THE CAPCO INSTITUTE

JOURNAL

OF FINANCIAL TRANSFORMATION

CLOUD

Cloud's transformation of financial services: How COVID-19 created opportunities for growth across the industry

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#55 MAY 2022

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DEAR READER,

Welcome to edition 55 of the Capco Institute Journal of Financial Transformation. Our central theme is cloud computing, which has transformed from an efficiency initiative for our clients, to an indispensable growth driver for financial services.

The pandemic has changed consumer expectations, with consumers now demanding 24/7 access to their financial resources from anywhere, as well as hyper-personalized products that reflect their lifestyle choices.

In this edition of the Journal, we explore the power of cloud and its potential applications through the lens of a joint Capco and Wipro global study, and take a deeper look at the financial services data collected in Wipro FullStride Cloud Services' 2021 Global Survey. The survey was focused on perceptions of cloud and its importance to business strategy from over 1,300 C-level executives and key decision-makers across 11 industries.

The study indicates that cloud is becoming ever more intelligent, hyperconnected, and pervasive, and enables companies to offer their end users the personalized, user-centric experience that they have come to expect. It's clear that only the financial services firms that can successfully leverage cloud, will thrive.

In addition, this edition of the Journal examines important topics around digital assets and decentralized finance, including central bank digital currencies, and bitcoin's impact on the environment, and cybersecurity and resilience.

As ever, you can expect the highest calibre of research and practical guidance from our distinguished contributors, and I trust that this will prove useful in informing your own thinking and decision-making.

Thank you to all our contributors and thank you for reading. I look forward to sharing future editions of the Journal with you.

Lance Levy, **Capco CEO**

CLOUD'S TRANSFORMATION OF FINANCIAL SERVICES: HOW COVID-19 CREATED OPPORTUNITIES FOR GROWTH ACROSS THE INDUSTRY

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ABSTRACT

The financial services sector is undergoing unprecedented disruption, thanks to a combination of the digital revolution and COVID-19's social and business upheavals. The collision of these two forces in 2020 and 2021 quickly altered the competitive landscape. Financial services institutions had to become smarter and more nimble, working in new ways with unfamiliar technologies at an unparalleled pace to meet escalating digital demands of clients. Firms also had to deal with increased competition, as fintechs, as well as technology giants, looked to take advantage of uncertain macro and micro economic environments. The phrase "inflection point" is often misapplied to characterize various competitive shifts, but we believe it accurately describes what leaders in financial services face today. In this paper, we lay out the industry's current state as seen through the eyes of practitioners, how cloud technologies are being used as an accelerant to drive growth and return on investment (ROI), and what lies ahead for our clients over the next few years.

1. INTRODUCTION

The advent of COVID-19 forced most industries to speed up their plans to more effectively service their clients or end customers – and in many cases, this meant accelerating their digitization strategies. The financial services industry has been no different, and during the pandemic we witnessed an industry that responded rapidly to new demands and has emerged stronger and more nimble.

One of the key technologies that assisted the financial services industry to address clients' shifting expectations during the pandemic has been cloud services, neatly summed up by Microsoft as "the delivery of computing services – including servers, storage, databases, networking, software, analytics and intelligence – over the Internet ('the cloud') to offer faster innovation, flexible resources and economies of scale."

Drawing upon data from Wipro FullStride Cloud Services' global report – entitled "Making Business Thrive: A Cloud Leader Roadmap for Achieving 10x ROI" – we looked to identify key trends and opportunities that financial services firms should be considering as they seek to become cloud leaders. We found that the senior executives who responded to the survey believed that: (1) the health crisis accelerated technology roadmaps, prompting more than half of respondents globally to invest more in cloud to increase resilience, reduce risk, enable more flexible working alternatives, and create new ways to interact with customers; (2) financial services firms have started their journey toward full digital implementation in the cloud, but are likely three to five years away from achieving that vision; and (3) cloud investments pay off on the bottom line in operational cost reduction but, more importantly, by generating new revenue (ROI generated from the cloud multiplies tenfold as firms advance on their cloud journey). Other benefits include making organizations quicker to market, enhancing their customer relations, and contributing to smarter decisions; and within two years, 40 percent of firms are expected to be advanced or fully optimized in respect of cloud data centers, migration and modernization of core processes, and cloud-native app development.

