

Innovation Index:

How financial services organizations are preparing for an era of constant disruption

Financial services executives have seen short- and long-term strategies converge in the face of constant disruption over the past two years. Uncontrollable external forces combined with volatile markets and customer sentiment have challenged leaders, but many firms are turning to digital technologies to provide the agility needed to stay insulated during times of crisis.

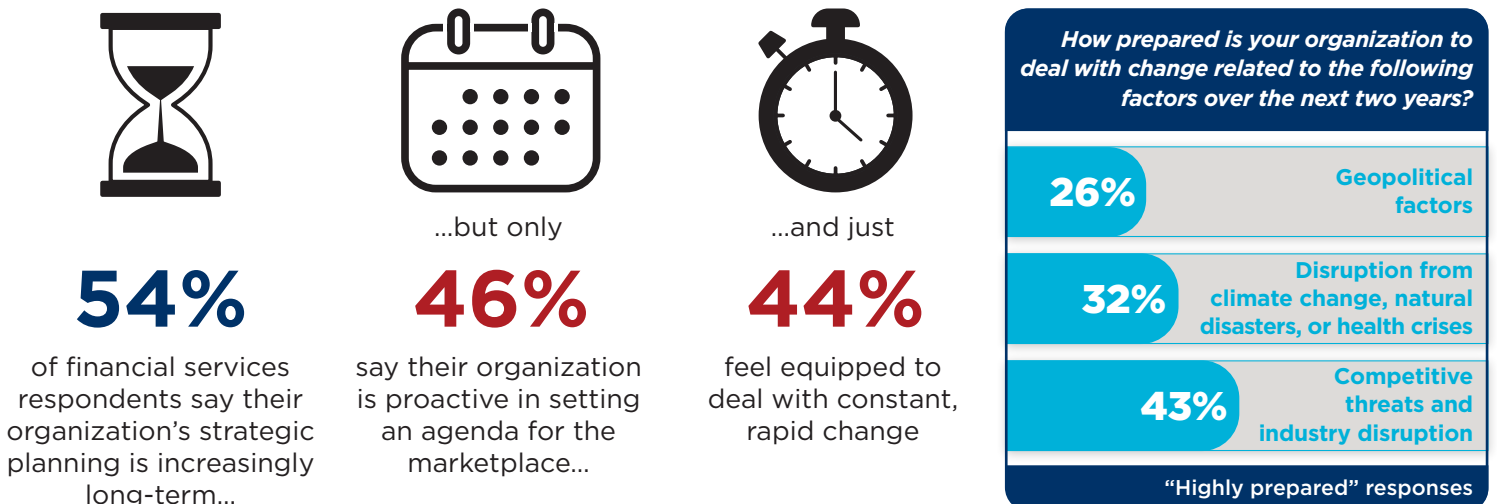
Our research found that those most likely to succeed place a premium on developing customer and employee loyalty, investing in the right technologies to drive performance, and building confidence in decision-making through smart data usage. Financial services organizations are forging their own path forward — but there are clear warning signs to heed if they plan to transform and pull ahead of the competition.

In 2021, NTT DATA and Oxford Economics launched the [“Innovation Index: Digital Strategies for an Era of Constant Disruption,”](#) a survey of 1,000 North American business and IT executives—100 of which came from the banking, wealth management, and capital markets sectors—to find out how organizations are approaching digital transformation initiatives.

Building a strategy to beat disruption

Financial services organizations foresee challenges in the near future, as many say competitive threats and industry disruption, health crises, natural disasters, and geopolitical factors will negatively impact operations going forward. Unpredictable situations are difficult to prepare for—but shortfalls in technology, skills, and processes exacerbate the problem. Most executives are keeping long-term company goals like financial performance (69%) and customer satisfaction (57%) central to overall business strategy, but many are not reaping the benefits of these decisions yet: just 30% feel they are above average at increasing profitability and reaching organizational goals.

