

# The Bottom Line:

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Simplifying  
digital evolution  
in financial services.

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# Introduction

In financial services firms, to call digital transformation complex is an understatement.

Transactions are happening faster. Customers are more demanding than ever, and willing to consider new digital-first challengers. And with talent in short supply, employee satisfaction matters.

The IT department is stuck in the middle of requests from the whole organisation, trying to develop services that satisfy every need while maintaining good governance – often facing a barrage of conflicting priorities.

Relationships across the business can be strained, as teams try to answer frontline company needs without the experience of the field. And this transformation isn't happening in a vacuum. Firms face a tightrope of complex regulation, including stringent penalties for any data security breaches.

Equally, IT teams must contend with decades-old infrastructure, which is often complex and outdated. Simply maintaining, let alone building on, the systems already in place is no mean feat.

IT teams are facing a conundrum: salvaging the old and keeping the complex – and running the risk of falling behind their competitors? Or ditching it all for new, simpler alternatives – and potentially losing huge amounts of data?

**The speed of innovation is not slowing down. So how can IT teams service the digital financial sector?**

The speed of innovation is not slowing down. So how can IT teams service the digital financial sector?

We've explored the views of 350 IT leaders in the UK financial services industry to explore their digital transformation journey, as well as the challenges they face to meet growing business demands and differentiate in an ever more competitive industry.

There is no cookie-cutter approach when it comes to digital transformation in the sector. But there are signs that rethinking how innovation happens, through simplified processes and collaboration with the business, could help to ease the challenges of digital transformation.

Make the complex simple, for a real competitive advantage.



# The



# Digital

Competing pressures to transform

# whirlwind:

The financial services industry was amongst the first sectors to digitise, but that digital transformation journey is only just gathering pace. Nine in ten IT leaders believe their firm will need to invest in digital projects over the next two years, just to succeed.

Fortunately, four in five agree that digital transformation is seen as a strategic priority in the business (80%). But the pressure for new digital services comes from several different sources: particularly, meeting customer expectations and delivering mobile working for employees.

## Keeping the customer

Customers' expectations are higher than ever. While three quarters of IT managers believe that their customer service has improved over the past two years (72%), this transformation is far from over.

Four in five respondents say that the sector must service more customers now than ever before (79%).

But what customers want varies and services need to be tailored to different needs. IT teams are tasked with using data better to offer personalised, joined up services for customers, as 82% of respondents agree.

Despite their position away from the frontline, the IT team is responsible for helping their company keep pace with rising digital expectations.

This is an important undertaking, as almost all IT leaders recognise that improving the customer experience will be important for their business' success in the next 24 months (92%).

## Moving to mobile

The drive to digital also comes from another key stakeholder: the employee. As the world embraces more flexible working, the financial services sector needs to keep pace by offering employees choice as to when and how they work.

Mobile working is a key part of the answer. Three quarters of IT leaders are confident that mobile working makes employees happier (77%), more productive (65%) and helps them to better meet customer needs and expectations (63%). This completely debunks the myth of the disengaged remote worker, and is an arena more businesses may want to invest in.

**Nine in ten IT leaders believe their firm will need to invest in digital projects over the next two years, just to succeed.**

According to 70% of IT managers mobile working doesn't only benefit the employee; it saves the business money.