2. THE STUDY

The Wipro FullStride Cloud Services study was compiled using responses from 1,300 C-level executives and key decision-makers across 11 industries, of which 26 percent were financial services related – specifically, banking, insurance, and capital markets, such as wealth advisory and asset management firms. This article uses data compiled from close to 340 financial services executives to get a better understanding of their perspectives regarding how cloud computing impacted their businesses during the pandemic.

One of the key questions those executives were asked was how COVID-19 affected their operations. Four key implications of COVID-19 were cited by financial service leaders (Table 1):

1. Elevated the priority to use cloud to improve customer experience.
2. Realized the importance of cloud usage to make processes more efficient and agile.
3. Increased willingness to make cloud investments.
4. Elevated the priority of cloud to improve business continuity and resilience.

A larger picture emerged as we combed through the data survey. As companies emerge from the pandemic, management teams are embedding the cloud into their growth platform for the future. For digital leaders, the cloud provides a data-enabled, interconnected foundation to support enterprise-wide business activities and workflow solutions, while leveraging use of artificial intelligence (AI), internet of things (IoT), and other transformative technologies.

3. STATE OF PLAY: WHAT FIRMS ARE DOING NOW

Executives were asked to look back two years and ahead two years and reflect on what have been the most significant areas of investment, both technologically and organizationally. Reviewing the previous two years, here is what they said:

Table 1: How has COVID impacted your organization?

	BANKS	CAPITAL MARKETS	INSURANCE
Accelerated our timetable for moving more activities to the cloud.	34%	27%	25%
Caused us to increase investment in the cloud.	49%	52%	45%
Caused rethinking our cloud organization and skills training plans.	4%	6%	7%
Has elevated the priority of cloud usage to improve business continuity and resilience.	46%	53%	50%
Elevated the priority of cloud usage to improve the customer experience.	70%	63%	55%
Elevated the priority of cloud usage to support remote working and collaboration.	43%	40%	32%
Increased cybersecurity and compliance issues from use of the cloud.	43%	42%	42%
Opened new opportunities for cloud-enabled products and services.	24%	35%	25%
Shown the importance of cloud usage to make processes more efficient and agile.	54%	67%	59%

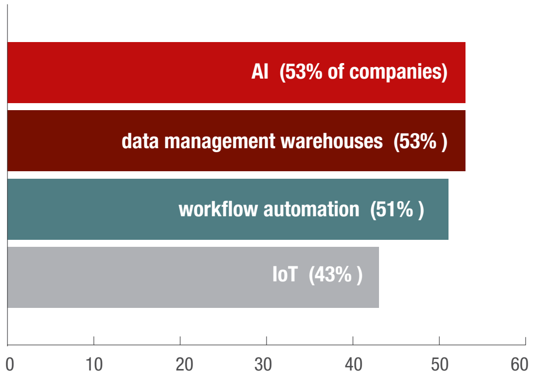
Table 2: Where have you made significant progress using cloud?

	BANKS	CAPITAL MARKETS	INSURANCE
Customer management and experience	43%	38%	26%
Cybersecurity and risk management	37%	35%	35%
Data and customer analysis	59%	58%	53%
Financial management, reporting, and auditing	40%	37%	34%
Human resources and employee experiences	23%	14%	19%
IT management and operations	49%	53%	38%
Marketing and distribution	16%	14%	28%
Middle- and back-office processes	19%	9%	14%
Procurement and supply chain	10%	8%	16%
Product development, R&D, and innovation	16%	12%	23%
Sales and business development	20%	18%	23%
Strategic planning and market analysis	23%	39%	29%

