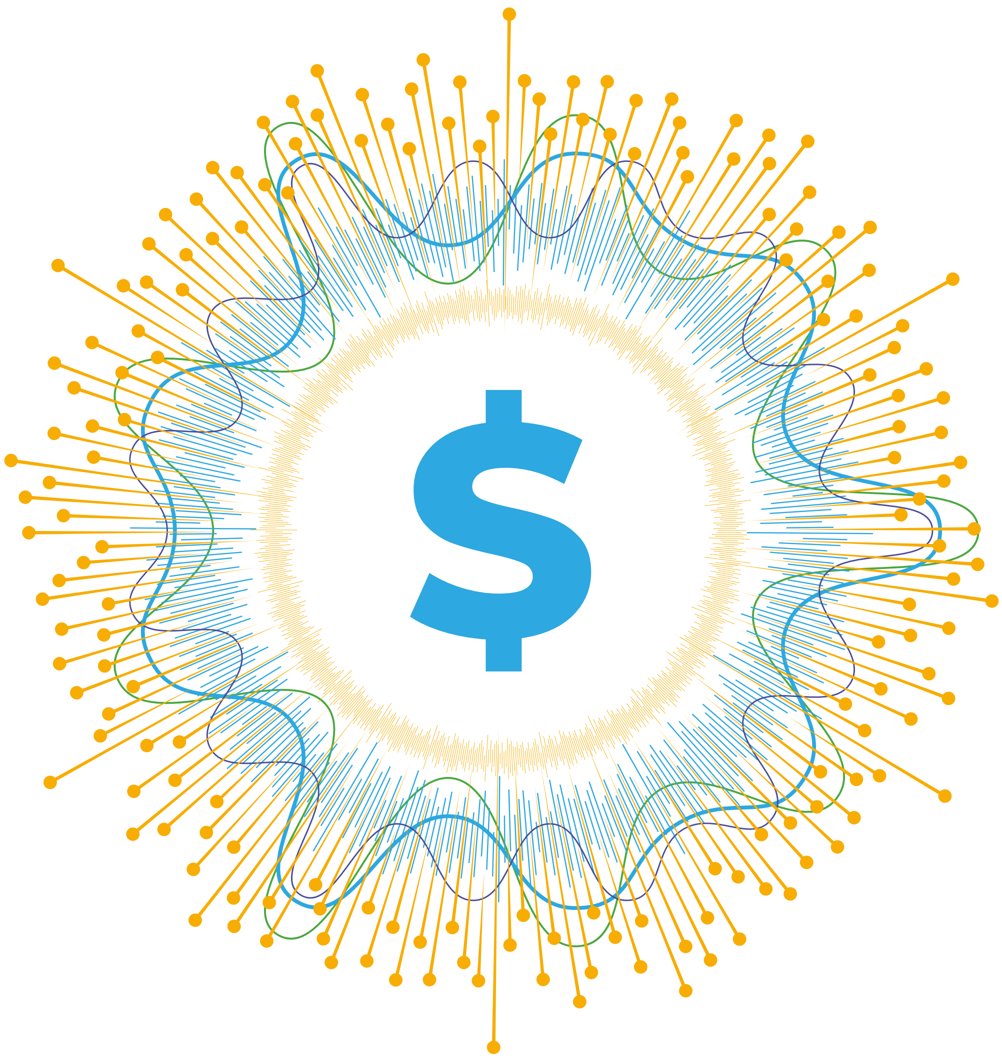
Banking on Digital Transformation

Financial Services Modernization from the Inside Out



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Summary

The pace of digital transformation has reached a critical point for banks and other financial institutions. Traditional organizations now face unprecedented competition from a variety of new entrants. These disrupters include FinTechs, digital-only "challenger banks," internet giants like Google, Amazon, Facebook, and Apple, and even fledgling and future start-ups. Banks are now playing a game of catch-up-and a surprising majority of them are still on the bench.

Mindset is a significant factor. The centuries-old assumption that people place the most financial trust in a solid edifice with human tellers a vault is fading away. At the center of the future of banking is not the bank but the customer, and the customer has already gone digital. Banks require a digital transformation strategy that addresses three factors:

- Overcoming complacency by making a cultural shift
- Focusing on user experience and the customer journey
- Improving the digital skills of the organization from within

This white paper examines the current state of digital transformation in banking, provides insights and advice for convincing stakeholders of the need to shift and outlines a strategy for quickly developing an institution's digital capabilities.

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Today's Digital Banking Landscape

The 20th century model of banking is headed for extinction. Long holding their place at the top of the food chain, brick-and-mortar banks are quickly losing ground. Customers are flocking to alternatives made possible via secure internet and mobile technologies.

"For a long time, banks have behaved like virtual monopolies. The whole assumption is that customers don't have a choice," says Jaspreet Bindra, Digital Advisor to the Mahindra Group and International Data Corporation (IDC). "What has happened in the past few years is that customers certainly have lots of choices now, without the bloated cost structures that used to exist."