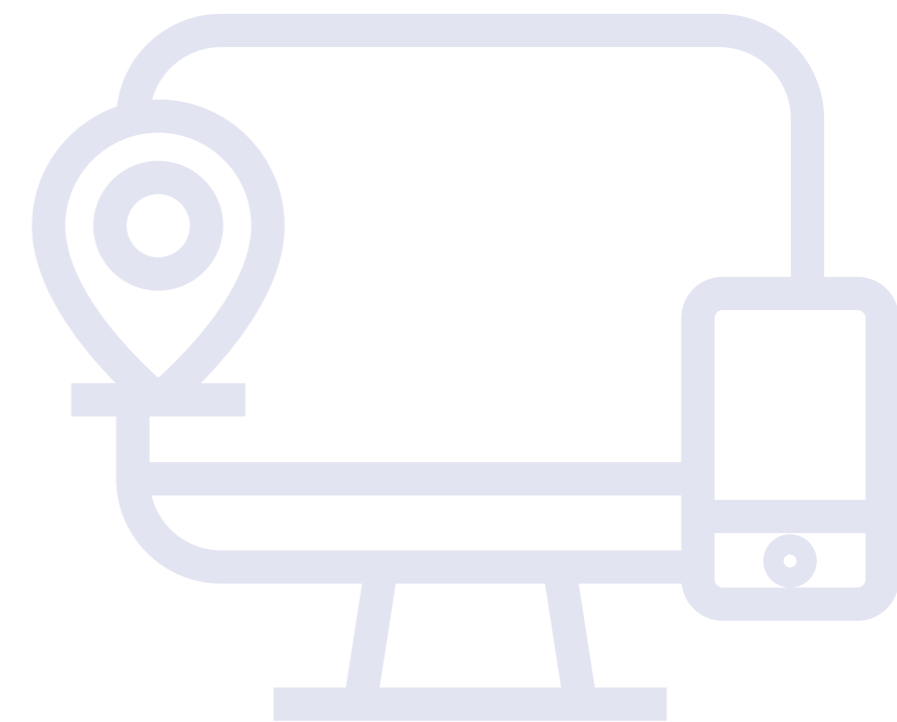
Perhaps it's not surprising then that 77% of financial services firms already offer mobile working – while a further 18% want to but don't currently have it.

Overall, 69% believe that increasing the amount of mobile working will be an important factor for their success in the next two years.

Mobile working, however, can cause the IT team headaches, especially in the highly regulated banking sector. Half believe that mobile working is difficult for the IT team to manage securely (52%). A further 50% say that it makes it hard to stay compliant with regulation.

As demand for mobile working increases, IT teams will face the dual challenge of implementing new internal applications and ensuring good governance throughout the business.

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## In demand

It's not just for customer and employee satisfaction: digital transformation can deliver benefits across the entire financial services organisation.

According to IT leaders, innovation can improve relationships with regulators; seven in ten believe that digital transformation projects can solve compliance challenges (71%).

It's also about productivity and insight. Three quarters agree that digital technology can improve operational efficiency (76%), while nine in ten believe that their organisation's success as a business will depend on using data effectively.

Digital transformation is a powerful process. But sifting through the competing priorities and meeting the sheer level of demand is a key challenge for the IT team.

## The Mendix Maker mindset

The pressure for innovation is coming from many sources across the business. Customers constantly demand the latest digital services – and if they aren't fully satisfied, they have plenty of providers to choose from.

With competition for talent fierce, banks also need to provide employees with the option of mobile working – or face losing them to rivals, fintech or even tech firms. And this ends up creating conflicting priorities for IT teams who already have busy schedules.

Traditionally, keeping up with regulation has been the IT team's primary focus. But now, it also needs to meet business-critical challenges. IT teams must deliver innovation that's fast, reliable and secure, for a variety of needs across the business – not an easy task by any standards. To succeed, IT teams need simple development tools that will help them to cope with the sheer level of demand.

But to truly support the business' needs, teams must also collaborate closely with their colleagues on the frontline.

# If they aren't fully satisfied, they have plenty of providers to choose from.

## Rabobank – cutting costs and improving customer experience

Rabobank, a leading international cooperative bank headquartered in the Netherlands, wanted to provide better online banking services for its customers. But updating the system was difficult – the IT landscape was disparate, and regulations took priority when it came to updating applications. Together with the fact that Rabobank's IT team was mainly a project-management focused IT shop, this made the prospect of developing apps in-house complex and daunting.

With the Mendix low-code platform, the IT architect was able to turn his on-site IT team into a classic IT shop floor and build a new internet channel, all without having to

hire any Java developers. To build the company's online presence, Rabobank mixed its web content management system content with the user interface from a Mendix-built application at the HTML level. Importantly, business-oriented developers rather than code-oriented developers were at the heart of the operation.