3.1 Spending

Banks' cloud spending was expected to have averaged U.S.$36 million in 2021; capital markets, U.S.$41 million; and insurance, U.S.$55 million. Average cloud spend across all 11 industries was estimated at U.S.$37 million. Despite those investments, financial services organizations realize that they are nowhere near fully optimized around the cloud. Fewer than 20 percent consider themselves either in advanced implementation stages or fully optimized, and less than 10 percent expect to be fully optimized in two years. Currently, firms operate, on average, 38 percent of their business applications through the cloud, and they anticipate that percentage will increase to 55 percent in two years. (Table 2).

Figure 1: Significant technologies employed



3.2 Projects

Similar to investments made by other industries, cloud spending in the financial services sector is spread evenly between data center projects, cloud-native development, migration of processes, and modernizing those processes. Spending is also balanced between upfront investment, implementation costs, and ongoing maintenance and fees.

Almost half (48 percent) of financial services firms report using digital enterprise platforms for enterprise resource planning, a slightly higher rate than other industries. Centralizing operations on one platform can be a critical benefit. As one banking executive said, "With the help of perfect cloud integration, the company's 253 banks, six branches, and the central bank will now be operated on one platform." Cloud has given them the most advances in the areas of data and customer analysis; IT management and operations; customer management and experience; financial management, reporting, and auditing; and cybersecurity and risk management.

3.3 Strategies

In the early years of cloud deployments, companies across industries brought in digital technologies to solve specific problems. The survey data reflects that organizations are now maturing in using cloud-based digital solutions and adopting a cloud-across-the-enterprise strategy.

For example, in the marketing department, financial services firms can now use powerful tools, such as AI and data analytics, to differentiate their brand and drive enduring loyalty and increased customer satisfaction. In insurance, 74 percent of respondents listed "customer and management experience" as the top business area where they have used cloud resources most effectively (banks reported 53 percent, and capital markets 46 percent in that area).

In addition to using cloud to drive business strategy, organizations must decide on a strategy for managing their cloud resources – storage, security, applications, maintenance, and the like. According to the survey, most firms expect growth in the use of both hybrid cloud and public cloud, suggesting hybrid is not just a holding pattern while customers get comfortable with public cloud. Hybrid is here to stay.

"By deploying hybrid cloud models, we have seen that it allows us to integrate risk data within its environment, which helps us against data breaches and thefts," an insurance executive reported.

Who are firms turning to provide those services? Financial services firms envision relative growth in Google Cloud Platform and Microsoft Azure to be on a par with Amazon Web Services in the next two years. (In other industries, Google looks to have the pole position.)

Respondents also predict growth in the use of platform as a service (PaaS) and software as a service (SaaS) tools, which allow them to rapidly scale up projects as needed without adding significant capital expense. "The implementation of cloud solutions, like SaaS and PaaS," an insurance executive wrote, "helps in managing IT resources (including) upgrading storage, memory, and scaling processing speed."

4. FUTURE STATE: WHERE FIRMS SEE THEMSELVES IN TWO YEARS

While IT spending, in general, is expected to remain static, cloud spending is likely to increase. Firms are broadly expecting cloud costs to rise in the 1-10 percent range.

The cloud is fast becoming more intelligent, hyperconnected, and pervasive. For the immediate future, financial services firms are focusing their cloud goals more on business growth and revenue generation than reducing expenses.

Leaders said they expect to make their most significant cloud investments over the next two years in product development/R&D (62 percent), cybersecurity (48 percent), business development and sales (42 percent), and procurement/supply chain (44 percent).

Although the survey does not provide specific project details, work with our clients offers more information about where investments might be made.

4.1 Business development and sales

Financial services firms are often rich in client data, the seed corn for powerful targeted marketing campaigns. Cloud platforms provide relatively cheap processing power, storage, and data analytics tools that enable firms to segment customers to a finer degree than previously possible and create customized offerings based on customer behavior. "With the help of Cloudera," a bank executive offered, "we created a predictive analytics platform that delivers targeted recommendations for trading ideas, research material, investment strategies, and much more."

