstly, the course Advanced Marketing taught the author the *Net Promoter Score (NPS) methodology*, which was adjusted according to the author's needs. This in turn enabled project responsible people to know which parties they have to treat with special attention throughout the project.

Secondly, Strategy II introduced the author to methodologies connected to the *Resource-based view* (RBV). One analysis was the *VRIN analysis*, which analyses tangible and intangible assets regarding their characteristics of being valuable, rare, in-imitable and non-substitutable. Applying this model enabled the author to identify the actual competitive advantages of Mbcp.

As the CEMS BP has the characteristics of a consulting project, attending the consulting course at NOVA was beneficial for the contribution to the project. The author was able to apply skills such as critical thinking and the ability to identify the hypotheses as mutually exclusive and collectively exhaustive (MECE). These skills were developed and improved during this course. Furthermore, the consulting course inspired the author to use a hypothesis-driven approach to identify the most suitable approaches.

3.2. Relevant theories and empirical studies

Although the hypothesis testing within the Business Project rejected the FinTech approach of Mergers and Acquisitions, the following sub-chapter will analyse the challenges Mbcp might face when acquiring a FinTech hypothetically.

3.2.1. M&A related risk

M&As are an important source for growth (Bauer & Matzer, 2014): They can help to diversify risk (financial motivation), to increase entry barriers (strategic motivation), or to gain economics of scale and scope (operational motivation). (Hitt et al., 1998)

However, M&A activities in general are risky as they involve specific uncertainties regarding the actual outcome. What adds additional risk to a M&A activity is it visibility and its "*tendency to evoke intense personal commitment" (*Pablo et al., 1996*)*. Consequentially, M&As tend to fail, whereas fail rates differ from 40% – 60% (Bagchi & Rao, 1992) to 70% – 90%. (Christensen et al., 2011). A main reason is the neglect and mismanagement of the post-merger integration (PMI). This chapter will deal with the uncertainties that cause such fail rates.

3.2.2. Aspects of post-merger integration

"*M&A is a complex process involving risk that ranges from financial and legal matters to sales and marketing challenges and everything in between.*" (Khazanachi & Arora, 2016) As described by the quote, M&A and thereby the post-merger integration affects literally all departments of a company. However, by dealing with FinTechs, two areas are considered to be of major importance for Mbcp: the IT and the HR aspects of PMI. In the following sub-chapters both will be presented, yet the focus will be on the human side of PMI.

3.2.2.1. IT in the context of PMI

IT plays a major role in assuring a smooth integration between the companies. However, still today the importance and the concomitant risk is either neglected or ignored. The involved risk can be divided into three levels. (Khazanachi & Arora, 2016)

Firstly, the *technical-level risk* that deals with the combination or consolidation of information systems amongst the merging parties. Here, it is of major importance to integrate basic infrastructure technologies used by both to provide the foundation for a data exchange. Building such a common platform is essential for Mbcp and FinTechs as not following this recommendation will cause either high costs or the inability to integrate and benefit from the FinTech.

The second risk is the *business-level risk* that implies that business processes need to be revised and adapted according to the new circumstances. In terms of Mbcp and FinTechs, initiatives have been defined in order to tackle this challenge, namely the analysis of whether a DevOps department should be set up and the redesign of the initiative release processes.

Last, the *application-user risk* has to be considered. Communication about the upcoming change needs to be clear and smooth. Otherwise employees might resist the change or leave the company. However, this is going to be discussed in more detail in the next chapter.

To manage the mentioned IT PMI risks above, it is recommendable for Mbcp to use an IT risk framework, the so-called COBIT framework.

3.2.2.2. The human side in the context of PMI

"Not everything that can be counted counts, and not everything that counts can be counted." (N.N., 2015) Albert Einstein's statement emphasises one fact: Some of the most important aspects in terms of M&A activities cannot be measured properly due to their intangible nature. Thereby, firms tend to tap into a *soft trap.* (Piekkari et al., 2005)

Assuming that Mbcp is acquiring a FinTech, it is obvious that alignments need to be made in order to streamline the two individual firms. However, streamlining also means changes, loss and anxiety on both the corporate culture level but also on the individual level. In the following, an insight on the corporate culture level is given: Berry (1983) identified four modes of acculturation, which might be triggered depending on the characteristics of the firms (Nahavandi and Malekzadeh, 1988): *Integration*, *Assimilation*, *Separation*, *Deculturation*.

