



Financial services organizations understand how to build winning digital agendas

Discover 4 steps they follow

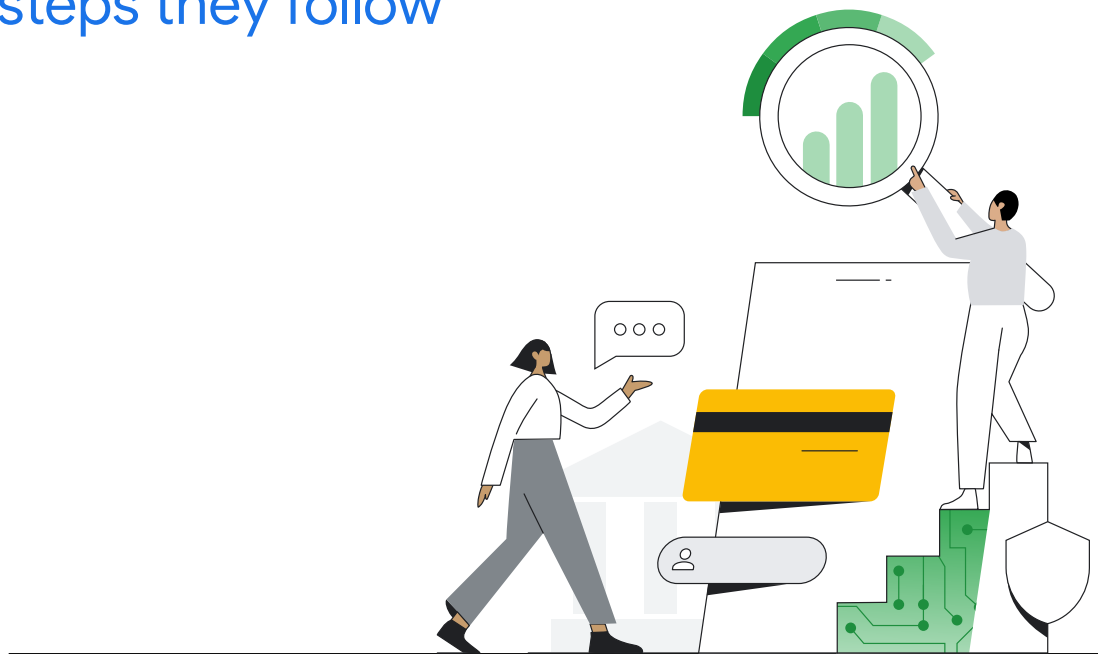


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Introduction

New research from BCG and Google Cloud reveals why some financial institutions are becoming digital champions while others are getting left behind.

Financial institutions have often had a push-and-pull relationship with technology. From telegraph transfers to online banking, ATMs to quants, banks have a long history of embracing innovation while balancing it with accessibility and security. The same is proving true of the cloud revolution. Banks, institutions, and other finance players have been making slow yet steady progress towards improving data proficiency, leveraging cloud software and services, and building an enabled modern workforce.

However, to win the race to transformation, organizations will need to move at a much faster pace—so far, they're falling behind according to new research from the Boston Consulting Group (BCG) and Google Cloud.

In a 2021 survey of more than 2,000 technology leaders across a dozen industries, BCG found that only 28% of financial services organizations are considered digital leaders and some 22% fall into the category of what BCG calls "digital laggards" in terms of digital enablement.

While many companies may not think of themselves as technology companies yet, those that do are clearly racing ahead.



Survey methodology - Digital Enablement Score

The survey evaluated companies and assigned a digital enablement score (DES) from 1 to 100 based on their digital solutions, technology adoption, and the maturity of key capabilities.

Scores were evaluated based on 4 tiers of maturity:

- **Initiating** (0 - 25): A strategic approach to digital transformation is not yet defined.
- **Evolving** (25 - 50): A strong awareness of digital value, but still building capabilities.
- **Transforming** (50 - 75): Cloud-heavy approaches and mature data practices, but have not yet crossed the inflection point to become a fully-enabled organization.
- **Enabled** (75-100): Mature cloud-native strategies with high-value impact on business decisions, driven by data and people capabilities as well as strong C-suite leadership.

Introduction

The remaining 50% of companies are deemed mid-transformation, indicating they are working somewhere between starting their digital evolution and becoming fully-enabled digital enterprises.

Interestingly, the BCG survey determined that the differences between digital enablement are quickly vanishing between sectors. Most companies today are, more or less, working with the same solutions and technologies. What will matter most in the future is putting all the pieces into play and bringing them to scale, regardless of industry. Being first with new initiatives and offerings will depend as much on having the right technology in place as the right ideas.

