



# Why banks need to transform

by Ian Roberts, Banking CTO

The financial services industry is approaching a major crossroads.

What it does next — how firms provide products and services to consumers — is critical, because many customers are now demanding high-quality, technology-based self-servicing.

Two consumer considerations are driving change within the financial services market, particularly in banking:

- Convenient, easy to use and readily available smart applications covering all financial products and services
- Unlike their parents, the younger generation (17–25 year olds) are not loyal to a single bank and are more likely to perform multibank transactions

In the West, the technological tidal wave that hit other industries (e.g., retail), has yet to touch financial services. However, in the East, fintechs have displaced banks from their leading market positions and now dominate most of the industry.

Clearly, banks need to transform themselves. But how?

## Digital-first banking adoption

Digital-first banking represents a radical change in the way banks design their interactions with customers and partners. Discarding the branch replication model, digital-first helps decision-makers understand how customers and partners prefer to interact with the bank via modern technology.

## Business and IT optimization and simplification

Banks that neglect to review operational efficiency and cost, periodically, very soon find themselves inefficient and uncompetitive; unable to deliver new products or services within an acceptable time frame.

## Empowering new products and services

While banking products rarely change significantly, the operations and technology that support them were often designed way back in the '70s. In fact, some deposit and lending products are not a million miles away from those provided by banks in the 1800s. As with banking services, banking products are just slightly different from the norm.

## The challenges of transformation

Typically, banking transformations are large-scale programs consisting of numerous business and IT projects which deliver the change. Depending on their focus, they can prove extremely complex, demanding key skills together with a realistic and pragmatic approach.

Here are some of the main challenges faced by banks:

- Key resource utilization and availability
- Lack of transformation knowledge and experience
- Aligning business and IT vision and objectives
- Understanding and adopting the right transformation model
- Navigating the journey using checkpoints
- Selecting the right emerging technologies
- Addressing existing technical debt
- Replacing delivery pressure with planned success
- Addressing corporate politics
- Protecting the bank's interests during transformation



## How Luxoft banking can help

The Banking Transformation Advisory Service within Luxoft's banking team has the necessary knowledge and experience to guide clients through their transformation journeys. The team is a mixture of senior business and IT leaders from consultancy services and major banks. Members provide valuable insights into both the banking and non-banking perspectives of potential technology solutions. Luxoft provides the following five services:



### 1. Strategic transformation planning

The strategic transformation planning (STP) framework provides a modulated approach to supporting banks, consisting of business transformation planning (BTP) and IT transformation planning (ITTP). Used together, or separately, STP introduces a simple approach to aligning business and IT goals and objectives, creating a city plan and road map for change



### 2. Technology selection and design

We keep track of emerging technology trends and how they might impact our banking clients. Technology domain experts identify how technologies can be used, and provide blueprints for design adoption



### 3. Transformation leadership and governance

By providing banking clients with transformation leadership, we're able to guide them during their transformation journeys, providing best practice and identifying potential threats. Aligned with an existing corporate and/or IT governance model, we can also introduce a program design authority (PDA) to ensure that delivery is always business-value driven



### 4. Transformation specialist partner

Our intention is to become a transformation partner rather than just another systems integrator or consultancy advisory. We work together, identifying the strengths, opportunities, threats and weaknesses of the transformation plan and its execution. By becoming a transformation partner, we are a central actor in the bank's journey and take an accountable role in its deployment



### 5. Protecting the bank

Isolating the existing operational and technology environment and applying strong governance increases business continuity and reduces the risk of operational failure. Whether adopting a brownfield or greenfield transformation model, we steer you away from complex pitfalls that might be encountered on your transformation journey

## About **the author**



### **Ian Roberts**

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Ian has over 36 years' experience within the financial services sector and has been employed by some of the largest global corporations to provide card management and banking services. He has led global and regional banking transformations within payment cards, structural reform and digital, and is a subject matter expert for IT strategy and enterprise architecture.

If you'd like to discuss your banking transformation initiative in more detail and see what Luxoft can do for you, **contact us** or visit **[luxoft.com/banking](https://luxoft.com/banking)**

### **About Luxoft**

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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