HOW TO SUCCESSFULLY INTEGRATE NEW TECHNOLOGIES

By Marcus von Kapff, Chief Financial Officer, Commercial Banking

Here's a technology joke for you: Why was God able to create the world in only seven days? Because there was no legacy.

Modernizing and updating legacy systems is one of the trickiest things a company can undertake. Digital transformation entails so much more than changing the system itself. Employee work habits, roles and processes share a symbiotic relationship with technology. Overhaul your underlying systems and odds are you're going to have to rethink fundamental aspects of your business as a whole.

The change can be difficult. But there's urgency for established businesses to make the move. That pressure is doubled by the fact that market newcomers have an obvious competitive advantage. Unencumbered by legacy, they start fresh. Today you can get a company up and running in no time—and do it on state-of-the-art data management platforms. This ability to operate at accelerated speed gives these companies leverage to upend those with more experience.

So get going, but don't bite off more than you can chew. And don't go it alone. At JPMorgan Chase, we guide our clients through a phased approach that makes the overwhelming far more manageable.

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The word "guide" is important because there isn't a one-size-fits-all method. Every business, every sector and every tech project is different. Every business needs a customized approach. That said, experience is a great teacher. As CFO, I oversee a fully digital, technologically complex enterprise. That's not where my team started. I've learned a lot from our own transformation. I hope you find it useful.
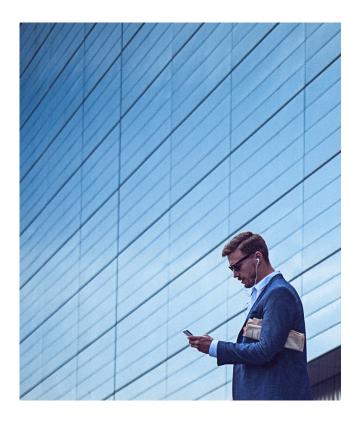
Lesson 1
You have more power than you think. And it's in your data.

Markets are fundamentally changing. Economies once relied almost exclusively on physical assets to create value; today value creation comes from digital and data assets—from information. That's a profound shift. The good news is that every company has data assets. The data may be locked deep and difficult to access. But when established companies with greater experience and a longer history unlock their valuable information, they have an advantage over newcomers.

The takeaway: Prioritize data along with your processes. Yes, new digital systems will make your operations more effortless and efficient. They deliver speed to your services. But that's only half the story. The true value comes from the ability for new systems to analyze your data to discover trends, patterns and opportunities. Opportunities that keep you competitive and stave off disruption.

What your banker brings: Becoming a data-first business takes a lot of big thinking, organization and often reorganization. Your banker, armed with tools like machine learning and artificial intelligence, will stay with you through the market vicissitudes to help you find that potential.

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Lesson 2
Your challenges are more complex and more interconnected than you realize.

If you think of digital upgrades as fundamentally a tech problem, you're not seeing the whole picture. You don't just replace a system. Digital transformation is a key moment in your company's evolution. It's where you start to rethink your operations and re-envision your company's future. Take advantage of this moment. If you want to do anything of value—and of course you do—it's going to come with redesigning a few business processes and redefining your data architecture.

The takeaway: Embrace the idea of wholesale change. But before you even think about choosing a digital solution, you need a complete map of your ecosystem architecture, data readiness and processes. Build in a generous amount of time upfront to fully understand what you need to do, how you're going to do it and why you should do it that way. Then step back and look at it with a fresh perspective—where are the opportunities for transformation?

What your banker brings: Partnering with your chief information officer (CIO), key leaders and tech users, your banker will help conduct a deep dive into your business so that you can clearly articulate the challenges and opportunities ahead. Depending on the resulting problem statement, together you'll build a plan that starts small and then rolls out across the enterprise. A plan that scales in this way allows you to get the most out of your investment by testing and learning as you move forward.

Lesson 3
It's going to take longer and cost more than you think.

Everyone wants fast—and now. That's not always going to happen. During the discovery phase, you're likely to find many foundational problems that also need solving. Those cost money. Having learned the hard way, I now heed what I call Marcus' Law: When someone says it's going to take three years and cost $25 million, I expect it to take four years and cost $50 million. The good news? You can mitigate your financial risk by planning an intelligent rollout.

The takeaway: Take a page from venture capitalists. Plan your digital transformation in manageable phases with smaller financial commitments and clear evaluation points. Continually check yourself against objectives and key performance indicators. Do you need to pivot? Have you lost your focus amid the complexity and competing ideas?

Phasing your approach has another advantage: Rapid change is inevitable in today's business climate. And as CFO, you need to become a change master. Working in smaller, well-defined stages gets you comfortable with the tech transformation process and everything it entails.

What your banker brings: Your banker is a change agent with expertise in specific business sectors. They can run ROI models, pressure test strategies and bring data experts to the table. Their goal is to give you a custom rollout plan that makes practical sense for your company and your people. That plan must incorporate factors such as the scope of the project, the quality of your data and even the psychological readiness of your employees to embrace transformation. With your banker's help, you'll have a multiyear map that meets you where you are and gives you a chance to get out ahead of your competitors.

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Lesson 4
To be successful, you need people at every level.

You've heard it said, but you need to believe it: It's not possible to know it all. Digital transformation needs to be a strategic objective supported at the highest levels. Leadership buy-in is critical. You need to have alignment with your CEO, your CIO, maybe even your board. But end users also need a seat at the table. A wise CFO would bring in a mix of new people with the latest tech skills for fresh thinking plus some of the old guard who know how your company really works. Getting the right mix of incumbents and change agents is really the art of transforming legacy systems.

The takeaway: This is not a tech project. It's a business project with a technology aspect. Integrating and empowering people is as important to your success as integrating your systems.

What your banker brings: At the firm, we've seen companies across the world transform successfully, and we've seen the mistakes they've made along the way. One of the most common is failing to bring people along on the journey. That's something you can work to avoid. Engage business transformation experts who specialize in change management and help ensure your people are part of the end-to-end design, all the way through delivery and testing.

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More than any other strategic initiative, the process of digital transformation shows you what you're really made of and what your business can be. The experience can be career defining—and company defining. It's in our interest to have clients who are strong, healthy and vibrant. For companies to survive, you've got to be prepared for the mindboggling pace of change and markets that increasingly value data. All CFOs should challenge themselves to see digital technology projects as opportunities to prepare for the future. That's the kind of legacy you actually want to leave.