



# Why transform ahead of the storm?

by Bart Bailey, Global Head of Lending Practice

What's the value in pursuing transformation when economic conditions are normal? Luxoft's Global Head of Lending, Bart Bailey, argues it's essential to prepare while times are good, not in the middle of crises such as the COVID-19 pandemic or the 2008 economic downturn.

True transformation is more than just upgrading a single aspect of your business — it's the technology, the process, the people, your entire approach to doing business. No wonder many organizations find

it difficult to justify the business case for massive evolution when times are good and there's a lack of urgency to transform.

## Unpredicted crises

When the economy is doing well, the servicing default space isn't a priority for banks and mortgage lenders, who tend to concentrate spending and resources on originations and other departments. Unpredicted downturns then occur, catching organizations by surprise, causing them to frantically play catch-up.

No one could have foreseen the COVID-19 pandemic of 2020; an event that took the world by surprise.

We have witnessed a striking divide between organizations which undertook transformation before the pandemic and those that were unprepared. The unprepared servicers struggled mightily with the sudden spike in volume, and their systems, processes and technologies weren't robust enough to handle it without dramatically increasing the number of staff — a solution that comes with massive overheads and inefficiencies.

## A cautionary tale of **leading global servicers**

Take, for example, a large US servicer which had started on the path towards a digital transformation several years before the pandemic hit, including the implementation of our customer-facing self-service portal. As the pandemic hit and customers struggled to make payments, transactions on the self-service portal spiked to unprecedented volumes — a 600% increase per day. These customers were able to get help for themselves without adding undue pressure on the call center.

Contrast that with other global servicers who were still serving customers primarily through phone calls and printed letters. When the pandemic hit, they had no choice but to hire and train new staff for their call center — a massive expense for the company, and one that added enormous risk of new staff being thrown in the deep end handling complex situations.

Customers also became frustrated with the lack of any digital interaction, routinely waiting in hold queues for long periods of time. Two years later, these servicers are still dealing with the fallout of these reactionary measures put in place at the height of the crisis.

Enacting real transformation in the middle of a crisis is like changing the oil in your car while you're driving down the road. The situation is too urgent to have the time, budget and vision to enact a long-term solution. A transformation planned and executed at the last minute is bound to lack long-term goals and miss key details, and in today's highly regulated environment, that's a risk organizations can't afford to take. Additionally, the reputational damage businesses can suffer for providing a suboptimal service at a time of crisis has gained more attention in recent years.

# How to transform?

Transformation starts with planning at the highest level. Discussions about long-term vision needs to occur and involve both the business and the technology sides of an organization from the beginning, making sure key stakeholders and executive leadership are fully aligned on a strategy and vision.

A key element of this transformation is simplifying the ecosystem to keep up with ever-changing regulatory requirements. Many clients have extremely complex technology stacks which have evolved over many years, where as many as 10–15 different systems are interacting. The maintenance and monitoring of such an ecosystem becomes more difficult as time goes on, with overhead increasing as systems age and new technologies are added on top of legacy software. The thought of tackling this is daunting and expensive, but not doing so is ultimately more costly.

Real, long-term transformation is a multiyear process involving all aspects of an organization. It's not a process for the fainthearted and it's understandable that organizations shy away from enacting radical change when there isn't a pressing operational case for it. But recent history has shown that major crises have a tendency to hit when least expected, and the benefits of being prepared outweigh the discomfort of going through change in the middle of a downturn.

**Luxoft EarlyResolution** has been a critical aspect of many transformations over the last 15 years. We continue to help customers proactively prepare for inevitable downturns in the market. **Reach out** to see how we can help.



## About **the author**



### **Bart Bailey**

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Bart Bailey is Global Head of Lending Practice at Luxoft, responsible for leading lending product strategy and services. Throughout his 20-plus year career in financial services, Bart has demonstrated a passion for leadership, helping customers transform their operations and delivering innovative solutions. He holds a degree in business management from the University of Utah.

### **About Luxoft**

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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