OrbusSoftware

8 Banking &
Financial Services Trends
Enterprise Architects
Should Know About

%

40

Research from CEB found that 40% of IT spending occurred outside the control of the IT department.

Introduction

The big banks have not had an easy time of things recently. Already facing plenty of challenges from the likes of challenger banks, fintech, regulation and technologies like cryptocurrencies, the pandemic forced the pace of change to grow even faster.

> **As one executive put it, the arrival of COVID-19 saw banks and financial services do 10 years of digital transformation in just one year.**

And now they all have to keep up this pace of digital innovation to maintain momentum and meet stakeholder demands. Enterprise Architects and other IT leaders will need to stay on top of a wide range of different topics to be able to deliver everything that incumbent banking and finance enterprises need. Fortunately, we've put together this list of the 8 key trends that you'll need to know about.

2021
3.85

%

Traditional banks in the US saw their income, as a share of GDP, shrink from **4.6%** to **3.85%** between 2009 and 2021

4.6
2009

US

There are fewer than 9,000 financial institutions in the United States today, down from 20,000 in 2008, while online banks are skyrocketing in popularity

1 | Resiliency

Resilience is hardly a new topic for any industry, let alone banking and financial services, but the demands for resilient business or resilient technology and new regulations focused on operational resilience mean it will remain a top focus for banks.

We have already looked at the new demands for operational resilience with our **Operational Resilience checklist.**

The change to UK law came into force on the 22nd of March but with other regions likely to follow suit, it's definitely a trend to keep in mind.

The broader concept of resilience is an ongoing challenge for every organization. Disruption has massively increased in 2022, with **Alix Partners** seeing a **5%** increase in their disruption index for banking and financial services.

They also reported that **94%** of executives surveyed say their business model must change in the next three years.

**94**%
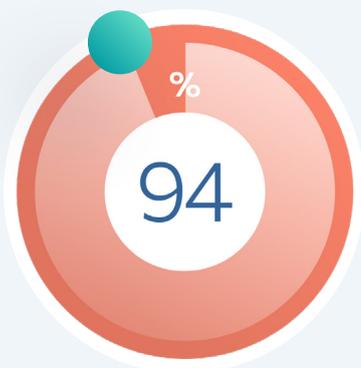
2 | **Omnichannel** Banking

Omnichannel will be the major product requirement for incumbent banks. An omnichannel banking experience means that customers can seamlessly switch between banking experiences, i.e., internet, telephone, branch, without barriers.

In other words, it allows customers to access banking services and products anywhere, anytime and any way they choose.

We focused on architecting for omnichannel banking experiences in our earlier white paper, **The Relentless Fight for Market Share in Finance.** The key stat from that piece is as follows:

%

20
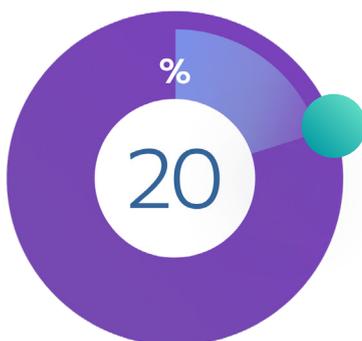
McKinsey provide the example of a European bank that

"saw consistent sales growth of as much as **20%** over two to three years"