Digital leaders who are able to compete will reap immediate benefits and achieve long-term resilience—on average, they experience **3-times the revenue growth** and **more than double the cost savings on IT spend** compared to their laggard counterparts.

So, why are some financial services organizations speeding ahead while others with the same solutions are struggling?

The report investigated the critical factors that digital leaders get right to scale digital solutions and unlock their full value. Based on these findings, we've created a practical guide with 4 key steps to help you accelerate your own digital transformation.



01

Make high-quality data accessible for everyone

Financial services institutions are constantly looking for new ways to increase their revenue and reduce costs, and data is a critical ingredient to doing both of these things effectively. The ability to manage, access, and leverage high-quality data is one of the most—if not the most—important driver of enablement and scaling.

Yet, data enablement remains one of the least exploited advantages by organizations across every industry. Even among firms that are considered digital leaders, those with the highest data maturity scale twice as many solutions as those with lower data enablement.

Data leaders in financial services have made compliant, high-quality data from multiple sources accessible throughout the company. When asked how easy it was to extract data from legacy systems, financial digital leaders scored among the highest out of all industries, earning a Digital Enablement Score (DES) of 90. This was surpassed only by energy digital leaders and demonstrates the focus that financial digital leaders place on running data infrastructures built on self-service platforms that allow them to add new data products quickly and effortlessly.

Financial services digital leaders also build future-ready architectures with data repositories scoring an 84.3 on BCG's DES. These leaders operate mature enough infrastructures in place to enable seamless,

real-time data exchange with partners (DES 89.2). Out of every industry, financial digital leaders scored highest for data practices (DES 96) meaning they have cross-functional teams in place to oversee the quality, validity, and accessibility of their data.

By comparison, the average financial services company is still transforming. They have cloud-native technologies, such as containers and microservices, in place (DES 65.2), but they fall short when it comes to fully-enabled orchestration and sharing of data. In addition, there is awareness around data quality and there are indicators in place to track data quality (DES 67.6), but they have not yet reached a point where they trust their data to be mostly accurate, consistent, and available. Laggards are even farther behind, relying on standard APIs with no custom development to extract data from tightly-coupled legacy systems (DES 41.5) and lack of data ownership (DES 45.8). The result is poor data quality (DES 42.5) and no transparency around what data is collected and where it is stored (DES 44.5).

Creating a strong, secure data foundation is particularly relevant for financial services organizations, which need trusted data not only for regulatory reasons but also to feed the end-to-end data pipelines and predictive AI-driven models that generate valuable insights and drive strategic decision making.

01

Make high-quality data accessible for everyone



How to take action

Financial services firms will need to step up in how they monetize and consume data so the process is flexible, easy-to-use, and secure. This foundation can help transform how they turn data into insights that help them make smarter, more informed business decisions.

- Modernize your **data warehouse** to create more actionable insights quickly and cost-effectively. BigQuery, Google Cloud's serverless data warehouse, can help financial institutions run more advanced analytics and create better customer experiences while securing the data at its foundation.
- Exchange and monetize **historical and real-time market datasets**, securely, easily, and at scale. DataShare can help organize third-party data in ways that are secure yet accessible and user-friendly, for faster insights and action.
- Leverage scalable **high-performance computing** to quickly and easily run numerous financial services workloads, including value-to-risk calculations, quantitative investment strategies. Google Cloud offers high-performance computing resources that scale efficiently, reliably, and cost-effectively.
- Create simpler, more appealing **products by leveraging AI, machine learning and automation** to create delightful experiences for customers and simpler ones for workers. Google's Lending DocAI is among the tools that can help sort through critical loan application documents and automates many processes, creating a better experience for all.

Whether you're looking to solve for easier access to data, predictive fraud detection, quantitative research, or risk simulation at scale, Google Cloud's data management and advanced analytics capabilities make it easy for your team to maximize the business insights from your structured or unstructured data.

02

Evolve towards open, flexible, and sustainable multicloud strategies

Another differentiator is that digital leaders across all industries scale their digital solutions through their use of cloud. Financial services leaders tend to adopt a multicloud approach, where all or most of their workloads reside in more than 2 public clouds (DES 87.6). A multicloud approach allows them to run workloads where they need and leverage different platform strengths to maximize agility, flexibility, and innovation.

Part of the need for a multicloud approach stems from the industry's long-standing commitment to innovation. While legacy systems have paid off in the past, it can be difficult to find the right workforce to maintain, integrate and grow these systems as time goes on. Cloud can help overcome many of these challenges while also being a major talent magnet. After all, new computer science graduates want to work with new technologies, instead of one that's decades old. Digital leaders' commitment to open and flexible cloud strategies continues to keep them at the forefront. Yet fully-enabled cloud adoption has proven hard to achieve for transforming financial services companies, which still have some of their workloads running on-premises and the rest being served by no more than 2 public cloud providers (DES 59.3). Laggards also have tried to move some of their workloads into at least one public cloud, but the majority of their workloads remain on-premises (DES 39.7).