As more consumers gravitate to the convenience and familiarity of ecommerce, tech giants, and mobile apps, they're gaining trust in unconventional sources for financial matters. According to a survey by Fiserv, "More than half (55 percent) of people would be comfortable using a technology company, such as Apple or Google, for various types of financial transactions."[1]

Younger generations are especially comfortable with non-bank alternatives for moving money. Research from Raddon shows that 44 percent of Gen Z (the generation born after 2000) anticipate supplementing traditional banking services with solutions from technology companies.[2] "Millennials have very specific ways that they like to bank, and want options in banking services and communication channels," notes Jeffry Pilcher, CEO/President of The Financial Brand. "They're also much more likely to switch banks when their needs aren't met."[3] In fact, more than half of all Millennials would switch to another provider for no reason other than if it offered a better digital banking app, warns BAI.[4]

Leading technology and ecommerce companies have become so good at digital engagement, a 2018 report by Deloitte says, “Many consumers now have a stronger emotional connection with these brands than they have with their primary banks.”[5] This emotional and even habitual connection gives such companies an enormous advantage when it comes to the cost of customer acquisition compared to other firms.

transformed basic banking functions, like opening a new account. "The vast majority of financial institutions far underestimate the scope of what is needed to become a ‘digital bank,'" warns Jim Marous in The Financial Brand. “More concerning in the short-term is that most organizations are not yet delivering the basic components of a digital organization.”[10]

> **Globally, digital disruption is shaving 30 percent off incumbent revenue growth.**
>
> McKinsey Global Institute[6]

The need for digital transformation is no secret to financial executives. The 2016 World Retail Banking Report revealed that **96 percent of bankers agree that the industry’s ecosystem is going digital-but most admit that their core systems simply can't support it.**[8] According to the Adobe Net Finance report, “Financial services are lagging in their pursuit of digital maturity, with 85 percent saying that they are halfway there or further behind.”[9]

The 2019 Retail Banking Trends and Predictions report notes that only one-third of organizations have digitally

As banks continue to mull over the steps they need to transform; their customers have already embraced digital modes. A Harris Poll conducted on behalf of Fiserv shows that more than half (56 percent) of consumers prefer to interact with their financial organizations via digital, compared to 34 percent who prefer branch interactions.[11] While bank branches are still the preferred method for certain financial interactions like opening a new checking account, the average American bank customer now visits a branch (or even uses a call center) less than once per month-about half as often as in 2011.[12]

How Ready are Financial Institutions?

To keep up with disruption, financial institutions must act strategically, quickly, and comprehensively-and do more than just provide stop-gap digital solutions. This has not been the case for most.

"The banks have long neglected digitizing their value chain," says economist Anand Swaminathan. "Overworked and bloated IT systems, old habits, and new regulatory requirements slow their efforts."[13]

While some digital services already seem ubiquitous for financial institutions, including online banking and even mobile apps, to succeed at digital transformation requires a more comprehensive approach than just adding piecemeal features.

> **Until now, most banks and credit unions have simply put a nice veneer on legacy systems and products, ignoring many of the internal changes that are needed to compete effectively with smaller FinTech and big tech organizations.**
>
> Jim Marous, Publisher, The Digital Banking Report[10]

How far behind is the banking industry today? Organizations surveyed in the 2019 Retail Banking Trends and Predictions report said that only half have a strategy in place for digital transformation.[10] Another 28 percent stated that while they have a strategy, it has not been implemented. Only 7 percent thought they were well-prepared for digital transformation.

Some smaller banks and credit unions may be taking a wait-and-see approach or considering partnering with third-party technology vendors. However, Keith Nolan, FIS Vice President of Credit Unions & Associations, says there's no time like the present to invest in a digital model that enables credit unions to keep up with current and upcoming innovations, especially in the technologies of mobile and customer experience. "The success of the credit union movement is built on putting members first by offering very personalized customer service," advises Nolan. "But members are getting younger, and their needs are changing."[14]

58%

58 percent of the top 50 global banks already view digital transformation as "extremely important" according to the FIS 2018 PACE Bank Executive Study.[14]

38%

Smaller, and other types of financial institutions seem to place a lower priority on transitioning. Only 38 percent of credit union executives interviewed saw digital transformation as imperative.

Key to Unlocking Digital Transformation: Culture Change

In any organization, digital maturity requires more than adopting new technologies. It's disruptive. It requires a well-coordinated shift in the people and the processes around those new technologies. To unite internal teams and align communication, collaboration, and processes, this kind of sweeping cultural change can't come from the bottom. It has to come from the top. This is especially true—and problematic—in the financial industry.