Integration occurs when a company wants to preserve the basics of the own culture and remain independent. Indeed, integrating implies that the companies structure might be assimilated to adapt, yet without or little cultural assimilation. However, in order to do so both parties need to be willed to change to some degree. This again requires the appropriate mind-set. However, in case this approach would be realisable, synergies would be ideal as both companies can run almost as they used to. This in turn would mean a minimum ramp-up time and the almost instant realisation of synergies.

In contrast, *Assimilation* means that the acquired company is willed to abandon its own culture, corporate practices and systems in the exchange of the acquirer's culture and practices. (Sales & Mirvis, 1984) However, in the case of Mbcp and FinTechs it is rather unlikely, as the culture is a competitive advantage for FinTechs. A loss of this is the largest concern when interacting with Banks. (PwC, 2016) Losing it nevertheless would probably mean that a resistant attitude on the side of the FinTech employee occurs which could destroy any value and all considered synergies.

When a company resists any kind of integration and strives to stay independent, refusing any adaptation at all, it is called *Separation*. Here, there will be no cultural or corporate exchange but the FinTech would operate independently under the umbrella of Mbcp. However, since there is no exchange amongst the two companies, the desired knowledge gains will not be created fully or at all.

Last, if an acquisition goes really wrong, *Deculturation* occurs. The acquired company does not want to proceed with their own culture or with the culture of the acquirer. In this case the FinTech is left paralysed and unable to operate effectively and efficiently.

Reviewing the four types of acculturation, *Integration* can be understood as the most desirable type as it would enable Mbcp to merge business processes and cultures. This in turn would allow the best realisation of synergies. However, as the major concern of FinTechs is the loss of culture as their key competitive advantage, it is likely that FinTechs pursue a *Separation* in order to preserve their culture.

Therefore, the question arises, what type of corporate integration might be the most suitable to foster an acculturation type that is similar to *Integration* mentioned above.

Haspelagh and Jemison (1991) defined four types of integration approaches, depending on the strategic need of autonomy and interdependence (see appendix 8): *Preservation*, *Holding*, *Symbiosis* and *Absorption*. The two latter have been analysed as possible approaches within the project as well. However, during the literature review, another approach was identified: The light-touch integration, which is used by Chinese companies. (Liu & Woywode, 2013) The main objective of this approach is to enter the European market to gain technical Know-How. A similar objective, namely gaining knowledge, has been identified for Mbcp.

In addition, it is an approach that is used for cross-border mergers. Since the FinTech industry in Portugal is rather small, it is most likely that Mbcp would have to conduct cross-border mergers. However, cross-border mergers involve an additional risk as not only the possible Fintech's and bank but also the national cultures need to be considered. (Hofstede, 1980).

The light-touch integration circumvents these issues by conducting little or no integration after the merger and giving the acquired company a significant amount of operational freedom. However, in comparison to the tested approaches within the BP, the acquiring and the target company have common processes: The acquirer consults by providing suggestions for improvements while learning from the target bank's skills.

Based on these insights, Mbcp should pursue a light-touch integration as it enables the FinTechs to maintain their key competitive advantage, their corporate culture, but also Mbcp to learn from the FinTech. Thereby, both would mutually benefit from one another.

3.3. Implications for theory and future research

Although research has been conducted in the field of PMI, none has been conducted specifically on the integration of FinTechs into banks, providing a large potential for research. Additionally, the FinTech industry is still growing extensively and multiples are significantly higher than those of the average financial industry. Therefore, further research can be conducted on the development of FinTechs and if the industry is shifting towards the next bubble such as the *dot com bubble* that burst in 2000.

4. Personal reflection

4.1. Personal experience

Reflecting on my behaviour throughout the project, I recognised significant strengths as well as weaknesses with space for improvement.

Starting with the strengths, I consider myself to be someone who is able to take a step back and see the bigger picture. When others were working on a specific part in detail, I always took care of harmoniously compiling the input of the overall project. Accompanying this, I have a strong focus on critical thinking. Indeed, I may not be the person that digs deep into a topic, yet I always try to understand every perspective. This understanding in turn, is the basis for my critical thinking. I believe challenging the content helps lift the project to another level of quality and produce impacting results for the client. In addition, I perceive my communication skills as a strong asset, particularly in project-based work: When all parties involved have different duties, it is important to communicate updates to both the client and the team frequently and concisely.

