



Digital Transformation in Financial Services

by Andrew Spanzi

For some time now, it has been clear that less than one third of [large scale transformations](#) succeed. Large scale change is hard – and digital transformation is arguably even harder. Nonetheless, digital transformation is a top priority in most industries, and financial services are no exception - largely due to the rapidly changing landscape in this sector. According to Gartner, only one-third of financial services CIOs identified digital as their top business priority for 2019, and although this is up by more than 8% from last year, only 12% of financial services organizations are considered to be [mature](#) in their digital transformations.

When it comes to digital, financial services are lagging behind other industries. For example, the banking sector has invested more than \$1trillion globally in new technology over the last three years; however the majority of banks have yet to see significant returns from their digital transformation programs. According to one [survey](#), just 12% of banks have fully committed to digital transformation, only about 50% of banks made progress and the remaining 38% are in the midst of their transformations but their digital strategies lack coherence.

This may be due to the combination of two factors. The first is a long history of profitable growth which – over time- can contribute to complacency. Powerful departmental and product silos are the second contributing factor.

While [integrating technologies](#) may be the **single most important factor** in driving success with digital business in other sectors, there is something even more important in financial services. Here, **shifting management attention** is arguably the most important cornerstone for success with digital transformation. This shift has two major features. First, a shift is needed to view the business from the outside-in, i.e. the customer's point of view, as opposed to a static organization chart dominated perspective. Next, a shift is needed to view the business in terms of the value creating flow of work that crosses departmental boundaries instead of viewing it along the functional and product silos that have traditionally characterized financial services.

How important is it to make this shift? Just ask yourself, does your company deploy digital tools within departmental boundaries? Does your leadership put cost savings before customer value creation? Are there significant issues around data silos? If all three of these are problematic, then there is an urgent need to shift management attention.

Developing **competence in customer experience management** is a prerequisite in this respect. Instead of just focusing on deploying digital technology to cut costs, this

calls for a tireless focus on creating customer value through technology. Digital transformation should [start with customers](#). A key component in this respect is creating customer journey maps to document the evolving preferences of customers and then developing digital options that make financial transactions secure, convenient and accessible for all. The attention on customer experience must transcend the historical product focus in financial services. Banks such as Santander and Bank of America have come to appreciate that [customer experience is the key to differentiation](#) and journey maps that just look at product experience are inadequate in reflecting the end to end customer journey.

The fact that data silos are almost as bad for business as departmental silos is now broadly recognized. So, acting consciously to **break down data silos** is the next element for success with digital transformation in financial services. Historically, functional department such as origination and underwriting have hoarded data – as have the managers of product silos. That needs to stop. Solid data governance and data scientists can play an important role in integrating data across the enterprise. The extensive use of cross functional teams can play an equally important role in bringing attention to the dangers of data silos. While breaking down data silos in financial services is a complex undertaking, there are some success stories. For example, HSBC, has made progress in building one of the financial services industry's [biggest data lakes](#) in part by having people from different departments working together to solve problems.

The other factor to consider for success with digital transformation in financial services is the integrated use of digital tools. Instead of deploying tools individually, and just within departmental boundaries, digital efforts can be optimized by combining digital tools to improve customer value creation via end to end process flows. [Liberty Mutual](#) has been undergoing a digital transformation for several years. Their journey has had a focus on providing compelling customer experiences with digital technology on any channel a customer may choose. Further, they understood that happy employees make for happy customers. Similarly, American Express, the [winner of digital workplace](#) of the year for 2019 award emphasized the development of a clear strategy for digital, governance as well as improving people's working lives.

Shifting management attention enables agility and the ability to adapt. These are not optional. Instead, this is at the crux of [successful digital transformation for banks](#) if they are to meet the evolving needs of consumers, and defend against new digitally based competitors. Are you fully prepared to provide your customers with what they have come to expect and will increasingly demand? Do your leaders understand that this requires a fundamental shift in management attention and are they committed to working collaboratively in a new way? Do they recognize the importance of integrating customer experience management and process concepts across the entire enterprise value chain?

These are not theoretical questions. We all know that customer expectations aren't likely to cool down anytime soon.

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