"The biggest barrier to digital transformation in banking is corporate culture," says Jennifer Borchardt, Director of Omnichannel Experience and Strategy at U.S. Bank Wealth Management. "Legacy systems and processes that were once effective result in leaders and workers to suffer not only from complacency but also active conservatism, both of which hinder innovation."

In an Adobe Net Finance survey of financial services companies, 43 percent of bankers said that executive sponsorship is essential for moving toward successful digital transformation. As the report indicates, "Organizational alignment and company culture are just as important to digital transformation as new technology platforms."[9]

Like a massive ship changing course, this organizational realignment requires a clear vision from above to coordinate power and to steer from below. It takes more than executive buy-in. It takes management evangelism and communication to share that mission.

"To drive a digital mindset throughout a traditional bank takes a cultural change that could shake the organization's foundation," says Rosilyn Houston, BBVA Compass Executive Director of Talent & Culture. "This change must be a commitment driven top-down, and a clearly articulated strategic priority." She explains this organizational commitment includes budget dollars for technology funding, talent development, developing agile workflows, and a willingness to take risks allocated against it.[16]

> **DIGITAL** capabilities are critical *to our* **BUSINESS.**
>
> **Nolan**

It's Time for Banks to Become Agile

While traditional banking organizations have had the advantage until now, the playing field has already shifted in favor of technology companies. To maintain and extend their competitiveness, financial institutions must adopt and gain expertise in the same tools, skills, and methodologies that technology companies use.

"Digital transformation is not easy. It requires a shift from legacy IT systems and traditional business models towards integrated, agile, customer-centric processes," warns Jim Marous in The Financial Brand.

Possibly more importantly, this transformation requires a cultural adjustment and mindset shift in application development and data flows."[10]

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Many experts say that adopting a delivery mindset and process is a necessary step for financial services companies to succeed and continuously adapt in tomorrow's highly-competitive digital space. As U.S. Bank's Jennifer Borchardt says, "A key agent for digital transformation in banking is for these organizations to embrace agile methodology-not only in software product development, where the process is well-known but also throughout the entire organization to deliver business objectives faster and better." Agile principles enable companies to follow a clear, data-driven approach and constantly test and learn.

Agile development refers to methodologies in which products are built incrementally rather than delivered all at once at the end. This way, if problems occur or changes are needed anywhere along the line, they can be addressed sooner and with less impact than having to scrap and rebuild a finished project from the very beginning.

Even though agile has been common in Silicon Valley tech firms since the early 2000s, many banks are only now adopting the methodology. This is possible with banking's evolution away from aged core systems written in languages that aren't agile friendly. "As time moves on and legacy systems are replaced by new platforms built in more current languages, the opportunity to try agile methods of software development start opening up," says James O'Neill, senior analyst at Celent.[18]

One financial institution that has committed itself to agile processes is BBVA Compass. Currently, nearly 60 percent of the bank's software is currently being developed using agile format. "A major project at the bank can take an average of two years to complete when done under a waterfall or fixed work model," says Adriana Quevedo-Price, BBVA Compass' Executive Director of Agile. "But working in an agile or adaptive manner can reduce that timeframe down to six months or less."[19]

Agile enables banks to simultaneously harness the competencies of their employees while addressing the immediate needs of customers. This enables the organization to propel customer-focused products, interfaces, and apps faster than ever before.

"Agile teams focus on delivering a minimum viable product (MVP) in weeks, testing it and getting customer input, and then quickly refining the MVP," explains Kenan Rodrigues, J.P. Morgan Chase Bank's Head of Business Transformation. "The agile approach focuses squarely on the customer and delivers value early and often."[20]

"With Agile, our entire organization will be working on and delivering solutions to the market in a continuous manner... and adapting them as often as needed to meet customer needs," says BBVA Compass Executive Director of Talent & Culture Rosilyn Houston. "Agile development is a shift for the entire organization, which will propel the teams to build solutions for their internal and external clients not based on what they think the client needs, but based on real and ongoing feedback within each development cycle."[16]

Focusing on the Customer Experience

Beyond updating legacy systems and creating digital channels to supplement their branch interactions, financial institutions have both an imperative-and a uniquely advantageous opportunity-to harness digital transformation to enable, improve, and guide their customer/member journeys.