Fig. 1: Long-term planning in focus, but preparation lags



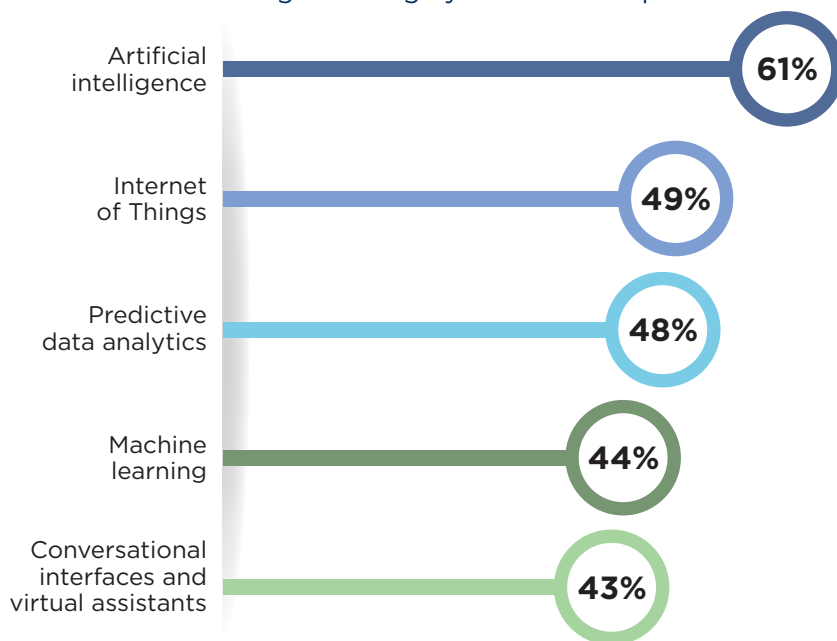
Emphasizing emerging technologies

Many of the financial services organizations we surveyed are turning to technology to overcome anticipated disruption and pioneering the use of emerging technologies in the business world. They have invested in and are making use of blockchain (63%), machine learning (44%), virtual assistants (43%), and composite applications (39%) at a higher rate than their counterparts in nearly all other industries. But they still feel the pressure: just 34% of financial services firms believe they are prepared for the pace of technology change.

Early adopters are reaping the rewards of their strategic wagers. Nearly two-thirds of those who invested in blockchain say it has significantly helped reduce risk, and composite applications have improved financial performance for just over half. Virtual assistant implementation (77%) and machine learning integration (52%) also help financial services executives weather the unpredictable market changes.

Fig. 2: Investments in AI-enabled technologies a strength for financial services

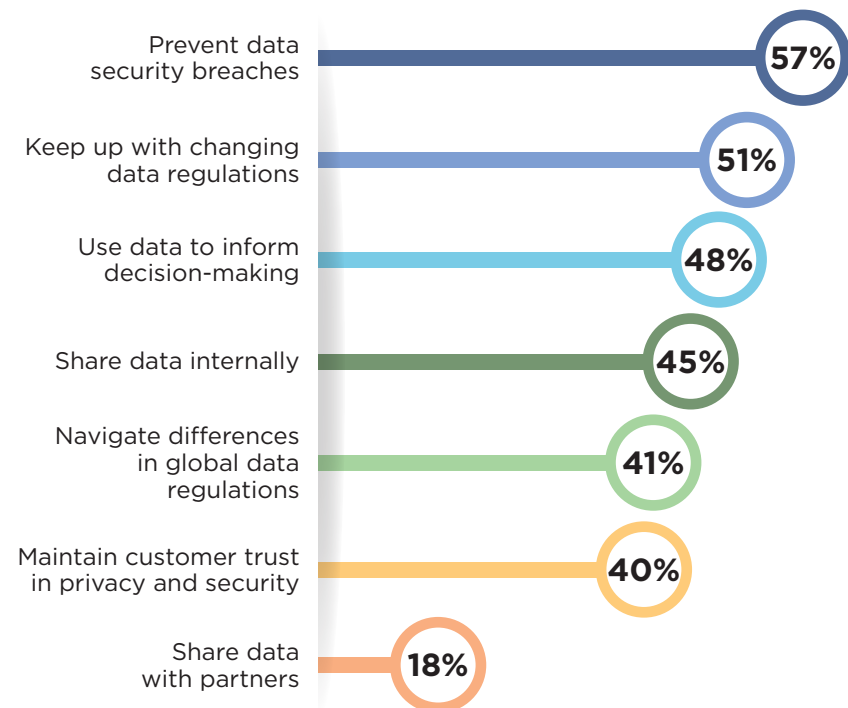
“Has your organization implemented any of the following AI-enabled technologies?” “Highly effective” responses



