

Realization for change

accelerating action now



In-depth
report

Atos

79%

think **technology investments are the most important contributors to business resilience**

Realization for change: accelerating action now

Continual, uncertain change has been a defining feature of our lives and livelihoods in recent times. But even before the onset of the global pandemic, financial services and insurance institutions were faced with mounting pressure to digitize and modernize, to keep up with digital-native competitors, ever-evolving consumer demands, and net zero initiatives.

However, for many financial services and insurance leaders, with the demands of regulatory compliance and security concerns, realizing the need for change and accelerating action to reach a lean, agile business value driven model has proved challenging, and in many cases, insurmountable.

And this has only been made more complex in the face of sweeping societal change. With financial services and insurance, as one of the core pillars of the corporate world, now expected to take up the baton of responsible business practices to live, to work, and to grow – sustainably, securely and smartly.

Today, as the world slowly but surely starts to reopen and economies chart a course beyond recovery and into growth, the realization is that an entirely new business model is required to propel financial services and insurance institutions into this so-called new world.

Of course, strong, data-driven leadership will be paramount. But if recent events have taught us anything, it's that the power of union through collaborative interdependent partnerships can be a formula for success, even through the hardest times. So, to support you on your journey to integrate digital and business transformation across traditional silos, Atos alongside some of its global partners, have commissioned an independent research survey.

This report shares our findings and insights from this research survey, incorporating views from 800 financial services and insurance leaders across the globe. It uncovers industry challenges, the non-negotiable need for change and how Atos is helping firms to accelerate action now, whilst ensuring risk management and regulatory compliance is innate in every element of their transformation.



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Methodology

Atos, along with six global alliance partners including IBM, Intel, Microsoft, Verizon, VMware and Dell Technologies, commissioned an independent research survey of 800 senior decision makers across financial services and insurance institutions globally.

The research explored attitudes, opinions and intentions toward the following core elements of business transformation over the next three years:

-  **1**
Business transformation and modernization
-  **2**
Cost optimization
-  **3**
Decarbonization
-  **4**
Customer experience and demands
-  **5**
Risk management



The research took place between May and June 2021 and surveyed

400

Financial services
leaders

75

Capital markets
leaders

325

Insurance
leaders

*200 respondents based in North America, 200 respondents based in Northern Europe, 200 respondents based in Southern Europe, 200 respondents based in Central Europe.

Key findings

The findings have revealed four consistent areas challenging digital and business transformation and have been collated in this research report: **Realization for change: accelerating action now.**



1

Disrupted but still determined



2

The challenge of cultural change



3

Delays in digital deployment



4

Rising cybersecurity risks

Combined with other key insights, retail banking, insurance and capital market firms need to acknowledge the requirement for change, take decisive action and **ultimately benefit customers – and our planet** – today and into the future.

50%

see **high cost of investment** as a barrier to transformation

Key findings: disrupted but still determined

For years, the financial services and insurance market has been facing stiff digital disruption. For capital markets, the economics of how major institutions operate their FICC (fixed income, currencies and commodities) trading divisions has undergone a tectonic shift. Similarly, the digital revolution is felt to be a threat by many in the insurance industry, especially following the increase of innovative new entrants and the rapid rise of comparison websites.

Retail banking is also transforming beyond recognition. Changes in technology have been relentless and new competitors emerge every day – chipping away at the customer base of established players. But it's no longer enough to simply keep pace with change. For financial services and insurance institutions to succeed they must reinvent business models to anticipate the continually evolving needs of business and customers alike.

Our research therefore returns some surprising results. Namely, the revelation that ambitions to fundamentally change business models is the lowest reported priority for respondents in the next 12 months (42%).

Given that 55% also named innovation and competition from disrupters (including global technology firms) as one of the greatest threats to their business, the hesitancy of leaders to embrace

more fundamental change once again hints at a clear disconnect between the realization to change and in taking action.

In addition, despite the significant threat of disruption, 79% of respondents still maintained that their business model couldn't be disrupted or compromised in the next three years. Begging the question if they're determined or simply misinformed?

However, it remains a fine balancing act between embracing new technologies and supporting Governance, Risk Management and Compliance (GRC). Mergers and acquisitions, while key to growth, can burden businesses with increasingly complex issues in regard to legacy systems. And institutions will have to strike a balance between accelerating innovation, while always prioritizing regulatory compliance.

Ultimately, business leaders are naturally risk-averse. But this, combined with the potentially misplaced confidence in their business, could be at their own peril – and if they fail to take action, they risk losing market share from disruptive competitors and market consolidation.