Technology companies have built themselves around providing a superior user experience (UX), striving to provide easy, intuitive, and consistent access and usability in everything they do. It's not just about the interface. In order to compete with high-tech and e-commerce giants, financial institutions must follow suit and provide the same digital ease of use that people enjoy in their online and mobile interactions. "Consumers bring their expectations for easy, fast and intuitive experiences into everything they do," says Brenda Waggoner of Fiserv. "Ultimately, traditional banks and credit unions don't really compete against retail, technology, payments, and social media companies. Instead, financial institutions are up against every digital experience people encounter."[1]

Unfortunately, the majority of financial organizations are still slow in developing their UX capabilities. In 2018, only 42 percent of surveyed banks said they have the capability to control their customers' end-to-end user experience fully, and only ten percent currently offer a full digital wallet. Small and mid-tier banks are the most at risk from disruption, especially from giants in their own industry.[9]

For the first time ever, the largest six banks had taken the lead in customer satisfaction, largely through better customer-facing technology."[21]

As the J.D. Power's 2016 U.S. Retail Banking Customer Satisfaction Study found, "For the first time ever, the largest six banks had taken the lead in customer satisfaction, largely through better customer-facing technology."[21] The study reports that digital-only customers now account for nearly 30 percent of retail bank clientele. However, despite this growth, customer satisfaction is more tenuous than ever. Digital-only customers are the least satisfied among all customer segments, according to J.D. Power.[22]

The digital experience matters, especially to younger consumers. According to Fiserv, "Younger and more affluent consumers seem to have fewer issues going somewhere other than a financial institution to find the technology, flexibility, convenience, and ease-of-use they want and expect."[1]

A 2015 Bain & Company study of customer behavior and loyalty in retail banking shows that by enhancing their digital offerings focused on improving customer experience, such as through mobile banking and wealth management apps, financial institutions of any size can gain a competitive advantage. "Chase has steadily progressed in loyalty rankings relative to regional banks, in part by developing a distinctive mobile experience," says Jim Marous in The Financial Brand. "It's not just a matter of size but also focus," he continues. "Smaller banks, with a digital focus, like the one-branch, direct bank USAA, are better positioned for success in the digital age."[21]

When it comes to data, financial institutions have an advantage over FinTechs and other alternative players. Banks are uniquely positioned to provide

53% of wealth management clients view digital as #1 factor influencing their client service experience.

JP Morgan Chase Bank[15]

the superior personalization necessary that can make a good customer experience great. That's thanks to the big data they have on hand from their customer interactions and years of transactional records mandated for regulatory and insurance compliance.

“The challenge is knowing how to translate that information into meaningful insights,” says Falk Rieker, in Digitalist. “Big Data provides significant opportunities for banks to outshine their competition.”[23] The solution lies in moving the data onto a secure cloud platform, where machine learning and other tools can be used to gain a complete view of every customer and develop elements for detailed personalization and discover patterns that enable future predictions that create value, enhance the customer experience, and improve the services banks offer.

"While disruption can be disconcerting, our advice is to embrace it," says Pat Reetz, Fiserv's Senior Vice President of Product Management for Bank Solutions. "Yes, offer innovative products and services but differentiate with personal attention, data-driven recommendations, and relationship-building interactions."[1]

Today’s digital consumers are used to a frictionless process in their purchasing journey, and they expect the same from their financial institution. Digitizing financial services processes—including virtually all back-office functions and customer communications—enables faster transactions and hyper-personalized interactions. In addition to saving money through streamlined processing, this frees up staff for more valuable tasks like cross-selling and relationship building.

While the most value comes from digitizing the entire customer journey, digital transformation doesn’t have to be comprehensive from the start. The Boston Consulting Group (BCG) recommends focusing first on processes that will have the greatest impact on the banking experience, such as speeding interactions. Discover the biggest pain points by digging into transaction histories, call center logs, and other online data. “One large bank redesigned its credit lending journey and cut the timeframe from application to funding in half, shaving 30 percent in costs associated with the process,” said reported BCG in The Financial Brand. “Financial institutions that digitize the most important consumer journeys can increase revenues up to 20 percent and reduce costs by up to 25 percent.[24]

Getting Moving with Mobile Banking

Mobile is an essential channel for financial institutions to provide for their clientele and take advantage of themselves. Because many consumers have near-constant access to their smartphones, they can access current information at any time to answer their questions or influence their financial decisions. They can also receive advice, real-time prompts (like balance reminders) or even financial coaching that help them make smarter financial behaviors, or immediate alerts in case of fraud or other circumstances via text. Mobile pay is also quickly becoming a more desired and commonplace option for retail purchases.

A 2019 Federal Reserve Bank survey shows that 43 percent of bank customers regularly use mobile banking.[25] As the segment of consumers, that's digital native or becoming tech-enabled continues to grow; mobile banking is becoming more crucial for customer engagement and satisfaction. "Customers who are frequent users of their bank's mobile app (at least once a week) are more satisfied with their bank and will recommend that bank to others- 78 percent say they are very likely to recommend," reports Jeffry Pilcher based on a FICO study. "Those who don't use their institution's mobile apps are twice as likely to be dissatisfied and not recommend that bank."[3]

Because of the ubiquity of smartphones across all demographics and income levels, mobile banking can even help financial organizations reach and serve a large consumer population (more than a quarter of the US, 26.9 percent) that has been traditionally exlusive: the unbanked and the underbanked.[26]