A big difference, according to BCG, is that 80% of digital leaders in financial services start out designing solutions to be cloud-native—i.e. built in the cloud using cloud-based architectures and tools—compared to just 3% of laggards. They also adopt layered, modular architectures with microservices connected by APIs for seamless delivery, and they typically invest in technology that will support their ability to create more sustainable strategies and hit their ESG performance targets.

Mid-transformation companies follow a less mature strategy, which is defined by the global business application landscape and an associated technology roadmap (DES 65.2). Laggards, on the other hand, opportunistically migrate applications based on technology stack end of life rather than focusing on the cloud-based services that will help drive business goals.

This is often caused by a disconnect between business and IT teams at financial services companies. Digital leaders employ a “cloud-first” approach that sees business and technology solutions optimized for the entire company through a globally-aligned adoption strategy (DES 91.8). By comparison, most financial institutions are currently only considered “cloud heavy” (DES 64.7) by BCG, where cloud strategy is structured according to specific functions or business units, rather than embedded in and across all functions as with cloud-first organizations.

02

Evolve towards open, flexible, and sustainable multicloud strategies



How to take action

Financial services organizations should adopt open, hybrid, and multicloud solutions that allow them to run apps where they need and protect what's important.

- Initiate **open banking standards** that attract customers via new digital distribution channels, deliver innovative products and services, and satisfy regulatory requirements. Google's Open Banking APIs offer a suite of tools for customer management, branch operations, product development, and reporting and compliance.
- Implement compliance-ready **regulatory reporting** on the cloud that gives institutional and wholesale trading organizations scale and analytics to reimagine their reporting systems. The Google team has helped build many of the compliance frameworks now being rolled out and can guide institutions toward their compliance goals.
- Deliver exceptional customer service with **virtual agents** that can converse naturally with customers and expertly assists human agents on more complex cases. Google's Contact Center AI delivers a cost-effective way to improve caller experience and operational efficiency.
- Contribute to a more sustainable future and support your ESG priorities by operating on the industry's "**cleanest cloud**," run entirely on renewable energy. Additionally, access tools and technology that can help you reduce your carbon footprints, as well.

Google Cloud's distributed cloud solutions provide consistency between public and private clouds, providing the foundation for modernization and future success, while allowing developers to build and innovate faster, in any environment.

03

Make data security and risk management a priority

Cloud deployments often present challenges, such as increased data risk. Like any highly-regulated industry, financial services institutions are risk-averse, and innovation is often hampered by fears over security and compliance.

Therefore, it's no surprise that another factor that sets digital leaders apart is that their approach prioritizes data privacy. Nearly all digital leaders across all industries (97%) are able to address risk with policies, frameworks, and tools in place to protect against cyber threats, compared to just one third of laggards.

Digitally mature financial services institutions say cybersecurity is a C-suite level priority and they operate with a fully-integrated zero-trust architecture that monitors all cloud projects and operations (DES 85). The average financial firm only scored 65.8, indicating that their digital initiatives are mainly evaluated by a global cybersecurity team based on central and business-oriented cybersecurity standards for the cloud. Laggards are even farther behind with IT-owned programs that address cloud and data security concerns on an individual project basis (DES 44).



03

Make data security and risk management a priority



How to take action

Financial institutions have always been some of the biggest targets of criminals, and now the openings seem greater than ever. The ability to identify, assess, and manage risk in the cloud, while building in resilience, is one of the strongest drivers of security and building consumer confidence and trust.

- Google's BeyondCorp Enterprise model provides a **zero-trust framework** that enables secure access and monitoring across your organization with integrated threat and data protection.
- Defend data, apps, and ultimately customers, from **fraudulent activity, spam, and abuse** with Web App and API Protection.
- Protect customer data and **continuously analyze petabytes of security telemetry** with Chronicle to better understand risks before they become breaches.

By utilizing the same infrastructure foundation and security services used every day to operate Google, you can be confident that you won't have to trade-off between ease of use and advanced security.

04

Build a skilled and enabled workforce

Digital leaders excel in building a highly-skilled organization that supports digital enablement and scaling. In fact, BCG notes that [digital transformation success](#) hinges on having the necessary skills and expertise that comes with hiring top talent.

According to the current BCG survey:

- 1.2-times more financial services digital leaders than laggards are prioritizing the hiring of top talent and upskill in the future.
- Digital leaders scored 80.5 for cloud expertise, including designing and configuring cloud architecture or developing cloud-native apps, compared to laggards (DES 64.3).
- 2.6-times more financial services digital leaders than laggards felt their workforce had digital marketing expertise, such as predictive modeling, campaign activation, and enhancing personalization, which was significantly better than competitors.