55%

named **innovation and competition** from disrupters one of the greatest threats to their business

Key findings: the challenge of cultural change

For many, COVID-19's rapid and disruptive change was the catalyst to kickstart ambitious digital transformation initiatives, taken up by financial services and insurance institutions in varying degrees. But regardless of industry or the complexity of individual transformation journeys, there's one critical factor that's often overlooked by organizations: culture.

From our research, business leaders know they need to align culture behind business and digital transformation if it's going to be successful. But it's clear many aren't ready to make the fundamental changes necessary to achieve that.

More than two-thirds (67%) want to align workplace engagement and culture with their digital transformation strategy, but only 42% say they have plans to fundamentally change their business model in the short term.

Promisingly, 74% also agree transformation requires their business to fundamentally shift focus from small incremental changes to bigger holistic ones, with the picking of low hanging fruits often a wise move before announcing any major company-wide reforms.

But the fact that aligning culture is seen as a top priority in the next three years for the majority of respondents (60%), is indicative that business leaders still think they'll have to grapple with aligning culture for years to come.

Furthermore, although these business leaders are well aware of the shortcomings of their organizational culture, many are at risk of complacency when it comes to committing to long term cultural shifts.



65%

think **technology and business teams** need to collaborate more



83%

agree **they need to invest more in empowering** their employees



27%

are **currently rethinking leadership structures** to empower employees.

Ultimately, our findings show an awareness of culture's importance. But given that 80% of leaders claim their organizational culture is already agile and aligned to digital transformation efforts, indicates a clear disconnect between their short and long term plans.

If organizations are to truly realize their ambitions to empower employees, it's clear more must accelerate action to rethink and flatten leadership structures.

Key findings: delays in digital deployment

Driven by regulatory pressure, financial services and insurance institutions are required to improve the transparency, consistency and traceability of their operations and data – and this requires a large-scale rethink of their risk management strategy.

Digital's role in risk management is a prerequisite of modern business. By leveraging the capabilities of cloud, automation and digitized monitoring, it can provide in-depth analytics to help organizations, particularly in financial services and insurance, to unlock the power of data to better monitor regulatory compliance, drive efficiency and enhance the quality of risk decisions.

Business leaders are all too aware of this and are convinced of the benefits of digital risk management practices, as reinforced by our research.

Once again, however, there's a disconnect between realization and taking action, with adoption numbers of digital risk management strategies and products lagging behind.

Unsurprisingly, a vast majority (81%) agree that the pandemic has caused them to take a more digital approach to risk management. In addition, 79% also say technology investments are the most important contributors to business resilience today.

And 80% think risk management is an increasingly digital activity.

However, businesses are slow to turn this understanding into action – and at best, just over half of all respondents have already started or undertaken any of the listed steps towards improved regulatory compliance:



have **developed digital products or services** to maintain regulatory compliance



have **changed how they store and process** customer data



have **moved data and processes to cloud-based platforms**



have **deployed KYC-compliant onboarding processes**

Like challenges relating to culture and rising above disruption, business leaders know the benefits of digital risk management practices. But acting to obtain them is still seemingly beyond the reach of roughly half of organizations.

Once again, those failing to embrace digital and the use of big data are only impeding their own growth.

Key findings: rising cybersecurity risks

Personal data is perceived by many to now be its own currency, and is becoming the driving force behind increasing numbers of cyber-attacks which become more sophisticated and aggressive with every day. Since the start of the COVID-19 global pandemic, this has only become more pertinent, as cybercriminals seek to exploit the vulnerabilities presented, such as the rapid shift to remote working.

Retail banks, capital markets and insurance institutions continue to be prime targets for cybercriminals looking to steal money or information, disrupt operations, destroy critical infrastructure or compromise data-rich financial services and insurance institutions. Correspondingly, financial services and insurance institutions consistently lead the way for both the most targeted industry and the average cost of cybercrime incurred by organizations in a particular industry.

Despite this, our findings show a lack of action extends across risk management and cybersecurity, which emerges as a key source of frustration and challenge in business leaders' efforts to modernize and transform their business.

Overall, more than two-thirds (69%) agree that cybersecurity is the single biggest component of their risk management strategy. But only 44% are automating security and compliance policies across their business.

In addition, just 41% are undertaking a threat assessment of existing and potential compliance risks. Of those that have started digitizing processes and workflows to optimise for compliance, 62% are finding this processing challenging.

Ultimately, although many are taking a proactive approach, it's clear there's a significant portion of the market that know they still need to make fundamental changes.