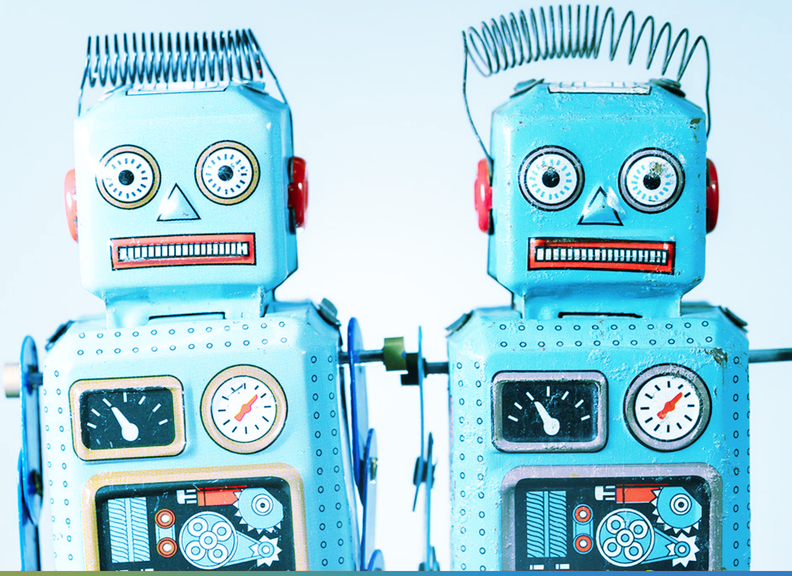
Real Integration with Artificial Intelligence

AI-driven predictive banking is another innovative trend for 2019. Thanks to the recent ability to consolidate all internal and external data, machine learning algorithms will be able to build predictive profiles of customers and members in real time. "By moving from a rear-view-mirror perspective of customer communication to services deployed by robo-advisors and AI-driven chatbots," as Jim Marous predicts in The Financial Brand. "Financial institutions will provide consumers with value through 'next-best actions' as opposed to blind selling of products."[27]

One way that digital transformation can improve banking is to help consumers take charge of their own journeys by navigating more tasks without the assistance of human interaction, either through call centers or in the branch. Artificial intelligence (AI) makes this possible. "The first wave of bots, machine learning, robotic process automation and natural machine language is being incorporated into financial services," such as using AI for automated loan decisions, notes Fiserv.[28]

In 2019, Capital One introduced the AI-driven Eno® automated banking assistant.[29] This 24/7 application automatically sends customers useful insights, alerts regarding their credit card accounts (such as unusual activity), as well as getting immediate answers via text (SMS) interaction. It even provides unique, single-use account numbers allowing online shopping without exposing the actual credit card number.

AI and machine learning can also improve customer relationship management, enable automated media listening (to instant address complaints posted on Twitter or other channels), and improve marketing automation.



All this is possible due to the great democratization of data that AI technologies break free from former silos. These technologies automatically explore, cluster, and harness user consumer from all sources, both structured and unstructured, internal and external, including financial transactions, representative interactions, website journeys, and other behavior. Predictive data analytics helps banks and credit unions actually know their customers better-and thoughtfully provide contextual and timely financial guidance at crucial moments. This unprecedented level of personalization in wealth management greatly improves consumer interactions, satisfaction, and loyalty.

"It may at first glance seem counter-intuitive that customers will feel that they are treated more like individuals, as more and more of their data becomes aggregated and processed by machines," notes Bernard Marr, futurist, and strategic business & technology advisor. "But the philosophy is that smarter machines which can 'know' customers better will make customers feel as if they have returned to an earlier age, when they would expect personal service from a bank manager who would know their name, and understand what is important to them."[30]

Leveraging AI and data-driven insights and apps, banks and credit unions can anticipate and engage consumers at multiple and relevant points in their lives, such as offering advice on saving for retirement, borrowing for a major home project, improving investments, or determining the best rates for the most appropriate financial instruments. For example, a McKinsey report describes an augmented-reality (AR) app created by Commonwealth Bank in Australia (CBA) lets users point their smartphone's camera at a property and instantly see its current price and sales history.[31]