4.2 Cybersecurity

Cyber crime is soaring as digital criminals become more sophisticated. The FBI's Internet Crime Complaint Center reported 2,084 ransomware complaints from January through July 2021,[1] a 62 percent jump over the previous year. This means that firms must continuously update their defense programs and reduce threat surfaces, such as by employing DevOps practices to build in security as code is written. Moving to cloud helps here because cloud vendors provide proven security measures for clients and continually update technologies, processes, and recovery mechanisms. In addition, global regulators are showing more interest in protecting consumer safety and privacy online, requiring firms to focus on these areas or face substantial penalties.

4.3 Procurement/supply chain

Financial services firms are developing multiservice cloud strategy approaches that mix and match tools and services from multiple vendors. For example, cloud enables banks to better use a myriad of services available from fintechs and other vendors. In capital markets, some vendor services can be hugely resource intensive, especially those involving pricing and Monte Carlo risk simulations using large market

[1] https://bit.ly/3hr1mSt.

datasets. A cloud platform allows firms to test and install these services much more quickly and effectively because they no longer depend on a lengthy hardware procurement process. From a procurement perspective, this allows a degree of experimentation and switching around of services, which is not otherwise possible.

4.4 Product development/R&D

In the cloud, firms can take advantage of specialized computing resources to model potential products, calculate returns from new business lines, and spur innovation by using agile development practices to "fail fast" by getting products to market quickly for testing. Nearly half of all firms will increase their investments in each of these four business functions and aim to get to 40-50 percent of advanced implementation status in two years. Significant dividends are expected from their cloud investments.

In two years, 62 percent of the financial executives who responded to the survey expect that the cloud will increase their revenues, 55 percent expect cloud to increase market share, 46 percent expect it to improve customer retention, and 30 percent expect the cloud to boost shareholder value (Table 3). Over half of the firms plan to use cloud capabilities to leverage artificial intelligence (AI), data analytics, workflow automation, and digital enterprise platforms.

The survey suggests that cloud especially matters when financial services organizations need ready access to data and processing power for analysis, such as in financial management and reporting, employee and customer experiences, and IT management and operations. Banking and capital markets firms plan to make their most considerable advances in payment processing and services and retail branch management. Insurance firms are prioritizing underwriting and product/policy design. As noted previously, financial services organizations are at least three years away from utilizing digital services to the fullest. We imagine these future products could include using AI and machine learning to provide customers with proactive services that fit their in-the-moment lifestyle needs, on-demand insurance and rapid claims adjusting, or cryptocurrency management using blockchain.

Table 3: Expected cloud benefits in two years

		BANKS	CAPITAL MARKETS	INSURANCE
FINANCIAL	Better use of capital	7%	10%	12%
	Decreased costs	48%	56%	41%
	Greater shareholder value	31%	30%	29%
	Improved profitability	47%	59%	50%
	Increased revenue	66%	66%	55%
OPERATIONAL	Accelerated time to market	24%	28%	28%
	Greater and faster innovation	25%	23%	26%
	Greater teamwork and stronger corporate culture	35%	29%	35%
	Improved employee engagement/productivity	42%	40%	28%
	Increased customer satisfaction and retention	47%	48%	42%
	More effective risk management and compliance	35%	44%	34%
	Reduced carbon footprint	14%	24%	16%
	Streamlined operations/improved quality	25%	30%	27%
STRATEGIC	Greater ability to scale across business/global markets	32%	29%	22%
	Greater innovation/new business models	29%	23%	28%
	Greater market share/expanded client base	62%	56%	46%
	Improved planning and decision-making	47%	49%	39%
	No benefits	0%	0%	0%
	Stronger reputation and brand equity	14%	19%	15%
	Stronger reputation and brand equity	12%	7%	11%

5. BENEFITS: FINANCIAL AND OTHER DIVIDENDS

In a crucial shift, the cloud is moving from an efficiency play to a growth driver. The survey results give financial services leaders real numbers around the benefits they can expect from a well-executed move to digital.