For the most success, digital leaders recognize they can scale more quickly and effectively by reorganizing into cross-functional teams and then outsourcing capabilities where they don't excel—

both of which are made easier by tapping into cloud platforms whenever possible. For example, leaders in all industries have been shown to generate 20% more cost savings and higher revenue growth than laggards by working with partners and agencies.

Beyond skills, financial services companies must also ensure they foster an environment that empowers teams to make the most of their talent and drive innovation through agile practices and apps, fully-enabled AI analytics, and easy access to data. For instance, more mature financial services firms are also 2.3-times as likely as laggards to prioritize digital literacy and agile ways of working for the entire workforce, rather than educating agile principles and digital skills specifically for IT or technology roles.

But there's still work to be done. Just 35% of financial services laggards provide top-notch analytical and productivity tools to their workforce compared to 95% of digital leaders. Additionally, laggards carried an average score of 47.4 when it comes to "democratizing" data, compared to leaders at 83.5, indicating that data still remains mainly under IT ownership and data sharing policies are still in the process of being established.

04

Build a skilled and enabled workforce

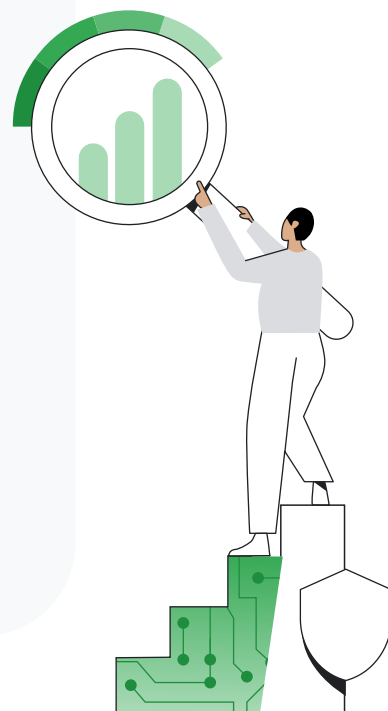


How to take action

Digital leaders transform how people connect, create, and collaborate. They unite teams, collapse silos, upskill talent, and stay on top of internal change.

- **Empower workers** to focus on the tasks that matter by freeing them from lower-value requests. With automation tools like Contact Center AI and Loan DocAI, workers can have the most impact on the business and its customers.
- **Collaborate effortlessly** using modern digital tools. Google Workspace, which brings together the apps loved by billions of users—Gmail, Chat, Calendar, Drive, Docs, Sheets, Meet, and more—offers a single integrated platform built for collaboration.
- Expand **knowledge and training** on the digital skills your organization and workforce need for growth. Through the Google Cloud Skills Boost program, Google is investing to train more than 40 million new people in best-in-class practices.

To successfully scale their own digital solutions, financial services companies will need to equip their teams with the skills, knowledge, and tools to help them work more effectively and efficiently.



05

Achieving digital leadership requires full C-suite collaboration

This type of sweeping change can only be achieved through collaboration that starts at the very top of the organization. C-suite alignment is critical to driving, and ultimately, achieving a digital agenda at scale. Some 72% of digital leaders across all industries have a fully aligned global strategy across the C-suite, where all C-suite roles are directly accountable for driving the transformation agenda across all business units and functions. By comparison, only 10% of laggards do the same.

That's why it's unsurprising that financial services companies who have successfully scaled also have executives that share a mindset of growth that serves to guide digital transformation across the entire company. Financial services leaders indicated that C-suite roles collaborated deeply and consistently to drive the full agenda (DES 95.9), while at digital laggards (51.1) only a few executives collaborate for a limited set of use cases or consistent collaboration is limited to driving individually-owned elements of the agenda.

On average, financial institutions scored just 50.9 when it comes to C-suite accountability across different roles. Most notably, there is a lack of involvement from the chief human resources officer (DES 60.7), the CFO (DES 68.5), and the COO (DES 69.1)—roles that are critical for championing alignment and ensuring teams are capable of scaling digital solutions.

In too many cases, this disconnect can result in an approach that enables companies to propose digital solutions but lack the guidance to drive strategy and the skillset to build them. For financial services organizations, becoming a digital leader is only possible when the entire C-suite aligns around a common vision, strategy, and roadmap. All executives will need to play a proactive role in championing digital efforts to embed the need to transform, enabled by technology, at the very core of the organization. The technologies they invest in and the partners they choose to help them on their path to transformation will be the key to turning vision into reality.

No matter where you are in your transformation, Google Cloud can help you get there faster.

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