I also recognised that there is space for improvements. Evaluating my own leadership style according to Goleman (2004), I would describe myself as a *pace-setting leader*. These leaders tend to have a high drive with high personal standards. As our team consisted of three nationalities, it was predictable that our working styles differ in terms of pace, dedication and meeting deadlines. Based on the different understandings, I came across as too pushy as I wanted the team members to go the extra mile that I, myself, was willed to go. By being too demanding, I may have neglected personal needs of my co-workers, which in turn could have influenced the climate and motivation negatively. Additionally, I tended to micro manage in parts of the project when people did not deliver what was expected. This comes from my ambition as I am driven by delivering results that I am proud of myself. However, as a consequence, I might have further demotivated them.

To improve upon my mentioned weaknesses, I draw two consequences: Firstly, I will send an Excel sheet, similar to the CEMS peer evaluation sheet, after each project to my colleagues with the request to answer the file. The focus of the excel file will mainly be on the empathy/ social aspect. Secondly, I not only wish to ask them how they are, but spend the time understanding why. Thereby, I hope to get to know them on a more personal level and to know more about their past, their present and their future. Through this I hope to become more relaxed with working styles that differ from mine and more trusting in other people's capabilities.

4.2. Benefit of hindsight

Regarding my personal added value, I consider my ambition of "staying on top of the things" as the most valuable. I believe so, as other members were focussed on either a specific topic or were busy with other projects. As I summarised our progress on a very regular basis, saying what had been done and what needed to be done, my team and I never got lost in the extensive amount of workload and information that came along with the project.

However, not only did I add value to the project but the project added value to me: I consider the insights into yet another industry as beneficial. Since my present working experience ranges from automotive to FMCG, an insight into the Finance and FinTech industry enables me to understand challenges firms face in these sectors. This understanding will enable me to design and apply solutions to issues that may occur similarly in the industry I will work in.

Even though I believe that the deliverable is of high quality, there are aspects to improve upon. I consider that the internal and external communication had its weaknesses, as the communication flow was rough and often delayed. Moreover, I believe that we focussed on Stage 0 too long. Though it was of major importance to build the basis for a FinTech strategy, as Mbcp was certainly lacking of such, it only became an additional part of our project, Phase 1. Thererfore, I believe we should not have dealt with it as long as we actually did.

5. Summary

To summarise, it can be stated that Mbcp faces challenges both internally and externally. Accomplishing the defined two stages model will ensure that Mbcp remains relevant on the market. The best way to do so is by setting up an VC fund and an Accelerator as these two options are mutually beneficial. Furthermore, they can help Mbcp to save costs but also to gain market knowledge.

If Mbcp strives for M&A activities, it should pursue a so-called light-touch integration. Used by Chinese to gain European Know-How, it can also serve Mbcp to gain knowledge. Additionally, this approach preserves the culture of the FinTech, which is usually its main concern when interacting with banks. However, as FinTechs are still relatively new, there is still large potential for further research, namely for PMI and the future development.

Reflecting on himself, the author found that he can be too pushy. This in turn may demotivate the team. To counteract this, he plans to implement a regular evaluation of himself by the team he worked with. Thereby, he wishes to become more person-focused.

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Appendix
Appendix I: Glossary

FinTech
Dynamic segment at the intersection of the financial services and technology sectors where technology-focused start-ups and new market entrants innovate the products and services.

Symbiotic integration
After the acquisition of a company, the acquirer does not integrate the purchased company fully but keeps it as a separate entity under its umbrella, maintaining both cultures.

Absorption integration
After the acquisition of a company, the acquirer integrates the purchased company fully and assimilates it into its culture.

Corporate Accelerator
A corporate accelerator is a specific form of seed accelerator which is sponsored by an established for-profit corporation.

Mergers and Acquisitions
In general, mergers and acquisitions, short M&A, are the consolidation of companies or assets. These two differ in the future interaction between the two affected companies.

Mergers are defined as the consolidation of two companies that form together a new entity. In comparison, acquisitions are defined as the takeover of another company by purchasing the specific one without forming a new entity.

Partnerships
Partnering is a cooperative arrangement between two parties where profits and liabilities of a business venture are shared. The objective of partnering is usually to increase value and impact through knowledge, experience and resources aggregation.