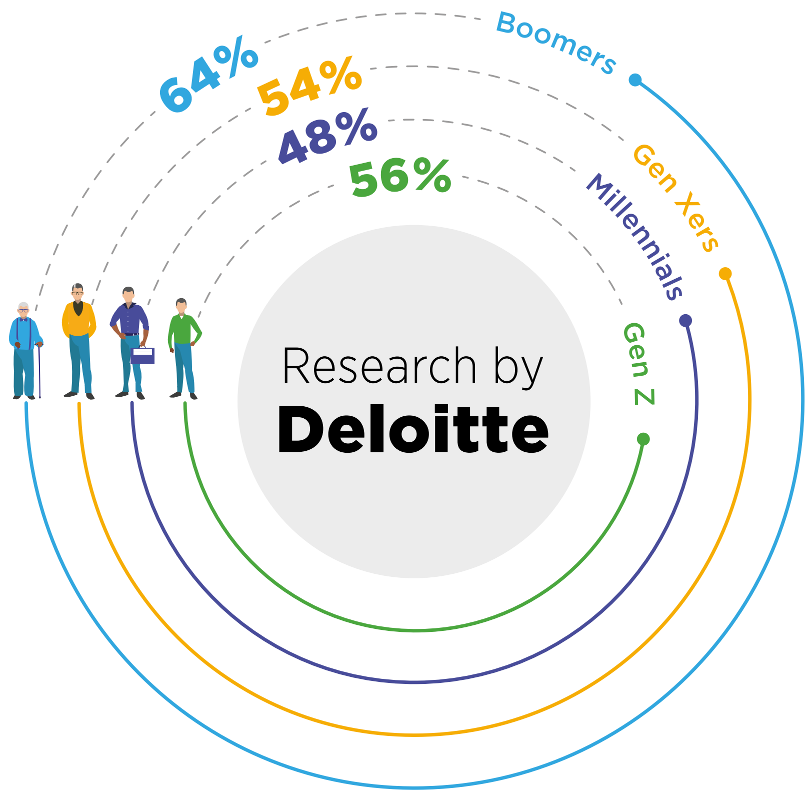
The same technologies also enable organizations to help themselves. By quickly analyzing innumerable sources of financial, customer/member, and other data, AI can also enable critical back-office processes such as instant borrower approval, project evaluation, loan processing, and funding, and protect against both credit fraud and loan default.

At its core, AI enables (and requires) a departure from traditional operating models-so banks and credit unions can develop real-time, hyper-personalized financial products and services. As Jim Marous says, "This movement calls for leveraging new technologies to create more frictionless ways of interacting and transacting."[10]

Branching Out: Exclusive Bank Advantage

Although branch visits have currently dipped to an average of once per month, the deathblow of brick-and-mortar banking is a myth. In fact, in-branch banking can provide a major competitive edge for traditional banks and credit unions over FinTechs. According to a study by the consulting firm Novantas, half of U.S. customers feel that online-only banks are “less legitimate” than financial institutions with branches.[32]

Despite the speed and convenience of online and mobile interactions, many consumers still value being able to meet with a human to resolve any issues that may arise. According to research by Deloitte, 64 percent of boomers, 54 percent of Gen Xers, 48 percent of millennials, and 56 percent of Gen Z consumers surveyed said they prefer to visit branches when opening a new checking account.[33]

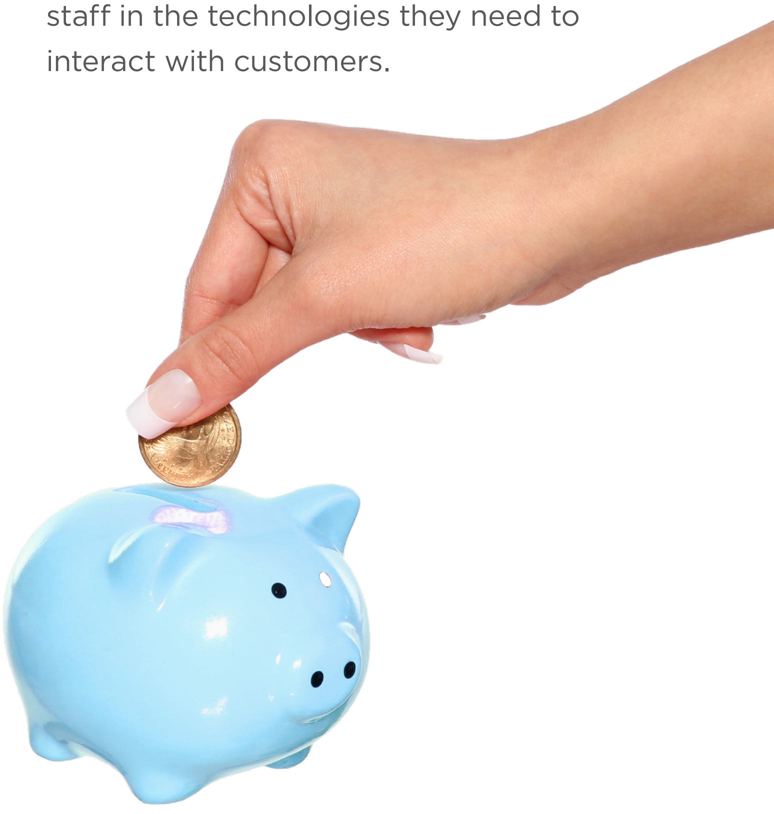


"Most people think Millennials don't care about branches, that they only care about digital," observes Karl Dahlgren, Managing Director at BAI. "But branches rank highly with them."[34] Today's consumers have the expectation that as new digital channels become introduced, old conventional one ones will continue to remain available.

