Digital Bank Leaders: Driving Pace and Scale in a Dynamic Market
Introduction

Becoming digital is more than just about technology. It involves a fundamental change to the DNA of an organization, enabling it to become more agile and customer-centric. Although digital transformation remains a key trend in 2017, industries and organizations are evolving at different speeds.

While the banking industry continues to forge ahead of the other industries, different banks are evolving at different speeds. Digital bank leaders are moving ahead of the industry majority, creating significant competitive gaps, as well as headroom.

CGI set out to explore the pressures digital leaders are experiencing and how they are responding to those pressures through our 2017 CGI Client Global Insights program, which involved face-to-face interviews with more than 1,300 business and IT leaders. We also conducted research in partnership with IDC, in which more than 200 business leaders were surveyed on the topic of organizational design.

Insights from these initiatives reveal roadmap steps digital bank leaders are taking to successfully drive transformation across their business and compete in an increasingly dynamic market.
Roadmap steps

Step #1 Compete beyond boundaries
Today, banks face not only competition from traditional banks (39%), but competition from disruptive companies (33%), as well as from businesses in adjacent industries (30%). In response, digital bank leaders are exploring opportunities now to compete beyond traditional boundaries and drive future growth. They are taking advantage of innovation and disruption by evolving and extending their products and services or developing entirely new ones.

Step #2 Simplify the complex
For the banking leaders, digital transformation is a board-level agenda – in fact, 43% of banking respondents discuss digital transformation at every meeting of the board. Changing across the enterprise involves major challenges. In order to achieve their transformation goals, banks are simplifying the way they operate (68%) and establishing a more collaborative culture (63%). Organizations are now realizing that they need a more strategic response. Not only do they need to build a business for the future, they need to define their ambition and what type of business they want to be in the future.

Step #3 Drive change at pace and scale
Fifty percent corporate and transaction banks have digital strategies across their enterprise. To achieve the right pace and scale, digital bank leaders are focusing on prioritization and balance between maintaining the existing business, building a supporting infrastructure and incubating new innovations around business models, products and services to create new growth opportunities and drive competitiveness.

Step #4 Adopt the right organizational structure
As banks pursue digital transformation, they recognize that fundamental organizational change is needed to become an agile digital business. Decision-making is being pushed down—from the corporate level to the business, team and even individual level—and moving decision-making closer to the customer. Many banks are moving away from a traditional hierarchical structure to a flat one. Some are moving to more network-based structures consisting of autonomous business units that are not only empowered to make decisions closer to the customer, but also collaborate internally and externally to drive innovation and transformation.

Step #5 Innovate to differentiate
In a digital world, the speed and scale of innovation is critical. To keep up with the demand, the process of innovating is changing. It’s moving beyond rooms with whiteboards into factories where ideas can be prototyped, tested with partners, suppliers and customers, and launched as minimum viable products (MVPs). And, it’s also becoming more dependent on enabling processes and technologies, such as design thinking, lean startup, agile, DevOps and cloud. To drive innovation, 55% corporate and transaction banks have set up focused teams.

Step #6 Engage in the wider ecosystem
Leading banking players are taking a strategic position to secure the future and take advantage of new growth opportunities. In fact, 36% Corporate and Transaction banks extend their enterprise Digital Strategy to include eco-system partners. Leading banks are expanding their ecosystems and creating new business combinations to achieve a number of strategic goals, including generating new revenue streams (46%), accessing new customers (46%), new technologies (35%), new markets (35%), talent (33%), driving innovation (24%) and more. While partnering is not new, there are some new business combinations (e.g., crowd innovation, serendipity work locations, open source and crowd source development communities, etc.) that provide innovation opportunities.

Step #7 Protect the organization
Along with digitalization come cyber risks and concerns. Fifty-nine percent of corporate and transaction banking executives cited addressing cyber risks as a top business priority, while 71% of “digital bank leaders” reported the same. A 2017 CGI research in the UK with Oxford Economics, called The Cyber-Value Connection, revealed that share prices fall by an average of 1.8%, equivalent to some £120 million for a FTSE 100 company of company value following a severe breach. With the direct link between cyber breaches and company value, it is clear a CEO’s responsibility must continue to include strategic oversight and governance of cybersecurity.

Step #8 Shape the business through data-driven insight
Most banks understand the importance of making use of today’s wealth of data to drive transformation and competitiveness and have made it a top priority. In fact 63% CTB executives cite harnessing data insights as top business priority. Digital bank leaders understand that real insight is driven by the customer, not the company. And, they’re willing to invest in artificial intelligence technology to generate the insight needed to evolve their products and services in line with evolving customer demands.

Step #9 Modernize delivery and invest in emerging technologies
One of the biggest challenges to becoming a digital business is transitioning from legacy processes and systems to new ways of operating and modern technologies. Digital leaders understand the need for modernization, along with its challenges and implications. They’re considering and integrating agile working practices, consolidating and simplifying applications and replacing them with applications that run on modern technology platform. Ninety-six percent CTB executives cite simplification of IT landscape and adopting new delivery models as a top IT priority (vs just 58% in 2016). Digital bank leaders are also investigating the advantages of advanced analytics, and artificial intelligence to generate more customer-centric insight, as well as automation and robotics to drive efficiencies and productivity.

Step #10 Re-envision customer touchpoints
Leading digital banks understand that how a bank delivers to customers is beginning to be as important as what it delivers. They’re experimenting with and investing in emerging technology to meet the changing needs of customers. Digital bank leaders understand the importance of creating differentiated products and experiences. They are creating unique customer experiences, insight and value to satisfy their customers while driving operational effectiveness, efficiency and value, and in turn increasing loyalty, retention and value as they compete against new digitally agile competitors.
CGI is partnering with banks worldwide to drive their digital transformation success, and we would welcome the opportunity to support your organization.

For more information about CGI, visit cgi.com/digital-transformation, or contact us at info@cgi.com.

About CGI

Founded in 1976, CGI is one of the largest, end-to-end IT and business process services providers in the world. Operating in hundreds of communities across the globe, we help clients become customer-centric, digital organizations. Our high-end business and IT consulting, systems integration and transformational outsourcing services, complemented by more than 150 IP-based solutions, help clients accelerate their digital strategies. Our unique client proximity and best-fit global delivery model enables highly responsive service, on-time and within budget delivery, and competitive advantage for an increasingly digital world. We are one of the few providers with the talent, scale and end-to-end capabilities that clients need to connect legacy to digital for holistic success.

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