Data safety prioritizing over decision-making

Fig. 3: Financial industries have shored up key industry data needs

“How effectively does your organization do the following?” “Highly effective” responses



In an industry charged with safeguarding wealth and assets, financial services leaders know one slip can be catastrophic. More than half (57%) are confident they can keep data secure and private, and years of operating in a strict compliance environment has made them less likely to see regulatory issues as a challenge.

However, this confidence does not always translate to other areas of the business: in an economy where information is gold, almost 60% of financial services respondents say the data they collect does not significantly influence how they build customer interaction methods or design processes—and more than 70% say it does not play a significant role in product and service development.

The underappreciated workforce

Financial services executives are more likely than those in other sectors to say they prioritize employee engagement, but nearly 60% do not believe employee skills support innovation. In fact, most executives treat employee wants and needs as an afterthought: just 5% say that employee demand is a top motivation behind strategic or operational changes.

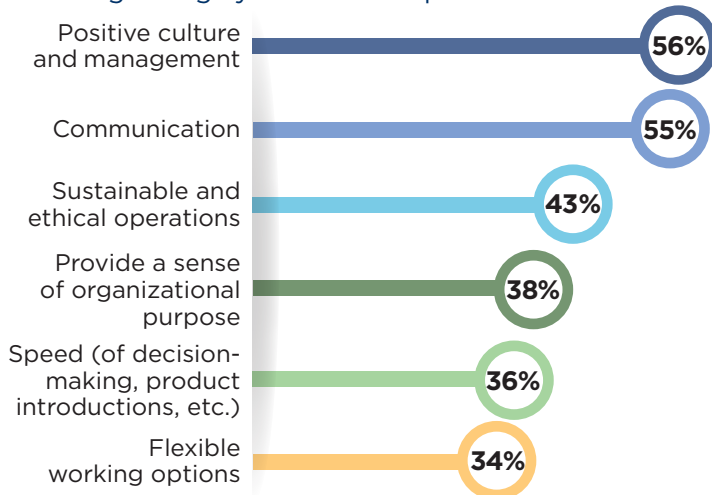
But this does not mean the sector completely neglects employee priorities. As the push for flexible work increases, about one-third of those in financial services say flexible work options are important to employee satisfaction and engagement, and they are highly effective in providing them. And while that one-third figure may not appear very high, context is key: they are 26% more likely than any other industry to say they deliver this option to their workforce.

Digital efforts deliver customer value

Two-thirds of financial services executives feel customer wants and needs are changing too rapidly to deliver positive experiences, which is likely why just 39% indicated they deliver above average customer satisfaction. Financial services executives would do well to increase their focus on technology investments, workforce needs, and strategy—because these efforts pay off.