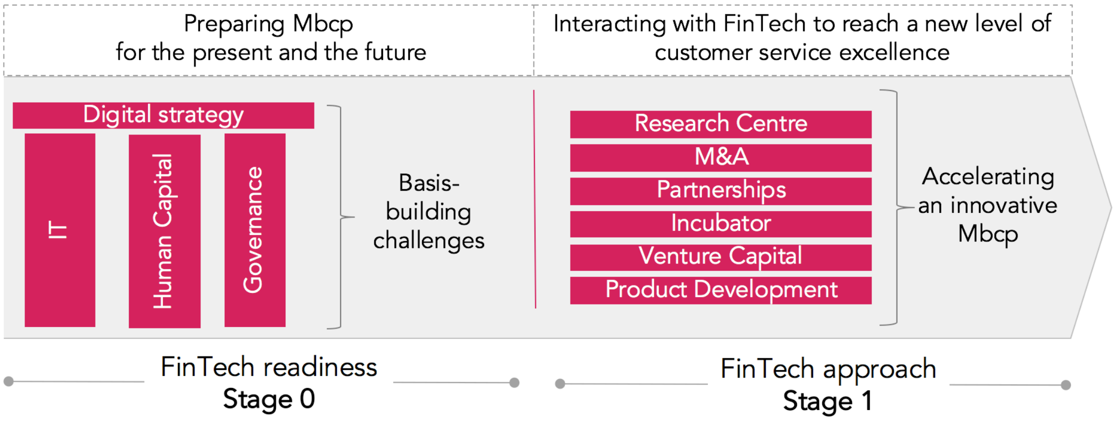
Venture capital

Venture Capital is defined as provision of long-term, committed share capital for growth and expansion to unquoted and immature companies that have a developing or underdeveloped product and revenues at an early stage in their corporate lifecycle.

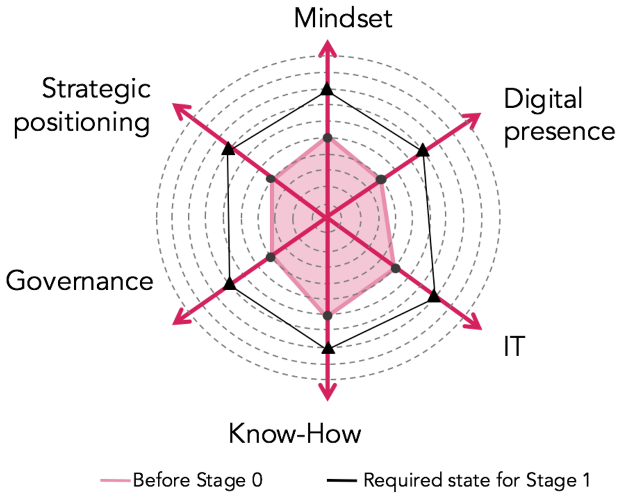
Research Centre

Research centers are administrative units established for the purpose of facilitating collaborative research. It can be specific or multi-disciplinary research. The research outcomes are typically used internally for own market monitoring and business development, but may also be released to provide research-related services to specific agents or the community.

Appendix 2: Two-stages model



Appendix 3: As-It versus To-Be state of Mbcp



Note: 1 circle = 1 point

Appendix 4: Initiatives

Know-How-related initiatives

What?	How?	Why?
Tech panel in the Board of executives	Implementing a digital banking unit reporting directly to the CEO, responsible for the digital agenda across the bank and monitoring emerging technologies that may influence the bank's strategy	Insuring upper-level executives' knowledge on digital transformations and trends, making it a priority in strategic decision-making
HR Academy focused on Digital	HR Academy solely focused to deliver training on digital, with a progressive, specific learning path for employees and executives; This will comprise tests, presentations and workshops available for participants	Foster employees' knowledge on digital with real adaptations, leveraging known and familiar knowledge while familiarising with new technological tools and applications
Inject new digital talent	Hire new employees with digital mindset, with experience in technology/innovation focus companies or technologic background that can help transform the business	Move from traditional bank approach to innovation and digital culture with non-traditional roles and capabilities that are currently unexistent
Graduate programs	Develop a Graduate Program for undergraduate and master students in different areas of the Bank, for example an IT, Marketing, or Sales Program	Bring young new talent with a digital mindset and innovative spirit into the bank, at a low cost (by using funds from Instituto do Emprego e Formação Profissional). This allows opening new perspectives but at the same time building a sucession plan
Partnerships with universities	Take advantage of Universities' academic knowledge and research development to have a good insight into markets and potential areas of business improvement. An example would be the CEMS Business Projects	Take advantage of Universities' academic knowledge and research development to have a good insight into markets and potential areas of business improvement. An example would be the CEMS Business Projects
Hire Senior Executives with digital experience and technological expertise	Appointing an experienced executive that can take over the digital duties of the bank, with ability to be disruptive and reinvent capabilities to achieve a digital business model. The executive's profile should have a strong focus on technological capabilities within his role	Fill the gap of digital expertise, insufficient in most senior leaders, helping to drive and manage change from top
Expert track career paths	Create new attractive paths of career progression for individual contributors that may have limited interest in managerial roles	Give opportunity to employees, for instance in the IT department, to define an attractive career growth path and hence attract more talented and ambitious individuals that will typically not consider a bank as a workplace due to limited growth opportunities
Borrow talent – source out through Freelance market	Borrow talent, tapping into contingent labour, such as freelance expertise in data privacy and other specialized digital fields. Take advantage of new outsourcing platforms, such as Kaggle and Upwork	Having an external and inorganic innovation trigger that can bring the right mindset into the company. Allows to partially overcome the difficulties in attracting the right talent, as a risk-averse bank