In just a few months, over 500,000 Rabobank customers were using RaboDirect, the internet banking portal that manages over €18 billion in savings money. Rabobank was also able to cut 50% of the costs by upgrading its systems of record and infrastructure.

# A complex undertaking:

Hurdles for digital transformation

Digital transformation has been taking place for some time, but IT leaders aren't particularly positive about how their firm has fared to date.

Most believe their business isn't as digitally mature as it should be (57%). Just 27% believe they're ahead of their competitors when it comes to innovation.

IT leaders at least believe that their business isn't the only one struggling - as 58% think their organisation is as digitally mature as its peers. But in a highly competitive marketplace, good enough isn't good enough - and a poor pace of transformation could be costing firms their edge.

Most financial services companies are putting effort into improving their digital credentials, according to the IT team (79%). But while it's clear that digital transformation is needed, there are many barriers to making it a reality.

## How it's done

Demand for innovation comes from the whole business - but by and large responsibility for delivering it sits with the IT team. At four in five financial services firms, the IT department is essential for delivering digital transformation (80%).

This is because in most financial services firms, the infrastructure is controlled by a centralised team (68%) - rather than siloed across multiple departments (30%).

It's not only about the delivery. Transformation is also about coordinating the various projects across the business - and again, that responsibility is most likely to sit with IT (37%).

Fortunately, three quarters feel that their business has a clear digital strategy in place that they're working towards (75%).

That strategy, however, doesn't necessarily translate into a long-term view of how technology will work in the business. Almost half of IT leaders say their business lacks a clear digital vision for the future (42%) - rising to 53% of medium-sized organisations.

There is also a capacity challenge within IT teams. A quarter of IT leaders believe that a lack of skills to deliver projects is the issue (24%) – with just 61% of IT leaders confident that their department has enough skills to meet the transformation needs of the business.

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### The biggest barriers

Outside their own team, IT leaders point to several barriers to delivering digital transformation.

The most common obstacle is the IT infrastructure that's already in place. IT leaders most frequently say that legacy or antiquated IT equipment (35%) are the biggest hurdle to change.

In fact, just keeping the lights on is a challenge, as two thirds report issues in supporting these legacy systems (63%).

Maintaining an infrastructure that's decades old – but still vital to the business – can be a major drain on resources during times of change. Equally, it's hard to build new applications on top of ancient architecture to create systems fit for today.

In the highly regulated financial environment, preventing security challenges and downtime is another pressing concern. A third of IT leaders say security is the biggest barrier to transformation (35%), while 88% believe security is a key consideration when rolling out any new technology. For a quarter, the risk of service disruption caused by a project presents the greatest hurdle (28%).

People are the final piece of this complex puzzle. Transformation isn't just about new tools, but the employees that use them – and a quarter of IT leaders say that internal resistance is holding back change (28%).