Almost all clients report revenue benefits over three years due to using cloud to create new products, services, and business models. These gains average at around 4 percent, although about a third of firms anticipate revenue increases of up to approximately 15 percent (Table 4).

As one banking executive commented: "Customer relationship management using a PaaS solution via cloud technology is our organization's most successful revenue-generating cloud initiative."

Other executives pointed specifically to automation as a cloud enabler that provides quick returns. They touted wins with automation in policy governance (insurance), claim settlement and operational efficiency (insurance), and market settlements and clearing processes (capital markets) as effective ways to generate more returns.

Financial services organization tend to see cloud investment paybacks over 24 months or less from a data center perspective and for migration of legacy systems. For modernization and cloud-native development, results tend to be more variable and spread over a more extended period.

The biggest eye-popper: return on investment (RoI) generated from the cloud multiplies tenfold as firms advance on their cloud journey. While beginners see a 6 percent annualized cloud-related RoI, this grows to 44 percent for advancers, and 59 percent for leaders. "Cloud adoption," an insurance leader said, "gives [us] the ability to convert fixed infrastructure costs into variable costs."

The survey shows that when it comes to the cloud, practice makes profits. Cloud usage drives significant cumulative bottom-line gains. While beginners see a lift of about 2.6 percent in total revenue gains and cost reductions when starting cloud computing, cloud leaders get a boost of up to 12 percent.

Here is another financial benefit: hyperscalers – the leading cloud platform providers – are helping fund this digital future. They pick up all or some of the upfront and implementation cloud costs for about three-quarters of firms, covering 78 percent of related software costs on average.

We believe companies often do not consider the total cost benefits when measuring the RoI on the cloud. Only 40 percent include benefits from decreased non-IT costs, and even fewer measure reduced carbon footprint, accelerated time to market, or improved productivity.

Table 4: Cloud promotes revenue increases three years after implementation

	BANKS	CAPITAL MARKETS	INSURANCE
No change in revenue	7%	7%	2%
1%	13%	20%	16%
2%	13%	15%	27%
3%	17%	17%	20%
4%	18%	12%	4%
5%	12%	7%	9%
6% to 10%	15%	15%	16%
11% to 15%	3%	7%	7%
16% to 20%	2%	2%	–
Average (of firms that reported a revenue impact)	**4.03%**	**4.10%**	**4.00%**

Asked to identify the main benefits from using cloud beyond revenue and profitability gains, the top five were (Table 5):

1. Increased market share/expanded client base
2. Improved customer satisfaction and retention
3. Greater teamwork and stronger corporate culture
4. Improved planning and decision-making
5. More effective risk management and compliance.

Table 5: Main benefits of using cloud

		BANKS	CAPITAL MARKETS	INSURANCE
FINANCIAL	Better use of capital	5%	9%	7%
	Decreased costs	50%	51%	40%
	Greater shareholder value	18%	16%	17%
	Improved profitability	62%	55%	59%
	Increased revenue	55%	50%	46%
OPERATIONAL	Accelerated time to market	28%	25%	21%
	Greater and faster innovation	24%	18%	27%
	Greater teamwork and stronger corporate culture	42%	30%	39%
	Improved employee engagement/productivity	41%	34%	37%
	Increased customer satisfaction and retention	48%	48%	37%
	More effective risk management and compliance	41%	44%	35%
	Reduced carbon footprint	5%	3%	5%
	Streamlined operations/improved quality	26%	24%	22%
STRATEGIC	Greater ability to scale across business/global markets	37%	27%	25%
	Greater innovation/new business models	34%	28%	40%
	Greater market share/expanded client base	55%	55%	38%
	Improved planning and decision-making	45%	40%	45%
	Stronger reputation and brand equity	12%	7%	11%

6. OBSTACLES: NAVIGATING THE NEGATIVES

The survey provides insights into where companies are most likely to fly into headwinds on their digital journeys.