Mind-set-related initiatives

What?	How?	Why?
Shared vision	Common idea of what the company aims to and what needs to be achieved to reach goals. CEOs must shape the overall vision, communicating it internally and externally, effectively bringing key leads on board so that management spreads the vision throughout the whole bank in the same direction	Without a shared vision opportunities will never be clearly and fully embraced, goals and strategies will blur and effective change management face obstacles from the inside
Digital Immersions	Having Top management visit Fin(and)Tech events (as Joaquim, Members of Board, etc.) to grasp ideas on how Tech companies/startups deal with innovation on a daily basis with a Lean approach	Focus on innovation must be kept as must-have, generates innovative thinking within top Management to be shared internally and fosters digital mindset
Expert Workshops for Executives	Learn from management consulting expertise to tackle challenges head on and break-through restraints	To put business ideas into action with confidence to ultimately test and improve your decision-making
Employee evaluation	Implement informal 360 degree reviews and self-management to move from strict performance ratings to frequent check-ins where managers can discuss openly with employees their performance, while providing advice and coaching	Redesign the performance evaluation where you strain the informal criteria, taking away of corporate initiatives and more of digital evaluation (closer to a Startup environment)
Newsletter	On a weekly basis – helps gathering information on industry trends and bringing the attention of the employee to follow last news and innovative ideas in the Banking Industry	Provides clearer vision on competition, it is inspiring and triggers curiosity for innovation both top-down and bottom-up
Forums for lower level	Set up forums and seminars to discuss topics have a Q&A session where Entry and low level get to know aims of projects and initiatives in place to tackle innovation	To make sure follow-up from the entry level to foster awareness, involvement feeling and shared vision
Reverse mentoring	A situation where long-lasting employees and fresh graduates meet to bring knowledge to one another: the former with industry and company-specific insights while the latter come with fresh eyes, open minds, and instant links to the technology in place	To complete each others' understanding of both technology and industry trends and level out feeling of involvement as well as know-how
Business simulations	Realistic and engaging learning experience where new information to the participants is gradually introduces and recreates the workplace environment where they work in teams, make decisions, and experience the consequences first-hand	It allows participants to learn from mistakes, solve issues and get to test new knowledge by actually implementing it
Redesign HR	Build new engines to source talent, assign employees clear roles, and integrate new resources into the organisation with support. To attract talent to fulfill needed areas of expertise (e.g. IT), compensation structure must align with the (Fin)Tech companies against which banks compete. What would the employee get else where, etc.	Assess the digital talent with the aim of getting the best people in terms of know-how and fit for the company
Customer centricity in HR	Hire talent that is similar to the customers the Bank wants to target, according to age, skills and lifestyles	This way Mbcp will be able to have a direct insight on the customers preferences and innovate on it's basis rather than on the basis of product or technology
Downsize traditional structured departments	Adjust teams to become more flexible, smaller and leaner. Teams and even working spaces should be variable, with people coming together to tackle projects, then disbanding and moving on to new assignments once the project is complete	Given the high number of employees and the reduced budget allocated to new talent hiring, it is important that existing teams can become fully efficient, with the right people and the right agility. Mbcp employees need to be taken away of their comfort zone to feel challenged and pressured to deliver
Future of Digital Competitions at Mcbp	Have both internal and external Innovation competitions on new and innovative ideas from the smallest change to a new product proposal. The participants should present arguments through a small business case and present it to the judge panel	With the Future of Digital Competitions at Mbcp, it allow for a bottom up initiative source, where innovation will be incentivized and employees feel they are being part of the innovation processes at their Bank
Open hours with Executives	Implement a Chat Room Event with board members, where employees from all hierarchical levels can go and share their views	The traditional vertical structure of Mbcp will become more horizontal, as barriers between C-level executives and bottom employees will decrease. The Chats will allow for a shared vision of Mbcp, where goals and ambitions are aligned