Customers gravitate to "attentive and empathetic human interaction by frontline staff during the account opening process," says Deloitte.[33] One-third of the customers surveyed would prefer using branches more if banks offered certain digital capabilities that would enhance convenience (like self-service digital kiosks in branches and even 24/7 virtual video meetings with a bank representative).

Blending digital and human interaction seems to be the key to satisfaction and loyalty. "Overall satisfaction is lowest among retail bank customers who exclusively used online or mobile banking channels," reports J.D. Power. "The segment with the highest level of overall satisfaction is branch-dependent digital customers, the group that used the branch two or more times in the past three months and also used online or mobile banking."[22]

Deloitte recommends that financial institutions invest in developing their branch talent in using digital capabilities. "As digital simplifies the banking experience in branches, banks should continue to focus branch workforce training on ensuring high-quality interactions with customers and creating positive moments that matter."[33] The Deloitte report illustrates that BBVA Compass trains and certifies its frontline staff in the technologies they need to interact with customers.



Digital Transformation in Action

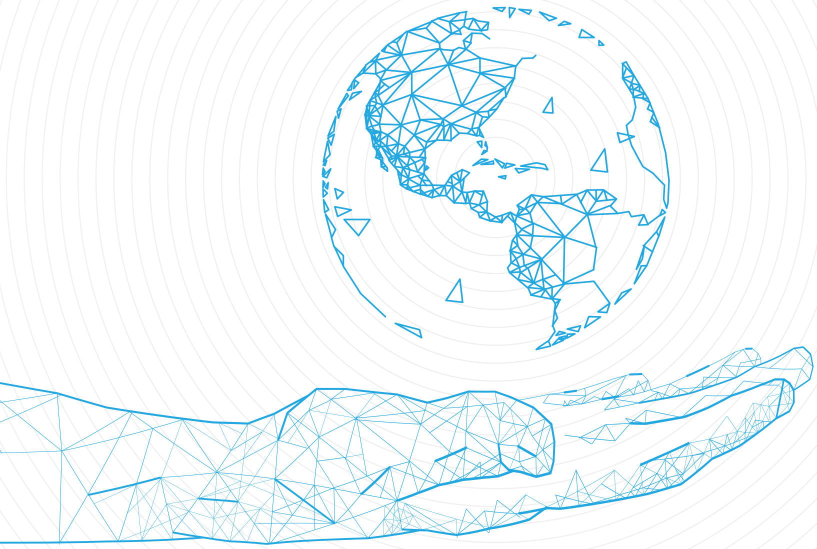
When a global, top-20 bank approached Simplilearn to help it with its digital transformation, they focused on several key components: migrating to the cloud, better utilization of customer data, digital marketing, and agile product development. Simplilearn created a tailored, Digital Transformation Academy that immediately engaged employees at every level of the organization. All participants took a core set of introductory courses. This created a common language, and baseline understanding from the C-suite to individual contributors and allowed senior executives to create a sense of urgency and a shared purpose.

Then, subject matter experts (SMEs) and members of each functional team went deep, utilizing Simplilearn's blended learning approach including eLearning, live virtual classrooms, industry-relevant projects and labs, teacher's assistants, and mentorship sessions. Each level of the company participated in tailored learning material to best fulfill their role in the organization's digital transformation.

Our Approach

Over 1,000 employees have completed the program thus far, with more entering the academy each quarter. By investing in a multi-year training program with Simplilearn, the bank gained early momentum and generated quick successes - in cloud migration and agile adoption. The organization is continuing to invest in their digital transformation by soon encouraging employees to take up Artificial Intelligence and Machine Learning courses.

Digital Transformation Begins with People



Upgrades in the technologies and processes of banking are useless if the people behind them aren't upgraded and upskilled at the same time. "For incumbent financial institutions, the biggest hurdles relate to organization and skills as much as investing in technology at scale," advises McKinsey.[35]

Digitizing core business processes requires new organizational structures as well as internal talent. "The most successful organizations will bring in fresh thinking and technology partners that help the organization take on and embrace effectively the change," says The Banking Exchange. "[This includes] retraining or on-boarding employees in new technologies and equipping them with the skills they will need as this digital world evolves."[36]

According to a 2017 estimate by McKinsey, approximately 30 percent of the work currently done at banks will be handled by intelligent automation by 2020.[37] This will have a great impact on the financial industry workforce, requiring roles and skills to be more fluid and employees and managers to be more agile.

> **Half of our 97,000 employees can be automated and displaced by AI.**
>
> John Cryan, CEO, Deutsche Bank 38

Banks and credit unions recognize that they desperately need IT talent. A recent Capgemini study found that banking is the industry with the widest gap in digital talent: 62 percent—that's a greater gap than in retail, insurance, or utilities.[39] A Peak 10 survey reported that more than three-quarters (76 percent) of financial institutions have created new IT roles, but they are having a hard time finding the IT talent they need, with half saying that hiring new staff is either "difficult" or "very difficult." In addition to the high salaries new IT candidates expect, the image of banking as being less innovative than other industries makes it less attractive.[40] This disparity is putting more of the focus on skills acquisition for existing team members.