Fig. 4: Delivering what matters to the workforce

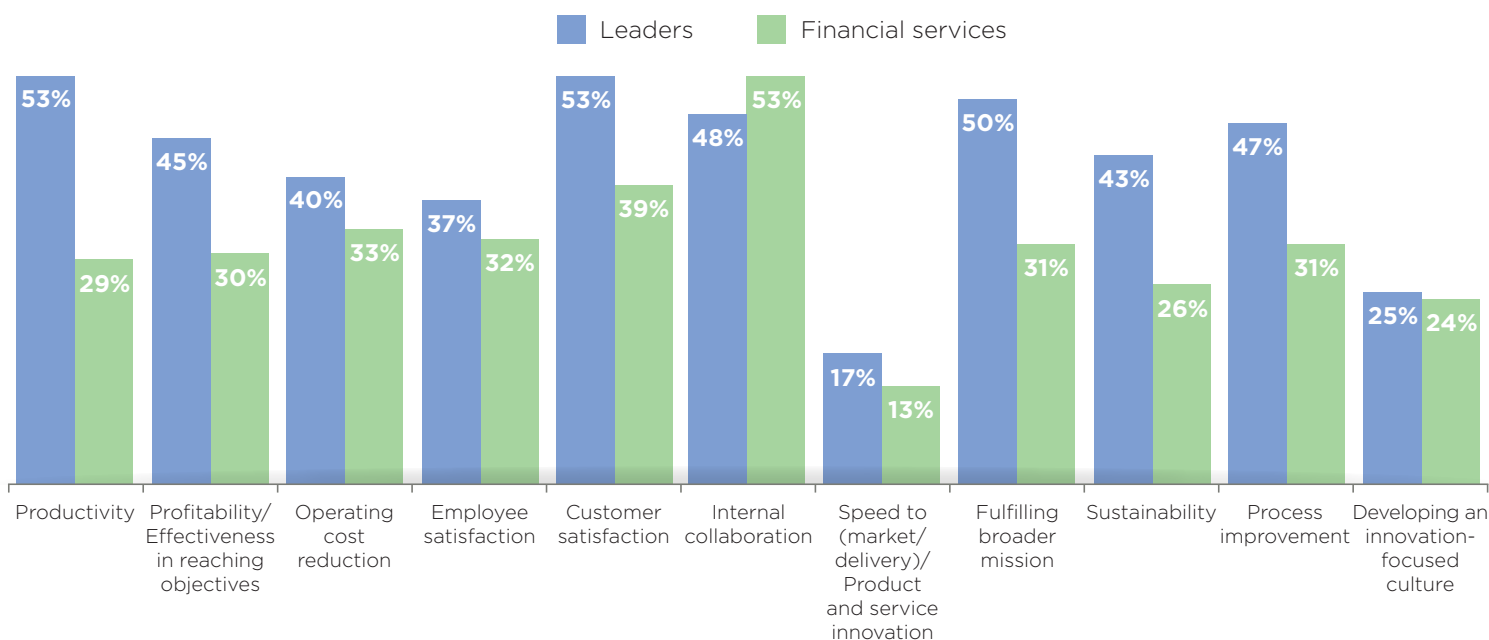
“How effectively does your organization deliver on the following?” “Highly effective” responses



A select group of our total respondent pool (about 6% of the sample) have invested in artificial intelligence, developed culture and organizational purpose for their workers, and ensured strategic and operational changes put customer needs first. These leading executives are better able to keep up with rapid changes in data regulation (63%, vs. 34% others), are 35% more likely to indicate substantial revenue growth, and are 33% more likely to provide higher-quality products and services to their customers.