Once again, these leaders have a good idea of what transformation requires but have been unable to instigate vital changes – contributing to the same story of disconnection.

69%

agree that
cybersecurity is
**the single biggest
component of their
risk management
strategy**

Business transformation and modernization

Even before the pandemic took place, business and digital transformation were buzzwords in almost every industry, as companies sought to overhaul their processes and technology in the quest to modernize, compete more effectively and embrace the rapid rise of digital.

Financial services and insurance institutions weren't immune to this. But the regulations synonymous with the industry deemed this more difficult than their digital-native counterparts. Even so, transformation initiatives continue to dominate the strategic vision of most business leaders.

On the journey to realizing modernization, our research reveals how a better understanding of customers is both a driver and a barrier of business and digital transformation, as leaders strive to uncover the keys to offering customers improved experiences.

But employees also have a pivotal role to play, with businesses focused on aligning their culture with transformation initiatives – and empowering employees to better anticipate and keep up with changeable customer demands.



39%

Efforts to improve the customer experience is the main driver of digital transformation



36%

Closely followed by attempts to gain a better understanding of customer preferences



42%

After cost, a lack of customer insight was the greatest barrier to business transformation



79%

of leaders are aligned in their view that culture can be an accelerator of digital transformation



83%

A vast majority also share the belief that they need to invest more in empowering employees

Cost optimization

Efforts to improve cost efficiencies are evident across the financial services and insurance industry – from the digitization of supply chains, to the deployment of employee collaboration software. And pressure on profit margins is driving many business leaders to gain a better understanding of profitability and productivity within their own organization.

In addition, it's also becoming increasingly clear how moving from legacy infrastructure to cloud platforms can be the key to unlocking business revenue, as it enables greater cost-efficiency and scalability. Combined with the breakdown of technology and data siloes that this modernization brings.

Business leaders are prepared to make substantial changes to their operations in order to tackle costs, including reductions in office space, the adoption of decentralized corporate structures and greater investments in research and development. However, there are still questions as to whether retail banks, capital markets and insurance firms are doing enough to improve cost efficiencies.



of respondents ranked pressure on profit margins as a top five threat



identified reductions in office space as a way to cut costs



are already working to digitize their supply chain



think employee collaboration tools and technology, such as Artificial Intelligence and Robotics Process Automation, can increase revenue



agreed adopting a **decentralized corporate structure** will increase their business efficiency

Decarbonization

For all the disruption and destruction of the COVID-19 global pandemic, one of the very few positives to emerge has been its easing of our burden on the planet. With less workers travelling to and from the office, helping to reduce daily greenhouse gas emissions, improve water quality and in some cases, encourage wildlife restoration.

In response, new horizons have been opened – and environmental, social and corporate governance (ESG) issues have ascended many a business agenda to become key drivers of digital and business transformation. However, their role in tackling ESG issues is two-fold: internal and external.

Firstly, most retail banks, capital markets and insurance organizations acknowledge there's work to do to improve the sustainability of their current workplace processes and operations

practices. Secondly, they're aware of the vital role they play in supporting businesses to contribute to a cleaner, more inclusive future.

To achieve this, business leaders view investment in digital technologies and partnerships with likeminded organizations as essential or meeting their ESG criteria.

81%
view **business and digital transformation** as an opportunity to meet ESG goals



of business leaders ranked **ESG issues as a top three driver** of business and digital transformation



agree **digital technologies are essential** for meeting decarbonization targets



are prioritizing investing in businesses that contribute to **wider societal benefits**



of **financial leaders have plans to stop investing** in or lending capital to brown assets

Customer experience & demands

Customer experience has long been a priority for businesses in every industry. But like many other aspects of our lives and livelihoods, the COVID-19 global pandemic fundamentally changed the customer experience. And as digital interactions took precedent, consumers expected more from businesses, with changeable and ever-increasing demands.

In response, retail banking, capital markets and insurance leaders recognize the inherent importance of understanding their customers and offering them improved, digital experiences. And with most businesses actively targeting new customer segments, investment has focused on developing digitized customer experiences across multiple channels, to meet customers wherever they choose.

Regarding customer priorities: secure, seamless interactions and added transparency around the use of personal data came through as consistent themes across the respondents. And the most effective strategies for winning and maintaining the trust of their customers all pivot around the customer experience, the quality of service on offer, and clarity of communication.