Organisational governance-related initiatives

What?	How?	Why?
Digital Centralism	Mbcp embeds digital experts in business units that require a digital transformation. These experts support adoption across the bank. As digital activities begin to spread across the MBCP, a strong digital unit takes ownership of initiatives from the center, ensures coordination, and manages execution to finally build economies of scale in tools and processes	The central unit, supervising, aligning and managing the individual digitalisation initiatives, increases efficiency and ensures that economies of scale add value
Agile and multidisciplinary Teams	Teams are designed in a way that their lean size allows for quick reactions to changes in the environment and fast change of direction. As development happens in short sprints, progress remains visible and predictable. This can be implemented within three phases: first within IT, then scaling to select parts of the business, and finally extending throughout the business	Apart from the fact that such a team design increases agility, quick decision making and efficiency, tracking of the team's progress becomes easier. This in turn reduces delivery risk and enables the bank to quickly react within a fast paced and ever changing industry
Portfolio Management	Prioritization of various initiatives by comparing their cost of implementation with their expected business benefits. This can be done through a two by two matrix where cost of implementation runs along the x-axis and expected business benefit runs along the y-axis. Individual initiatives are then plotted on the matrix, where a third axis evaluates if they are disruptive or incremental	Not only will this increase efficiency and filter out less beneficial projects, this approach increases the individual motivation of project owners to fulfill promising initiatives

IT-related initiatives

What?	How?	Why?
Budget for experimentation	An additional budget or shifted budget should be given to the IT to enable employees the development of and the elaboration of innovative ideas that help to reach excellence in terms of customer-orientation and to increase the user experience	Research has shown that the overall IT budget has been cut continuously since 2001. The available budget is spent 90% on maintenance of the systems and 10% on innovation and experimentation
Innovation department within IT	A team, responsible for the superior steering of innovation topics, should be set up in the IT department. Responsibilities are cross-functional, meaning that not only IT but also other employees can be included within the team	Research has shown that usually Innovation departments reside within IT. The main reason for setting up the initial team within IT is that from there, such a team can be scaled up to other departments, which shortens roll-out and ramp-up phase in a omni-corporate context
Setting up a BI department	A team within the digital department needs to be set up that is in charge of providing information about market and industry trends as well as the evaluation of potentially interesting company to enhance the customer's user experience	Assuming that a new internal team for innovation will be set up, the demand for innovation-related topics will increase significantly. Such a BI department would ensure the agility and adaptability of the company in terms of newest trends, changing the positioning of Mbcp from a late follower to a early adopter
Renewal of legacy systems	A a wave-based approach, the legacy system will be slowly renewed towards a third-level system without interrupting the business processes	The legacy system is the core system of the company, managing all data traffic within the company as well as storing all related data. Obsolete systems makes it in a more digital world difficult to adapt to new market situations as well as it can become an objective for any kind of collaboration with FinTechs as the IT compatibility is not given. This in turn will result in a weaker marketing position in comparison to other players
Launching an internal IT assessment focussing on factors that decrease Mbcp's speed to market	Conducting an internal assessment that is focussed on the analysis of the current IT environment. Ultimate goal is to answer if the current development and operations process can be improved by setting up a superior agile development approach and an effective IT operation and service delivery by setting up agile approaches, SOA and a DevOps IT department	Analyses at Mbcp have shown that the duration until market-readiness for new developments is between 6 – 12 month (depending on project size). Within the industry, a common reason is the mismatch in handing over the process from one step to another. Setting up agile methodologies, SOA architectures and a DevOps department that gets the development and operations processes aligned, allocated, and more effective from the demand phase through the IT service provisioning may increase the speed to market for Mbcp significantly and leverage the IT organisation as a strategic lever for disruptive innovation
Launching an analysis of suitable company-FinTech process and technological interface types	Conducting an analysis on the most suitable solution for creating an interface that allows Mbcp to integrate and/or exchange FinTechs easily if required. Possible solutions to be analysed are the insourcing of previously outsourced company functions as well as the the implementation of SOA architectures, middleware solutions and disruptive development approaches like microservices/containers architectures	A suitable solutions for an interface will increase the company's agility in reacting to changing market circumstances. Without such an interface, synergies cannot be realized effectively nor it will allow to detach previously integrated FinTechs that do not have an added value anymore