through their omnichannel implementation.
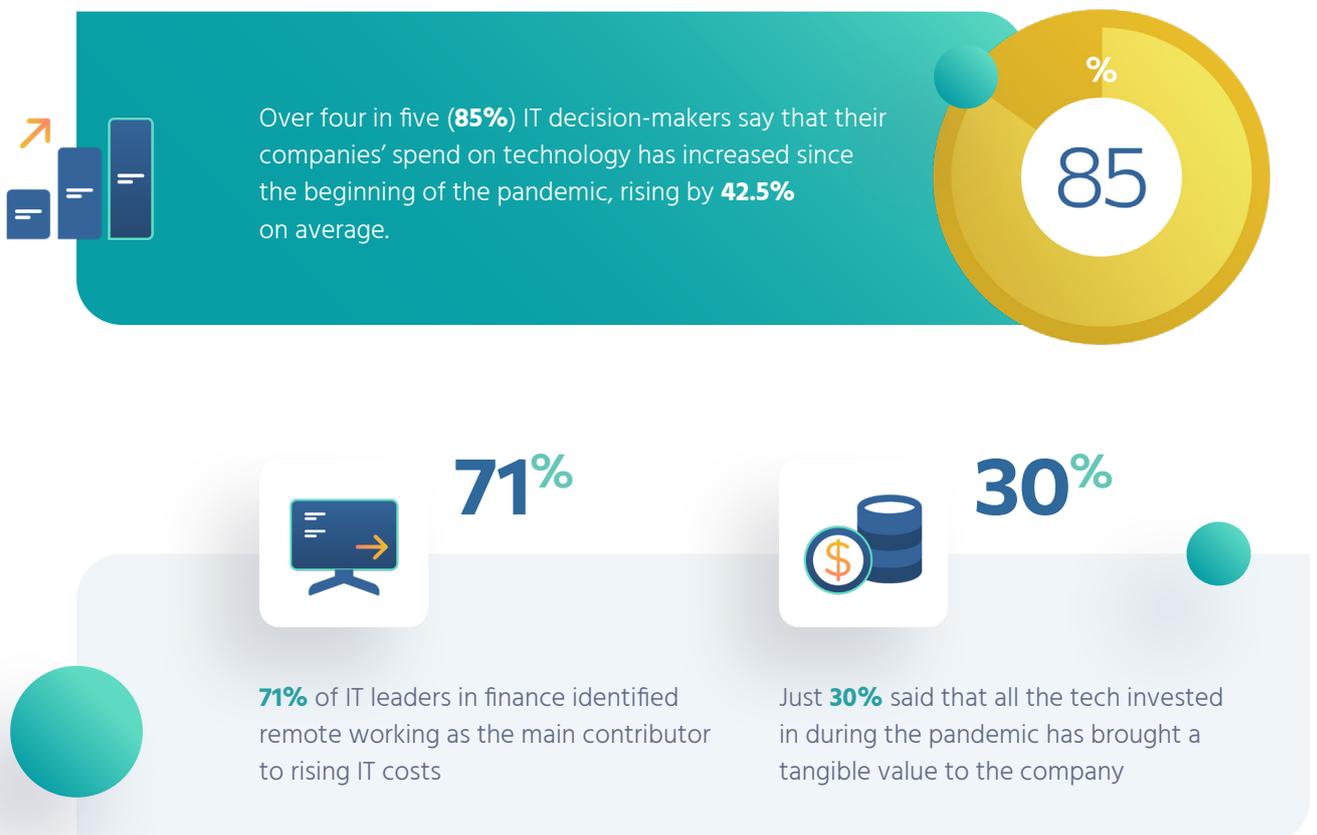
3 | **Business** as Unusual

The pandemic and its impacts have begun to fade away in much of the world, but the shockwaves will continue to be felt for many years to come. As we mentioned above, stakeholders now expect much faster rates of digital transformation; meanwhile, employees expect remote working options.

Experienced Financial leader Sanjiv Nathwani termed this new era "Business as Unusual" in **his webinar on the topic.**

What is unusual for each business and industry will of course be dependent on individual factors. We know that ways of working will likely never be fully the same, while the skills required for modern organizations have been changing rapidly for many years now. For example, research from Gartner identifies Artificial Intelligence & Analytics and Open Banking as two of the top areas where new technology will need to be developed and deployed. But we already have evidence of the dangers of rushing into these new areas, with IBM finding that **81%** of AI projects have failed to show value.

Research conducted by Orbus Software highlights some of the impacts these changes have had:

Over four in five (**85%**) IT decision-makers say that their companies' spend on technology has increased since the beginning of the pandemic, rising by **42.5%** on average.

%
85

71%

30%

71% of IT leaders in finance identified remote working as the main contributor to rising IT costs

Just **30%** said that all the tech invested in during the pandemic has brought a tangible value to the company

4 | **Cloud Native** Applications

This is less a trend than a requirement for achieving the transformation required; internal systems and external products will all need to be cloud native in order to deliver omnichannel experiences or remote work.