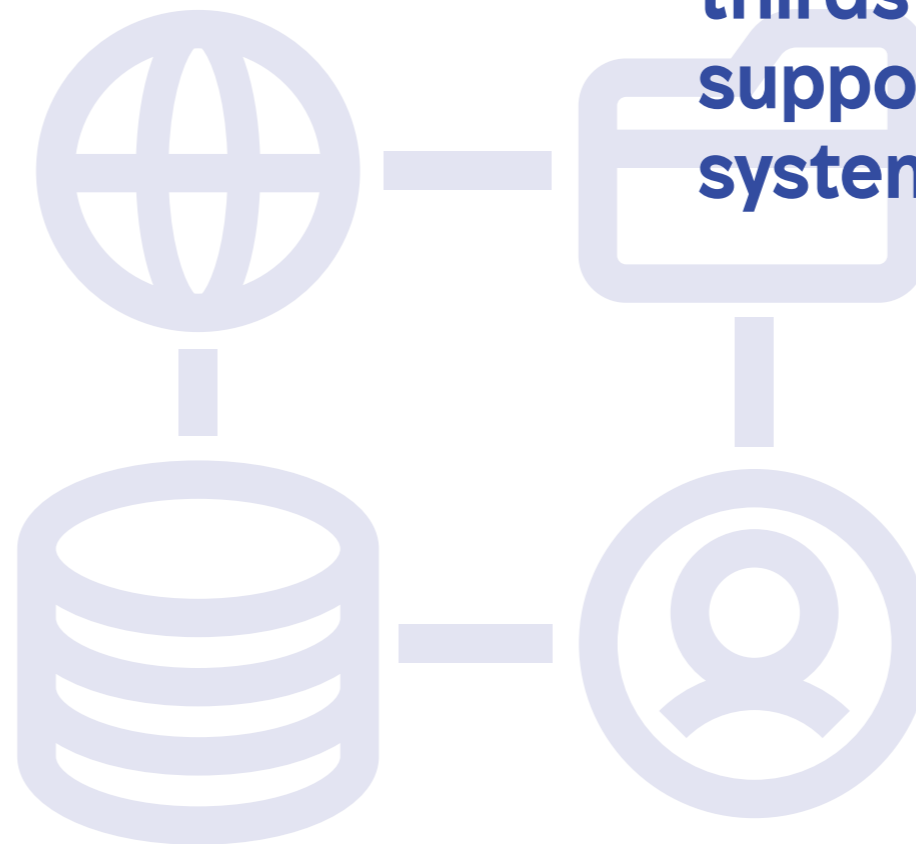
### Balancing safety and speed

Although IT teams face high demand for their support, most would not prioritise speed over caution, even if they could. Most IT leaders say that a controlled pace of digital transformation is best (55%).

Costs are also a consideration, with seven in ten IT leaders agreeing that their business needs to keep costs low while embracing digital transformation projects (71%).

It's perhaps a sign of the importance of transformation that – despite the complexity of the challenge – two thirds of IT leaders believe the value of digital transformation initiatives outweighs their inherent risks.

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## The Mendix Maker mindset

Most financial services businesses will expect their IT team to be driving digital transformation. But for teams that face many requests from many parts of the business, it's difficult to distinguish long-term priorities that will deliver the most value from short-term tactical wins. And too often, this results in short-term activities taking over, and more complex strategic projects dropping down the list or being cancelled altogether.

On top of that, IT teams often have to contend with an outdated infrastructure and the risks of disruption. This leads

them to take a relatively conservative approach: preferring to take time to ensure compliance, security and continuity, despite the need to transform more quickly.

Adopting a low-code methodology for digital transformation can help IT teams to strike a better balance between safety and speed. By developing an open, flexible architecture, teams will face less complexity going forward - and end up with future-proofed services that are easier to upgrade.

## Insights from ABN AMRO – Creating a future-proofed architecture

ABN AMRO wanted to build a bank that was fit and ready for the future. But with pervasive shadow IT and a legacy portfolio of over 600 applications, the IT Engineering Lead decided they needed to rethink their application portfolio strategy.

With so many apps to update, maintain, or rebuild, the team leader wanted to put the power into the hands of the business, by creating a Mendix platform team. This team of nine people uses the low-code platform to handle the application lifecycle of their portfolio, set

up standards and guidelines around developing and deploying applications, and offer consultancy and user support to business developers.

Now, ABN is achieving both control and speed. One product developed on Mendix – the Pre-Trade Counterparty Manager for mobile – was ready to go into production after a hackathon of just four hours. Overall, the business aimed to transition 200 applications by 2019 – and they got there.

# Providers



**to** Uniting IT  
and the business

# collaborators:

The financial services sector needs digital transformation to succeed and the IT team is normally responsible for delivering it. But even so, IT teams tend to be seen as a drain – rather than a benefit – to the business.

Two fifths of IT leaders say that their team is viewed as “just a cost to the business” (43%), compared to the 63% that believe its role as a value creator is understood. There appears to be a disconnect between IT and the rest of the business.