Lack of a cloud strategy is the biggest challenge facing companies across the board, financial executives say. Some 44 percent cite this as a common obstacle hindering their transition to the cloud. This remains a hurdle throughout the cloud journey for beginners (45 percent) and leaders (36 percent), as companies strive to take their strategy to a higher level.

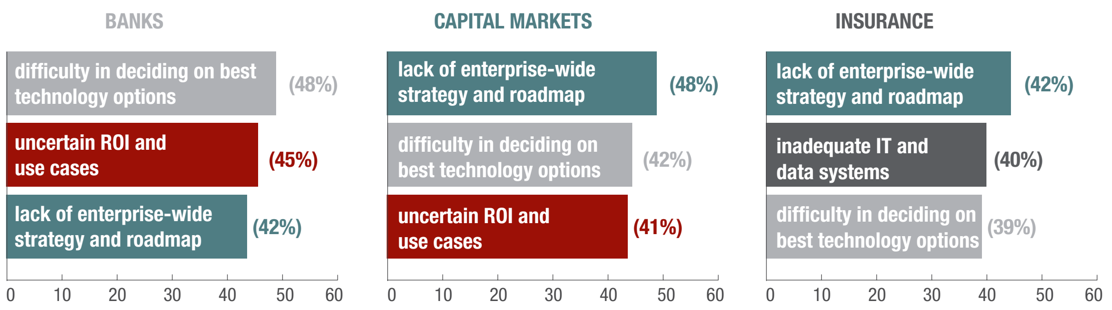
Why does this happen? Our clients' experiences show that cloud technologies have traditionally been applied at the department level to fix specific issues, such as improving data entry speed and accuracy or automating back-office workflows. Internal IT groups favored keeping these digital solutions on-premises or in a hybrid mix. Thus, cloud initiatives became buried in departmental silos.

The result: roadmaps that chartered a digital journey for the entire organization were slow to happen, if at all. In our recommendations below, we stress the importance of developing an enterprise-wide cloud strategy and roadmap early in the transformation process, one that details technology choices, governance measures, spending priorities, and that moderates other potential battlegrounds that can dilute implementation.

The survey also underscores that training, recruitment, and retention are fundamental competencies that need careful and early planning or risk snagging a cloud shift. An average of 25 percent of financial services firms said "limited access to cloud skills and talent and need for training" were serious impediments to successful cloud implementation.

Cloud leaders are already increasing their digital capabilities. 52 percent of cloud leaders develop teams and skills to drive cybersecurity in the cloud, 48 percent provide cloud training to IT and line of business staff, and 43 percent roll out change management strategies to facilitate cloud transformation.

Figure 2: Top three obstacles to cloud implementation listed by financial sector



Among the list of roadblocks emerged a couple of surprising and somewhat cheerful findings.

Once a significant sore spot for our clients, managing multiple technology providers was mentioned as a substantial obstacle by just 14 percent of respondents. In addition, surprisingly, firms said shifting from a capex model to an opex one, which requires some complexity in how costs and chargebacks are handled, was not a major difficulty.

7. FINANCIAL SERVICES DIFFER SIGNIFICANTLY FROM OTHER INDUSTRIES

The survey, which spans 11 industries, suggests that financial services in general still lag other industries in their use of digital, but shows investments are underway to catch up and even lead in some sectors.

On a global level, banks and capital markets firms lag those in other industries in their cloud maturity. The financial services sector is much further ahead in the U.S., where 42 percent of banks and 30 percent of capital markets companies are cloud leaders (33 percent combined). This is not surprising, given the country's overall edge in technology adoption and cloud usage. This follows the pattern seen in other industries, where companies headquartered in the U.S. also tend to be more advanced. Moreover, financial services firms in the U.S. are making progress quickly, with 51 percent in the advancer stage.