One **Orbus banking customer, a large US-based bank,** utilized iServer to help their transition to containerization for applications, with a microservices approach, which is the core of cloud native software.

Applications developed in this way can be easier to scale and manage, with maintenance and upgrades possible without disrupting the "always-on" paradigm that customers expect. We can see with this example how cloud native applications can enable technological resilience, with each microservice independent and preventing a cascade of failures. At the same time, omnichannel capabilities can be deployed and tested rapidly, without disruption and to the needs of each business unit.

5 | **Understanding** Shadow IT

Shadow IT might sound mysterious, but it's quite simple: the practice of different business units, functions, departments, etc. making IT purchasing decisions without consulting IT.

This could be something as simple as paying for one extra SaaS application to save time from IT procurement processes, but over large enterprises all these decisions add up.
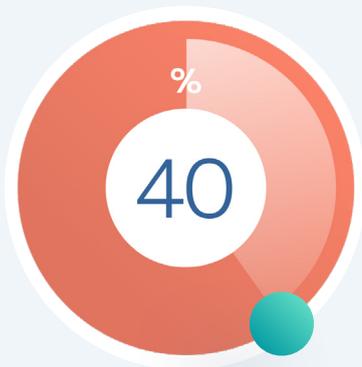
%

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Research from CEB found that **40%** of IT spending occurred outside the control of the IT department.

Getting control of shadow IT spending is perhaps one of the easiest trends to grasp for enterprise architects, once they are aware of the issue. One of the best ways to bring shadow IT under control is to **eliminate data silos,** which is best achieved through a single source of truth. EA tools like **iServer365** can deliver comprehensive, reliable maps of the application portfolio thanks to their central repositories.

iServer365

Models
Solutions
Categories
Documents
My Views
Public Views

741 Technologies	622 Applications
482 Projects	399 Business Capabilities
393 Processes	220 Roles

Views
Matrix Views
Traceability Views
Documents

6 | **Embedding** IT into Product

Another good solution to shadow IT is to start embedding IT personnel into product teams, but this trend will be far more important than that.

With the growing collaboration between every part of the organization, it is essential that there is a joined up approach between IT and Product, to prevent not just data silos but organizational silos and deliver the integrated, omnichannel services that customers want. This is particularly relevant for enterprise architecture teams, who can often be accused of 'Ivory Tower' thinking that is disconnected from the wider business.
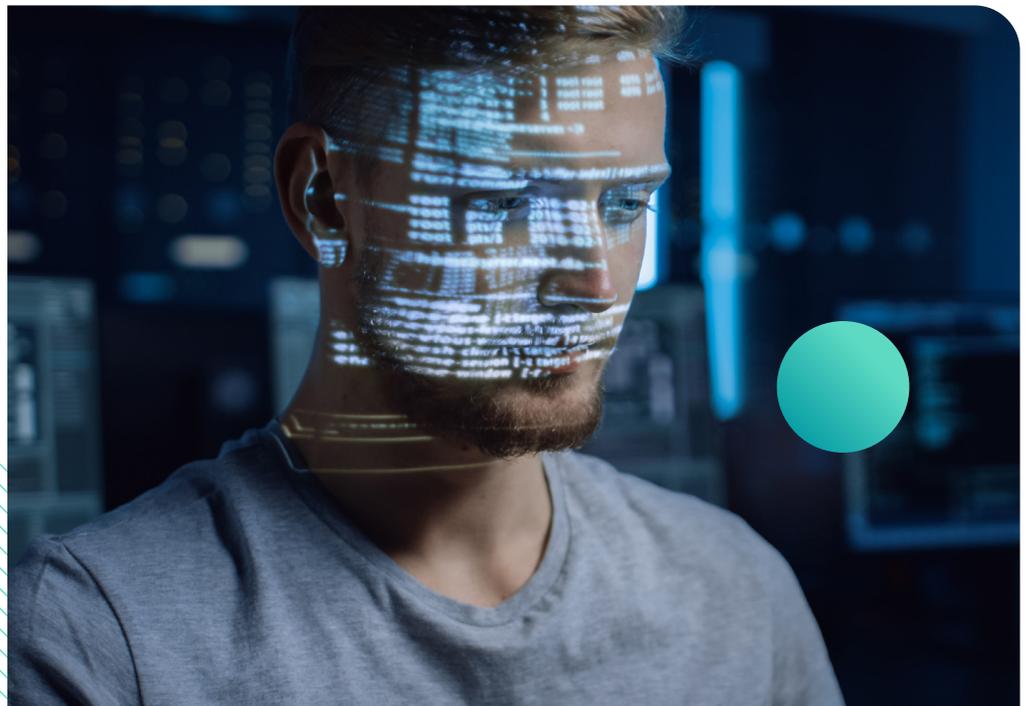
One of the key advantages for challenger banks and other new entrants is that they don't need to think about barriers between departments. They are born cross functional, with small, agile (both DevOps and as a characteristic) teams that innovate rapidly and always align with key business values. Incumbent banks can't just demand "agile" from on high and expect their organizations to match this.