Digital presence-related and strategic positioning-related initiatives

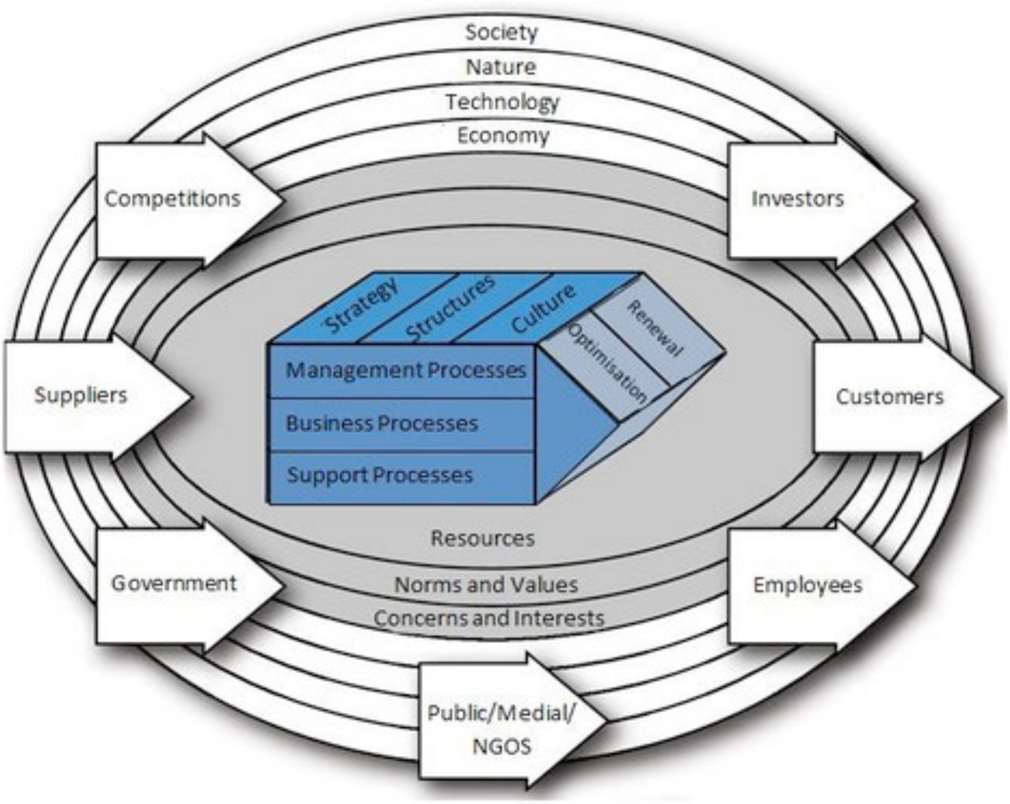
Digital presence-related initiatives

What?	How?	Why?
Search Engine Optimisation	Focus on SEO by to increase the rank within the organic search result list of major search engines such as Google or Bing	Increase Mbcp's website visibility, increasing number of visits and consequently customers and sales
Content Marketing	Creating and distributing valuable, relevant and consistent content to attract and retain defined segments and ultimately driving customer action. An example would be saving tips or estimation tools	Communicating with your customer, creating a relationship of friendly tips and tools free of charge, to then sell your products indirectly. Furthermore, create higher engagement and indirect promotion of the brand (word-of-mouth)
Reinforce social media presence	Use diverse social media networks and frequently update, as an internal and external marketing tool and to manage customer relationship	Social media has much higher reach than traditional marketing and allows quick and responsive communication with customers, creating leads and generating buzz. It also conveys that the bank is shifting to a more digital approach
Online media plan	Implement a plan detailing allocation of media spending across online media (like search engine marketing or banner advertising affiliate marketing)	Having a structured plan with tracking, reporting and controlling tools that allow the bank to optimize the digital outlook and corresponding budget.