Even if financial services organizations aren't generating the RoI experienced by more advanced users in other industries (average cloud RoI for capital markets firms is 10 percent versus 66 percent for oil and gas companies, for example) the survey shows an industry knee-deep in its transition to digital.

Table 6: How different industries use cloud to generate revenue

	BANKS	CAPITAL MARKETS	INSURANCE	CONSUMER PACKAGED GOODS	HEALTHCARE PROVIDERS	LIFE SCIENCES	MANU-FACTURING	OIL/GAS	RETAIL	TRANS-PORTATION	UTILITIES	TOTAL
Create new products and services	8%	7%	14%	6%	21%	19%	29%	18%	19%	16%	16%	16%
Develop new business models	25%	13%	25%	35%	21%	28%	22%	16%	24%	23%	22%	23%
Grow revenue through greater productivity	65%	60%	46%	62%	62%	56%	46%	54%	51%	56%	68%	57%
Improved market positioning and branding	27%	30%	30%	29%	36%	43%	23%	29%	37%	24%	18%	30%
Increase customer retention and upselling	38%	38%	38%	46%	32%	30%	35%	27%	44%	40%	30%	36%
Penetrate new client segments	55%	60%	61%	38%	38%	33%	40%	54%	53%	42%	38%	47%
Reach new global markets	67%	60%	41%	44%	53%	59%	54%	64%	53%	53%	60%	55%
Speed up time to market	63%	63%	54%	62%	38%	59%	75%	52%	59%	65%	60%	59%

Practically, no firm views itself as either in advanced implementation or fully optimized at this point. Financial service organizations are near the cross-industry average in this regard, with banking and capital markets slightly higher and insurance lower. Life sciences, manufacturing, and retail industries are significantly ahead.

There is a stronger focus than in other industries on improving productivity and reaching new global markets, more so with banking and capital markets than insurance. Banks see the cloud, more than other industries, as a way to become lean and standardized (Table 6).

Within financial services, an interesting tale is told that separates, in a significant way, the insurance sector's cloud journey from banking and capital markets firms. Insurance organizations target 18 percent RoI on cloud initiatives versus 14 percent for banking and capital markets. The insurance RoI number was also slightly higher than all other industries. This statistic is striking; generally, the use of cloud in insurance has different priorities and economics than the rest of financial services and is much more in common with other industries. This begs the question: is insurance that much better at designing and implementing cloud projects, or is it capturing returns on projects today that other industries earned long ago while insurance was digitally disengaged?

8. DIGITAL TRANSFORMATION IS DRIVEN FROM THE TOP

Given the vast strategy shifts, financial resources, and organizational changes required for a successful digital transformation, it is perhaps not surprising that survey-takers understand the importance of senior leadership to drive digital journeys. (Remember, a quarter of firms listed lack of senior executive support as a major obstacle.)

When asked who is responsible for overall cloud strategy, the most common response across industries was the chief operating officer (COO), closely followed by the CTO, although there was a wide spread of answers. The CFO, CDO (Chief Digital Officer), CSO, and CIO figured often. However, around a quarter of banking and capital market organizations see this as the CEO's responsibility.

When asked which executives play critical roles in developing and implementing that strategy, 69 percent listed COOs and 63 percent listed CEOs.

9. RECOMMENDATIONS: DESIGNING THE SUCCESSFUL CLOUD JOURNEY

We will not blame financial services leaders if they feel pinned in the middle of a riptide roiling the entire industry. Steps they took over the last two years to move to cloud, as traumatic (and transformative) to their businesses as they have been, could be washed away if their transition stalls in the next two years.

This is not the time for timidity. Just keeping pace with competitors will not cut it. Here are key areas to consider for expediting your digital journey to the cloud.