Fig. 5: Financial services executives have a lot to learn from leaders

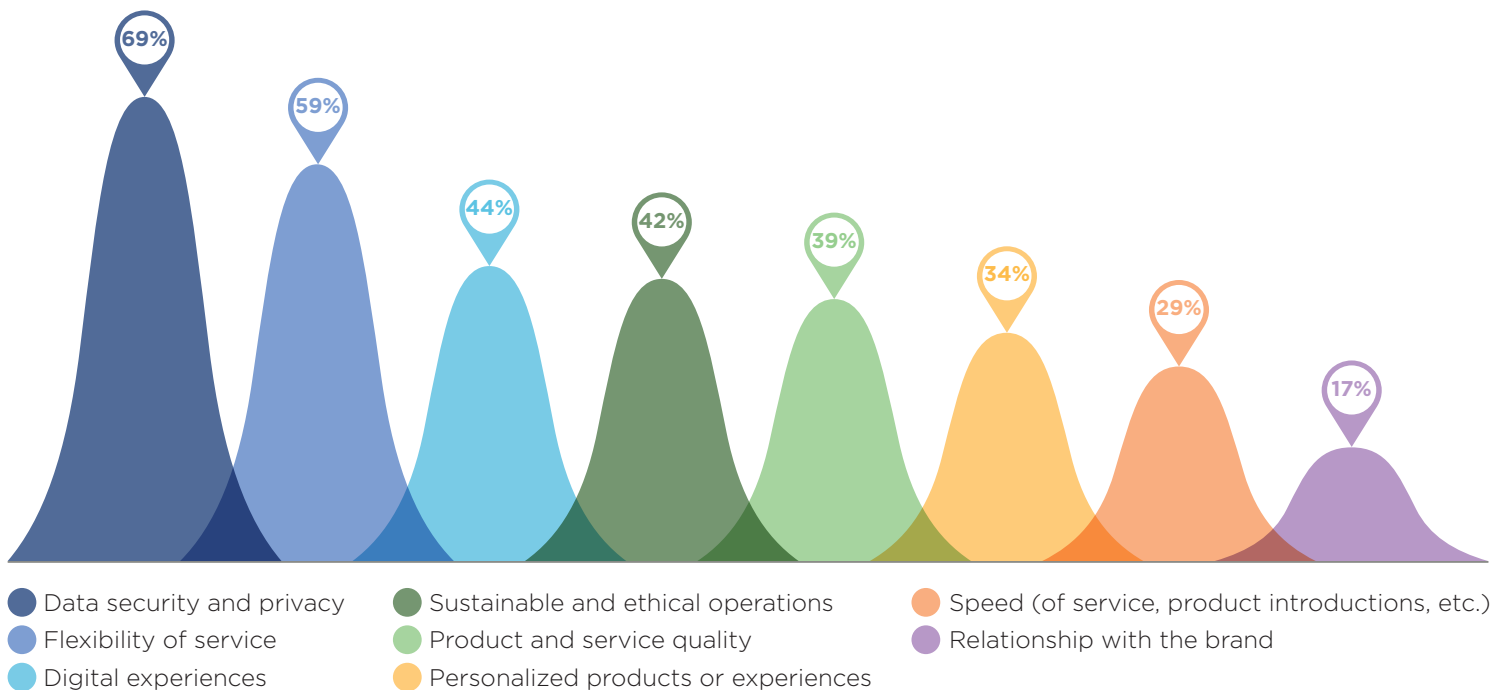
Please rate your organization’s performance in the following areas. “Above average” responses



Financial services respondents should pay special attention to that last one, as they fall short when it comes to delivering meaningful customer experiences. Half say product and service quality is the top driver of these experiences—but two-thirds of financial services executives say following through on these efforts is a top challenge.

Fig. 6: The changing needs of customers requires flexible—yet secure—services

“How effectively does your organization deliver the following to customers?” “Highly effective” responses



The takeaways for financial services decision-makers are clear: lean into technology and data successes—areas where some of the greatest strides have been made—and take the next step. Use data to influence company strategy to get the most of out emerging technology capabilities. The industry is uniquely positioned to leverage the power of flexible work; let employees make full use of the technology infrastructure in place to deliver valuable experiences to customers—and establish the brand as a digital leader.

To review how other North American organizations are prioritizing and valuing their digital investments in the wake of constant disruption, read the full Innovation Index at <https://us.nttdata.com/en/engage/innovation-index>.