52%

are already **developing digitized customer journeys across multiple channels** and 46% have plans to do so



84%

need more insights into the proposition of their customers needs



88%

agree that **excellent customer service is essential** for earning customer trust

94%

of business leaders are already targeting new customer segments or have plans to do so in the future

Risk management

Financial services and insurance institutions are incredibly sensitive to risk. On top of the impact of the pandemic, businesses are also feeling external pressures, with the risks of market consolidation and competition from disruptors both viewed as the top threats to businesses today.

To improve their risk management posture, organizations are prioritizing investments in securing their customer and employee interactions. Business leaders are also aware of the benefits of taking an increasingly digital approach to managing these processes, using technology to establish a more proactive stance to risk management.

It demonstrates a disconnect between their acknowledgement of risk, and their willingness or understanding of how to mitigate it.

COVID-19 is perceived as the greatest threat to businesses for at least the next two years (73%)

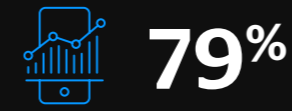
Market consolidation (60%), innovation & competition from disruptors (55%) and difficulties reducing their carbon footprint (54%) were also viewed as top threats to their business.

Despite these advancements, however, roughly half of respondents are still falling behind in their digital approach to risk management.

73%
COVID-19 is perceived as the **greatest threat to businesses** for at least the next two years



agree the **pandemic has caused them to take a more digital approach** to risk management



say **technology investments are the most important contributors** to business resilience today



have developed digital products/services to **maintain regulatory compliance**



are **actively looking for technology partners and consultants** to help them improve their risk management posture

Spotlight on retail banking

Since the start of COVID-19, retail banks have had to navigate a minefield of internal and external pressures. Driven by digital's rapid rise, increasing consumer demands and the competitive – and ever-evolving – industry landscape. All of which had to be juggled and nurtured at the same time as ensuring regulatory compliance and developments towards ESG initiatives.

This is reinforced by our research findings that immediate concerns for retail banks were centered on intuitive digital customer journeys (41%), account security and protection from fraud (41%), and instant access to services and support on any channel (38%).

With concerns over the next three years being led by the belief that banking leaders expect the digital customer journey to become even more important (41%), along with transparency over data use (38%) and personalized services (38%).

So, while many retail banks have commenced on their business and digital transformation journey, the road ahead won't be without its challenges. And constant innovation, leveraging emerging technologies and big data, will be the key to unlocking growth and proactively anticipating and exceeding customer expectations, at the same time as minimizing risk.

As a partner on this digital journey, Atos explores how every banking process can be bettered to enrich your customer experience and uncover new revenue streams for your business. We look at the technologies that are shaping the future of banking – be it real-time analytics, process robotics and everything in between – and we support you to seamlessly implement these processes, considering your company's culture and carbon footprint at every stage.

Today, every bank must promise the protection of customer data, strive to achieve regulatory compliance, and be proactive in its commitment to net-zero. As a European leader in cybersecurity and business decarbonization, Atos places special emphasis on robust automation and green technology solutions, to protect your customers' data and our planet, at all costs.

41%

expect the **digital customer journey** to become even more important

Our retail banking solutions guide you through the four realms of business and digital transformation:



1

Customer experience



2

Operational excellence



3

Banking reinvention



4

Trust and compliance

Spotlight on insurance

In the complex and dynamic business landscape of 2021, the insurance industry faces a unique moment in its long history. The sector has been presented with an opportunity to reinvent itself in line with evolving consumer demands, new social realities and global market needs. And once again, digital and business transformation and continual innovation will be the key to ushering in this new age of insurance.

This is reinforced by our research findings that immediate concerns for insurance organizations are largely centered on its customers. Namely: instant access to services and support on any channel (44%), secure and seamless onboarding (41%), and clarity on how their personal data was used and stored (39%).

But once these immediate concerns are addressed, over the next three years, insurance leaders anticipate innovative product design and pricing models will become the main priority for customers (48%).

To meet the needs of customers at every level in insurance, there's a demand for fast and secure digital transformation. Enabling insurance firms to serve customers as and when they need you, with new technologies also serving to improve on legacy systems, increase efficiencies and reduce costs, all while mitigating risk and supporting compliance.

As the digital revolution continues, Atos is helping insurance firms to retool, reposition and reinvent themselves. Be it building ecosystems of partners through our InsurTech Engagement Program, or connecting you with generations of customers through Artificial Intelligence, Internet of Things and intelligent automation. Our mission is to empower you in the noble purpose of protecting people and businesses.

