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Banks and insurers underestimated the magnitude of the digital transformation challenge, finds new report from Capgemini

Paris, March 5, 2019 – A new report by the [Capgemini Research Institute](#) has found that financial services firms are lagging behind in digital transformation compared to other industry sectors. Financial services firms report falling confidence in their digital capabilities, and a shortage of the skills, leadership and collective vision needed to shape the digital future.

The report, part of Capgemini's Global [Digital Mastery Series](#), examines sentiment on digital and leadership capabilities among bank and insurance executives, comparing it to an equivalent study from [2012](#). Over 360 executives were surveyed from 213 companies whose combined 2017 revenue represents approximately \$1.67 trillion.

Key findings include:

Confidence in digital and leadership capabilities has sunk since 2012

Compared to 2012, a smaller proportion of financial services executives said their organizations had the necessary digital capabilities to succeed – with the confident few falling from 41 percent to 37 percent. Breaking this down, although more executives felt they had the required digital capabilities in customer experience (40 percent compared to 35 percent), confidence in operations saw a significant drop. Only 33 percent of executives said they had the necessary operations capabilities, compared to 46 percent from six years ago.

A shortfall in leadership was also cited, with only 41 percent of executives saying their organizations have the necessary leadership capabilities, down from 51 percent in 2012. In some specific areas, confidence in leadership fell significantly, including governance (45 percent to 32 percent), engagement (54 percent to 33 percent) and IT-business relationships (63 percent to 35 percent).

Digital Mastery proves to be illusive

In Capgemini's digital mastery framework presented in the report, just 31 percent of banks and 27 percent of insurers are deemed to be digital masters, while 50 percent and 56 percent respectively are classified as beginners.

Executives also criticized the lack of a compelling vision for digital transformation across their organizations. Only 34 percent of banking and 24 percent of insurance respondents agreed with the statement that 'our digital transformation vision crosses internal organizational units', with just 40 percent and 26 percent respectively saying that 'there is a high-level roadmap for digital transformation'.



Banking transformation has taken center stage, while insurance places focus on automation

Although banks' digital transformation journeys are well underway, the industry has reached a crossroads, cites the report, as it attempts to meet the rising digital expectations of customers, manage cost pressures, and compete with technology upstarts. Fewer than half of banks (38 percent) say they have the necessary digital and leadership capabilities required for transformation. Insurance is catching-up with only 30 percent claiming to have the digital capabilities required and 28 percent the leadership capabilities necessary.

The banking sector does, however, outpace non-financial services sectors on capabilities such as customer experience, workforce enablement and technology and business alignment. Fifty-six percent of the banking firms said they use analytics for more effective target marketing (in comparison to 34 percent insurance and 44 percent non-financial services sector). More than half (53 percent) of banking organizations also said that upskilling and reskilling on digital skills is a top priority for them (32 percent for insurance and 44 percent for non-financial services sector).

One area of advantage for insurers was operational automation, with 42 percent of executives saying they used robotic process automation, against 41 percent of bankers, and 34 percent reporting the use of artificial intelligence in operations (compared to 31 percent of bank executives).

More challenges are ahead

On the other hand, business model innovation, defining a clear vision and purpose, and culture and engagement are some areas which are challenging both for banking and insurance. Only 33 percent of insurance and 39 percent of banking organizations have launched new businesses based on digital technologies (41 percent in non-financial services sector). While banking is in line with the non-financial services average, only around a third (34 percent) of banks had a digital vision that crossed organizational units. Insurance lags even further behind, with just around a quarter (24 percent) having an all-encompassing vision. In terms of culture aspects as well, only 33 percent of banking and 25 percent of insurance organizations thought their leaders were adopting new behaviors required for transformation, as compared with 37 percent in non-financial services organizations.

"This research shows that a reality check has taken place across the financial services industry, as incumbents now understand the true extent of the digital transformation challenge. In an environment of growing competition and consumer expectation, the view is very different from a few years ago, and it's unsurprising that large organizations have become more realistic about their capabilities," said Anirban Bose, Chief Executive Officer of Capgemini's Financial Services and member of the Group Executive Board.

"At the same time, this is a wake-up call for banks and insurers to re-examine their business models. Tomorrow's operating model is collaborative, innovative and agile. The digital masters we looked at are working with an ecosystem of third-party partners, developing and testing ideas more quickly under an MVP model, and nurturing a culture of bottom-up innovation and experimentation. The majority of financial services firms need to learn from the small pool of genuine innovators in their field," Bose concluded.

The report can be downloaded [here](#).

Methodology

The Capgemini Research Institute surveyed 1,338 business leaders at the manager level or above at 757 organizations. Seventy-one percent of organizations reported revenue of more than \$1 billion in FY 2017. Within the financial services sector, it surveyed 369 business leaders at the manager level or above at 213 financial services organizations. Out of this, the banking sector represents 200 respondents in 125 organizations and insurance includes 169 respondents in 88 organizations.



About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

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About the Capgemini Research Institute

The Capgemini Research Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, the United Kingdom and the United States. It was recently ranked Number 1 in the world for the quality of its research by independent analysts.

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