Retraining of current employees is now an essential aspect of this digital shift, making incumbent human capital an even more crucial investment. One EY survey participant said, "We will retrain 60–70% of our workforce." Some banking HR leaders are skeptical of their firms' ability to swiftly conduct upskilling efforts while under significant cost and market pressures. As Earnst & Young report, "There is going to be digitization of the workforce in a way we have never seen before. In 10 years, probably less, we will have substantially fewer employees, and the ones we do have will be significantly different from what we have now."[41]

With the unpredictability of emerging technologies, as well as the introduction of simpler tools for automation, the most promising focus of skills training seems to be in agile, data, and cloud technologies.[42] Most banking professionals will need only a cursory level understanding of the core math and science of AI and machine learning, but a deep understanding of the concepts and toolsets of cloud environments.

Capital One, one of the nation's 10 largest banks, committed to reshaping themselves to operate internally more like a tech company than a bank. This included taking a "cloud first" approach, making it the core foundation of their modernization, building apps and migrating all legacy systems and data into a single cloud environment using Amazon's AWS. "The recognition that we needed to be a different kind of company happened," says Rob Alexander, CIO of Capital One. "It is an enormous change...There's a lot of learning that happens along the way."[43]

Piyush Gupta, CEO of DBS Bank of Singapore ($394.7 billion), says that digital transformation boils down to two big things: training and experimenting. "You've got to create an environment where you teach people, and you give people the ability to get their hands dirty-learning by doing." When asked where DBS Bank of Singapore found the expertise to do this, Gupta said, "Almost all internally. We've developed an in-house capability [with] data scientists. Across the board, we have trained our people to think "data first" and think about how to be a data-driven company. We've trained hundreds of people on how to use data, how to leverage data."[44]

Another organization that has successfully digitized from the inside out is Citizens Bank. They made it a priority to invest in new technologies while still investing in their employees. John Woods, Citizens Bank EVP and CFO, says that having the right training programs in place is key. For example, since 2016, they've trained more than 1,000 employees in agile methodologies. "Success requires reshaping workforce skills and careers and making important investments in areas such as design thinking and leadership development," explains Woods. "[Citizens Bank] has developed a multi-year plan to reshape and retool our workforce...redirecting many members of the current workforce into roles that help set us up for the future."[45]

Strategy for Digital Success

Financial institutions, especially mid-size and small banks under $50 billion, cannot afford to take a wait-and-see approach. Banks and credit unions are holding onto a tenuous consumer advantage, with physical branches, live advisors, and industry reputation remaining valued touchpoints. To keep this competitive edge from being overridden by FinTechs and other alternatives, a traditional banking organization must digitally transform and innovate immediately.

> **Four out of five financial institutions believe that digital will fundamentally change banking and completely transform the industry's competitive landscape.”**
>
> The Boston Consulting Group

"Banks and credit unions are under pressure to function more like FinTechs or face an erosion of market share," said John Macaluso, SVP of Business Development, Bank Solutions at Fiserv. "As digital capabilities take center stage, financial institutions are turning their focus from simply facilitating transactions to playing a greater advisory role in peoples' lives."[28]

The good news is that banks don't have to accomplish everything at once. "In our experience, the most effective route is to develop a clear view of which capabilities can deliver the most value quickly and power a broader digital transformation," says a McKinsey report on digital banking. "The important thing is to get going, to act with a sense of urgency—like an attacker seeking growth, not merely a defender hoping to hold onto a legacy position."[31]

The proven strategy for digital transformation in banking requires that organizations:

- Embrace a top-down cultural shift
- Become agile throughout IT and other business units
- Focus enhancing and personalizing consumer journeys
- Invest in workforce upskilling, especially in cloud and big data

About Simplilearn

Simplilearn enables professionals and enterprises to succeed in the fast-changing digital economy. The company provides outcome-based online training across digital technologies and applications such as Big Data, Machine Learning, AI, Cloud Computing, Cyber Security, Digital Marketing, and other emerging technologies. Based in San Francisco, CA, Raleigh, NC and Bangalore, India; Simplilearn has helped more than one million professionals and 1,000 companies across 150 countries get trained, acquire certifications and reach their business and career goals. The company's high-engagement curriculum blends self-paced online learning, instructor-led live virtual classrooms, hands-on projects, student collaboration, and 24/7 global teaching assistance. Simplilearn is a GSA IT-70 contract holder and was recognized by Training Industry as a Top 20 Online Learning Library Company of 2018.

For more information, visit
www.simplilearn.com

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