7 | **Listening** is Data

A wide variety of consulting firms and research organizations now believe that the most important strategic asset for the next decade is not IP or finance or people, but data.

Understanding and harnessing data will be the key to unlocking innovation that really meets the desires of your customers, rather than innovation for innovation's sake.
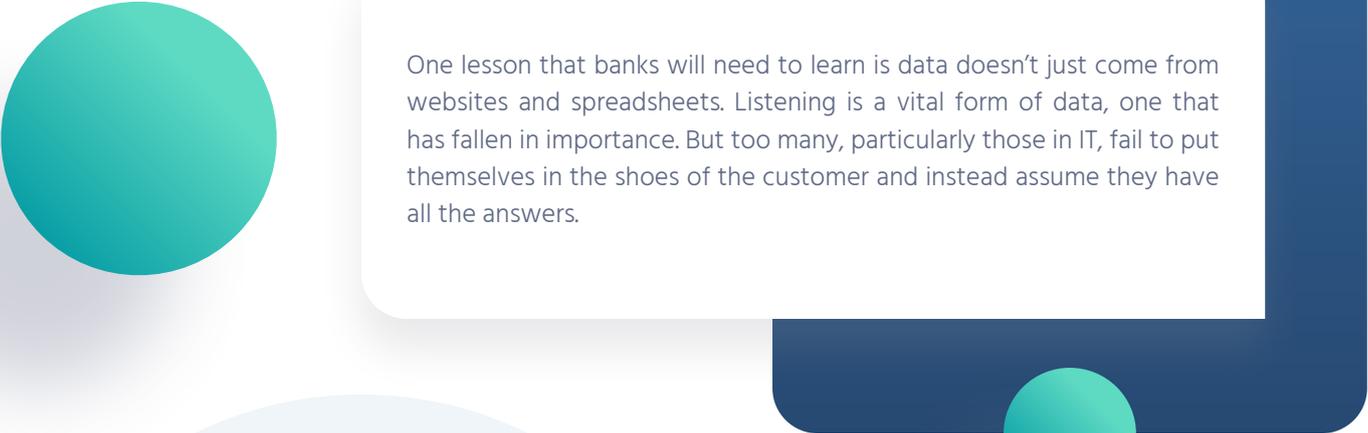
One lesson that banks will need to learn is data doesn't just come from websites and spreadsheets. Listening is a vital form of data, one that has fallen in importance. But too many, particularly those in IT, fail to put themselves in the shoes of the customer and instead assume they have all the answers.

%

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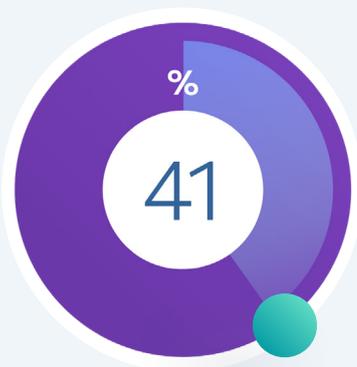
41% of respondents to JP Morgan said they wished banks provided more personalized offers or information to help them achieve their financial goals.