Staying relevant means staying ahead through innovation. So, we're supporting insurers to prepare for the future of insurance, built around ecosystems of needs and lifestyle services. We ensure you can digitize your processes and business models, enabling you to develop customer intimacy, transform your business, and generate new revenue streams. It's for this reason half of the world's top 30 insurers already rely on Atos.

48%

of insurance leaders anticipate **innovative product design and pricing models** will become the main priority for customers

Our insurance solutions help you to unlock the fundamental elements of business and digital transformation:



1

Intelligent automation



2

Customer excellence



3

Data analytics and artificial intelligence



4

InsurTech services and innovation



5

Trust and compliance

Spotlight on capital markets

Capital markets are not immune to the pressures impacting retail banking and insurance. Like its financial services counterparts, rising client expectations are pushing firms to reconsider their approach to technology and new data services, to meet new demands and generate higher revenues.

Navigating regulatory requirements, combatting fraud and advancing climate change initiatives are also a priority. Once again, innovation – underpinned by digital transformation – will be the key to charting a course for growth in tomorrow's business landscape, at the same time as keeping emerging competitive threats from technology firms at bay.

Our research findings echo some of these challenges, with the immediate concerns of capital markets leaders including: detailed reporting on account performance (65%), being a trusted provider with integrity (60%), and account security and protection from fraud (59%).

Looking ahead to the next three years, capital markets leaders also expect secure and seamless onboarding to become a greater priority (55%), along with clarity on data storage and use (55%), and the use of regulatory and compliance technology (47%).

Atos provides the services to support change right across the capital markets value chain. Regardless of where you are on your transformation journey, our complete portfolio – spanning infrastructure, applications, and business processes – is delivering greater experiences for clients and equipping capital market firms with the necessary tools to enable faster investment decision-making, and growth.

From leveraging robotic process automation and machine learning to reduce operating costs and enrich experiences, to modernizing technology and building ecosystems to manage regulatory requirements, combat fraud and enhance ESG initiatives. Atos is the chosen partner of capital markets organizations seeking a competitive edge in today's increasingly digital world.

Our innovative solutions can help you to reimagine the cornerstones of capital markets:



1

Business
process
services



2

Data and
technology
services



3

Traditional
services

59%

of capital markets
leaders say **account
security and
protection from
fraud** is an immediate
concern

Conclusion

Overall, our independent research survey of 800 financial services and insurance leaders around the world returned some interesting findings.

Promisingly, there's a strong understanding of the need to advance business and digital transformation journeys, in a bid to keep up with customer demands, drive cost-efficiencies and support risk management and decarbonization initiatives.

On the other hand, it's also evident there's a clear disconnect between realization and action – with business leaders often either reluctant or unable to progress their transformation journeys. In today's increasingly competitive landscape, combined with heightened consumer expectations and unrelenting cyber-threats, this inability to embrace change can have a detrimental impact upon growth.

In the quest to overcome this, our research indicates how external consultancies can play an invaluable role for organizations navigating change. With an increasing number of financial services and insurance leaders leaning on external expertise to support their business and digital transformation, while ensuring organizational culture, the empowering of employees and protection of our planet remains front and centre.

Since the start of the COVID-19 global pandemic, financial services and insurance institutions have been subject to immense and irreversible change. But as the world slowly but surely emerges from this, the industry is now at a unique crossroads, with the opportunity to reinvent itself with digital, data and customers at its core.

As a global leader in secure and decarbonized digital, with a range of market-leading digital solutions and consultancy services, Atos is leading the conversation about how to move forward in the post-COVID-19 era and prepare for the rebound we're all hoping for.

And together with our partners we enable our clients, our people and members of society at large, to live, to work, and to grow – sustainably, securely and smartly.

Get in touch today to discover more about how we can collaborate with your institution to realize change and accelerate towards a cleaner, more inclusive and secure future.

Sponsored by our partners



About Atos

Atos is a global leader in digital transformation with 105,000 employees and annual revenue of over € 11 billion. European number one in cybersecurity, cloud and high performance computing, the Group provides tailored end-to-end solutions for all industries in 71 countries. A pioneer in decarbonization services and products, Atos is committed to a secure and decarbonized digital for its clients. Atos operates under the brands Atos and Atos|Syntel. Atos is a SE (Societas Europaea), listed on the CAC40 Paris stock index.

The purpose of Atos is to help design the future of the information space. Its expertise and services support the development of knowledge, education and research in a multicultural approach and contribute to the development of scientific and technological excellence. Across the world, the Group enables its customers and employees, and members of societies at large to live, work and develop sustainably, in a safe and secure information space.

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Let's start a discussion together