- **Organizational commitment:** buy-in must be broad and deep across all lines of business. The mandate for progress must come from the top but be bought into by every employee: (a) instead of organizing around products or services, today's financial services organizations must put the customer at the center of it all (leaders drive a simple yet powerful message to all employees: if you take care of the customer, the rest of the business will take care of itself); (b) be transparent that although robots will take some jobs, displaced workers will be trained for new positions that will be more rewarding and fulfilling; and (c) recognize and support the CTO, who plays a critical role in executing the transformation strategy and evangelizing benefits to the entire organization.
- **Prioritize:** stage implementation steps in a way that boosts confidence: (a) build momentum early (as a capital markets executive expressed in the survey: "Engage the business through some early flagship big wins"); (b) identify key areas to convert to cloud-ready across the existing tech landscape, platform, application, tools, and processes (emphasize operating model changes that can create competitive wins over competitors, such as fast claims resolution or wider accessibility to loan products); and (c) convert manual, time-consuming, and sequential processes to simpler and nimbler tasks that automation can effortlessly handle.
- **Plan:** create an aggressive but balanced roadmap for cloud adoption, focusing on agile development methodologies and skill-building: (a) ensure first and foremost that digital initiatives align with business goals; (b) deploy evaluation mechanisms at regular periods to verify the program is on track, that technical debt is minimized, and better user experiences are emphasized;

and (c) build in robust programs to train employees on the new technologies and business practices. In addition, involve key workers early in the design phase – they will confirm whether the new processes will do the job required. Training should be completed before the conversion switch is thrown.

- **Upskilling and recruiting:** financial services organizations will quickly need to crack the human resource equation of upskilling existing and hiring talent to manage the digital operation and cloud-native development going forward. Finding talented workers in the digital sphere – programmers, designers, UX, data analysts, security experts – represents a major potential stumbling block to your digital aspirations. In the cloud, capabilities need to reach a new level: (a) survey results emphasize that many companies already invest in training IT and line of business staff, and recruit deployment specialists to lead cloud deployment; (b) use automation to free up and upskill workers to take on more valuable roles, such as customer service or auditing; and (c) develop deep relationships with universities and training schools. Regular campus visits to recruit talented new graduates will be key for keeping your personnel pipeline full.
- **Customer experience:** keep customer experience as the core theme of cloud strategy and adoption: (a) creating compelling customer experiences pays off in lower churn and greater loyalty to the brand; (b) customer experience (CX) should engage at every customer touchpoint with your organization, from opening an account to navigating your mobile website; and (c) in the survey, financial executives said customer management and experience will be one of their top focus areas over the next two years.
- **Partner:** invest in assessing and leveraging third-party tools and capabilities to expedite the cloud journey and enable repeatability and scale: (a) the survey reveals that outside contractors make up about a quarter of the workforce. Finding, managing, and collaborating with partners will be a crucial capability to develop; (b) most financial services organizations do not have the in-house resources necessary to provide all the products and services customers want. Partner with adjacent companies to offer clients one-stop financial shopping, such as integrating financial planning, insurance, and financing; and (c) partners should be viewed as strategic collaborators, not just parts providers. Consult them as you develop products and services, build capabilities, and evaluate technologies. Chances are they have been there before and have wisdom to share. A banking executive shared that they signed a five-year strategic partnership with their technology partners, a longer-term commitment intended to foster stability and collaboration in an uncertain environment.

10. CONCLUSION

The next few years will be critical for determining leadership in many industries, including financial services.

COVID will eventually fade, but the remainder of this decade will only see disruption escalate. That is because the pandemic unleashed new consumer expectations. They want 24/7 access to their financial resources from anywhere, and products hyper-personalized to their lifestyle choices. For financial services organizations to meet those requirements and grow, they will need to be driven by data, faster to market, and agile and resilient in execution.

Some industry giants will fade. Some unknown companies will ascend. Products not even conceived before today will win the hearts and wallets of financial consumers. The companies best designed to compete during this turmoil will be crowned new industry leaders.

And those companies will be thriving in the cloud.

ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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