## The digital disconnect

IT leaders believe that their teams are seen as slowing the progress of digital transformation. Nearly half say the IT team is seen as a bottleneck for innovation (48%) – holding the business back, rather than enabling it.

But equally, many aren't convinced that the wider business is ready for the changes that digital transformation will bring (67%). Internal resistance is seen as the biggest barrier to change at a quarter of firms (28%). Unsurprisingly, then, changing working habits is seen to be a crucial part of digital transformation (78%).

It's also about the business' ability to use digital tools when they come. Half of IT leaders think that the digital skills in the business are confined to their department (50%). Meanwhile, 86% believe that increasing these skills across their employee base will be key over the next two years.

There are signs of strain in the relationship between IT and the business – and interaction may be part of the problem. Most IT leaders admit their team has difficulties communicating with the wider business (55%).

## Company-wide innovation

The IT team and the wider business could be doing more to help each other. Most leaders are clear that frontline workers understand customer needs better than their department (73%) – and so could help them to develop the best new customer services.

But IT can also bring more to the rest of the business. Seven in ten believe that the IT team adds value when it's involved in key strategic initiatives in the wider organisation (71%). That applies to the leadership team too – and IT leaders agree that their business' success in the next two years depends on recruiting senior managers with a strategic digital vision (76%).

Luckily, IT leaders are more than happy to open the realms of digital innovation to the rest of the business. And many actively welcome it: most respondents argue that the wider business needs the freedom to innovate and operate outside of IT's control (59%). Despite concerns about the governance of new technology, just 59% think it would be dangerous for the business to use digital functions without their oversight.

**Most respondents argue that the wider business needs the freedom to innovate and operate outside of IT's control.**



## The Mendix Maker mindset

In a world that moves at the speed of light, IT teams can no longer afford to be the catalysts - or bottlenecks - for digital innovation. Instead, IT departments must find ways to empower business leaders to develop digital solutions that help solve their challenges. This will enable IT to take on a strategic role, advising non-technical colleagues on the best methods to achieve their goals without compromising on compliance, security and downtime.

This collaborative approach will also help spread the digital mindset that businesses crave. But opening the door to more ideas is only the first step. Non-technical staff needs to be given the tools to turn their concepts into

real-world services that provide value, both internally and for their customers. Low-code development platforms enable IT and non-technical colleagues to collaborate - helping them to create the services customers want today and prepare for a fully digital future. With this approach, IT can also rest assured it has the oversight it needs to remain compliant, helping support the bottom line with digital solutions.

A model that positions the IT team as collaborators, not service providers, can empower financial businesses.

We're at the very start of this journey. But now is the time for IT to connect with other teams, to help them learn how they can be involved in digital projects and instil new ways of working across the whole business.

**A model that positions the IT team as collaborators, not service providers, can empower financial businesses.**

# From complex

# to simple:

Gaining a competitive edge

Most financial services businesses have given up on the idea that digital transformation will be a finite process with a clear end date. Technology, employees and critically customers will keep evolving – and they need financial companies that are willing to embrace that change too.

But in this shift to a more digital world, the IT team has often missed out. Facing a digital whirlwind of competing demands, made all the harder by legacy IT and a shortage of skills, it's in a challenging position to succeed.

And to top it off, IT was and remains responsible for maintaining the security, compliance and availability of digital services, which often takes precedence over the need to evolve quickly.

Taking a different approach to development can help.

A low-code approach can simplify and accelerate innovation, cutting out much of the complexity that has beset the sector. This allows teams to deliver more in the short term and expand on their systems in the future.

But equally, IT can't do it all alone. By transforming the relationship with the wider business – to be collaborators, rather than providers – IT teams can empower the whole organisation to transform.

Technology is more important than ever before. Developing together will help to simplify a complex process to enable financial services firms to keep on innovating into the future.



This survey of 353 IT decision-makers in medium to large companies in the UK financial services sector was carried out by Opinium in January 2020.