8 | **Being a Good Citizen**
for People's Data

If data is the most strategic asset a company has, then attitudes to data will have to change. Banks have long had a cavalier approach to proprietary and customer data, mimicking wider trends across industries, but regulators and growing awareness have slowly clawed back control.

More disruption is coming, not just for banking, with the incoming "cookiepocalypse" which will largely eliminate third party cookies from the internet.

Thus the second lesson that banks and financial services will need to learn for data is to be a good citizen. We all understand how to be good citizens for wider society: respect others, follow the rules, take responsibility and so forth. Being a good data citizen is not so different. What's key is that this is not a process or technology to implement, but a mindset that IT and EA will need to adopt. Compliance is difficult and expensive, and failures are common. But first, be a good citizen, and the rest will follow.
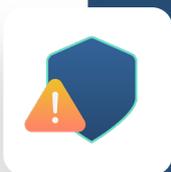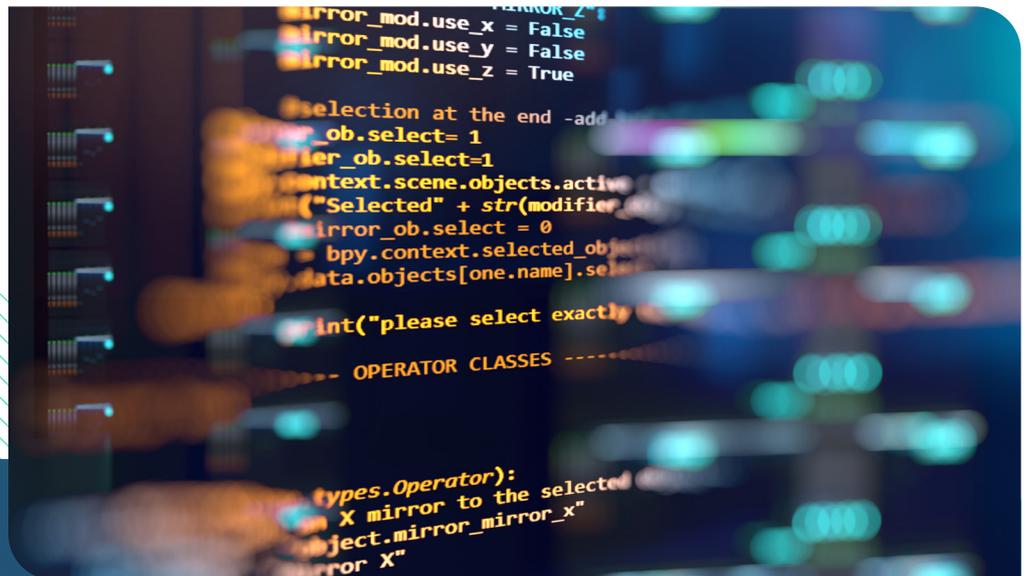
Data privacy and security issues are seen as the biggest disruptor for 2022, according to Alix Partners.
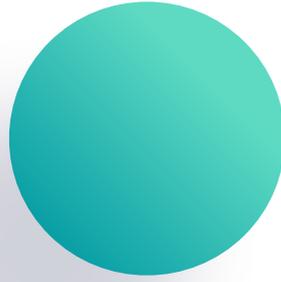
Conquer Technology Trends

Get ahead of the game and take control of
technology innovation with iServer365,
the SaaS digital transformation tool

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About Orbus Software

Orbus Software is a global software vendor and a recognized leading provider of cloud solutions for digital transformation. Its products drive alignment between strategy and execution by leveraging familiar Microsoft tools to ensure rapid adoption and best-in-breed functionality. Orbus Software's market leading iServer Suite provides customers with a strategic decision-making platform addressing key digital transformation disciplines, including Enterprise Architecture (EA), Strategic Portfolio Management (SPM), Business Process Analysis (BPA) and Governance, Risk and Compliance (GRC).

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