Financial Markets **INSIGHTS**

The Realization Group

All on the Same Page?

Effective Strategies for Successful Innovation in Capital Markets

Innovation within the capital markets sector remains one of the key factors in ensuring its continued resilience, ability to adapt to change and even its future growth.

The G20 noted the importance of promoting entrepreneurship and innovation across countries within its 'Core Values for Sustainable Economic Activity', which it created in response to the 2008 financial crisis. Yet nearly a decade later, firms in the investment banking and asset management space still noticeably struggled to make the necessary changes to their existing systems in time for MiFID II, with many back offices running on legacy technologies that are now some 30 or 40 years old.

Such examples tend only to generate further negative commentary around the lack of innovation in the markets, with common factors being cited such as hostility to change, perceived vendor risk, budgetary constraints and long procurement cycles. This fails however to recognise the growing number of firms in the market who have now been able to successfully execute a programme of transformation.

In this article, Nicola Tavendale and Mike O'Hara of The Realization Group speak to Nomura's ***Ling Ling Lo****,* ***James Maxfield*** *and* ***Ali Rutherford*** *of Ascendant Strategy, Saxo Bank's* ***Richard Jeans*** *and* ***George Andreadis*** *of TreoTrade about some of the practical steps that all capital market firms could, and should, take to successfully implement innovation within their own organisations.*

ASCENDANT STRATEGY

TREOTRADE

NOMURA

SAXO BANK

Introduction

One critical success factor that banks often overlook, but which is vital to tangibly executing innovation, lies with the organisation's own people and how well firms are able to overcome any resistance to change, says **Ling Ling Lo**, COO, EMEA Finance at Nomura.

"It sounds simple but it's actually a significant challenge," Lo says. "People aren't robots and you can't just programme them to be receptive to transformation. The organisations that fare best are those that have brought their people on a journey with them, rather than having come up with a solution and then said, 'Here you go. Now, come on board.'"

George Andreadis, Co-Founder of TreoTrade, agrees, adding that successful innovation does then depend to a large extent on the size and nimbleness of the firm. In his view, the firms that prove to be better at executing innovation tend not to have such a huge challenge to overcome as the larger, more siloed global banks, simply because they are able to more easily spot a technology problem and then be able to turn it into a competitive advantage.

"For example, the main focus for both buy- and sell-side firms, at least up until the crash, was on transforming the front office," he explains. "Budgets were being spent on trading and trading technology applications. But that focus has started to shift, with more and more firms now looking at what needs to change in the middle and back office as well." To achieve this, firms should ideally be led by a CEO who recognises that unless certain parts of the operational puzzle gets solved, they will not be able to grow their business.