Strategic positioning-related initiatives

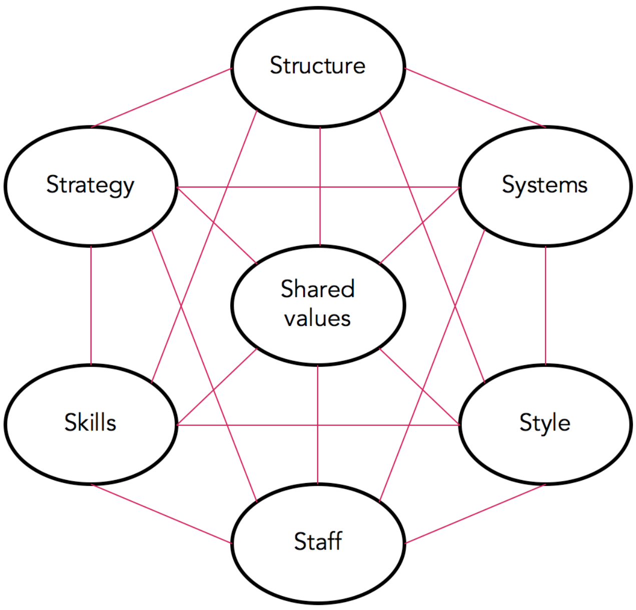
What?	How?	Why?
Detailed Business Plan	Create a spreadsheet with supporting documentation that quantifies the investments and returns over time, resulting from the execution of the digital strategy	This way Mbcp is able to track performance and make sure the direction that is wanted is achieved; as the Business Plan will also define KPIs that will be required to measure success

Appendix 5: St. Gallen Management Model



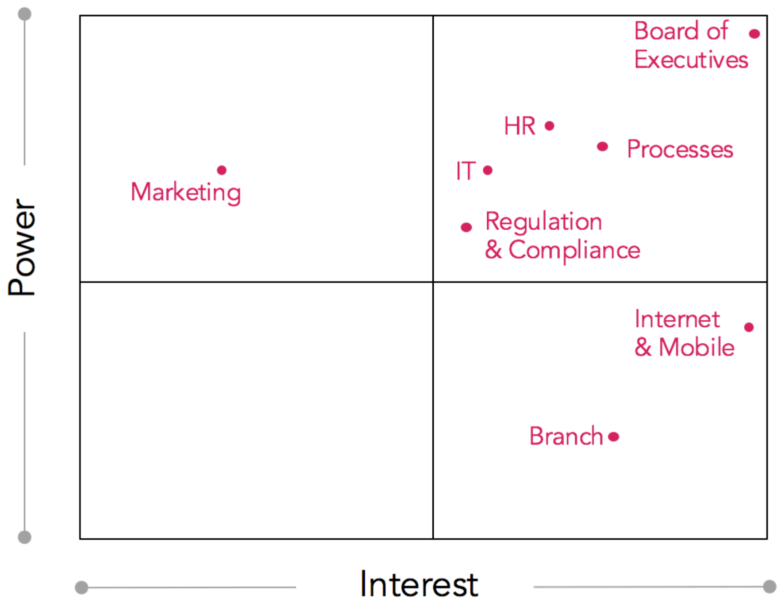
Source: UFA SWIFT GmbH, n.d.

Appendix 6: McKinsey's 7-S model

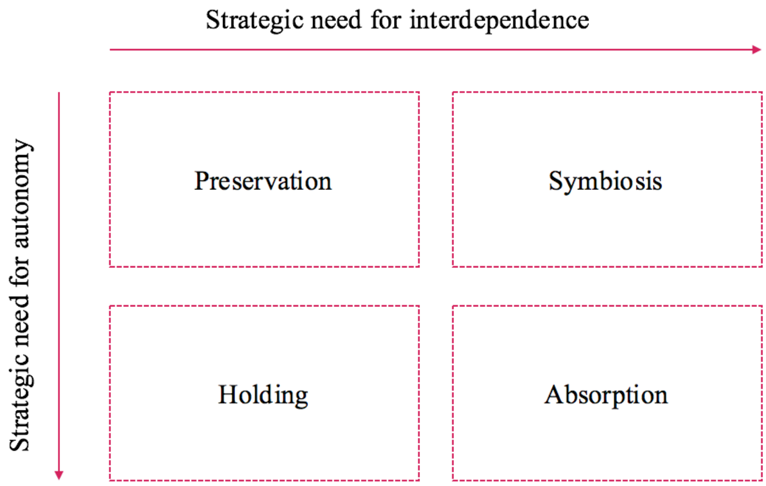


Source: McKinsey, 2008

Appendix 7: Power-Interest grid of Mbcp



Appendix 8: Acquisition integration approach matrix



Source: Haspelagh and Jemison (1991)