



2023 Financial Services Executive Survey Report



Introduction

When Wavicle Data Solutions launched our financial services practice, we found that many companies in this industry still have not modernized their data architecture, and they continue to struggle with legacy systems and siloed data. To better understand the digitalization, data, and analytics needs of these companies, Wavicle engaged Beresford Research in the third quarter of 2022 to survey 320 executives (86% of whom were at the c-level) at financial services organizations.

The companies represented span retail and commercial banking; life and annuity as well as property and casualty insurers; and capital markets, including investment, wealth, and asset management firms in the United States and Canada.

The main objectives of the survey were to:

- Measure these companies' current data and analytics capabilities
- Determine the top reasons and methods for digital transformation
- Assess the level of value organizations expect and realize from their data and analytics investments

Financial services executives shared facts and insights about the use of data and digital operations within their organizations now and three years from now. This report presents the key trends shaping these organizations and demonstrates:

- What drives digital transformation
- How financial services companies are realizing the value of transformational initiatives
- The various types of data and analytics operating models
- The top data and analytics priorities for financial services companies

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Key findings

Digging into the survey data, we uncovered four key trends. Keep reading in the coming pages for a deeper look into the data behind these findings.

1 Financial performance is pushing companies toward digital transformation

Financial performance was identified as the top driver of digital transformation, followed by customer agenda, which includes customer experience, loyalty/renewals, and pricing pressures. These surpassed other factors like growth and innovation, which executives predict will expand as drivers of transformation over the next three years.

2 Smaller companies are leading the charge for value realization

While almost two-thirds (65%) of survey respondents indicated that realizing value from digital transformation was a c-level priority, the gap between larger organizations (\$1 billion to \$10 billion in revenue) and smaller organizations (less than \$1 billion in revenue) was substantial. C-level stakeholders at smaller companies prioritize value realization in a way those at larger companies do not.

3 Today's data and analytics teams are moving outside of IT

More than half (58%) of executives reported that their company's data and analytics function sits outside of the IT division, with 35% operating as independent functions reporting to the CEO. That reporting structure informs how data and analytics departments operate, as only 32% said their organization has a centralized data and analytics function.

4 Executives are hungry to expand data and analytics capabilities

Looking to the future, executives plan to expand and mature their data and analytics capabilities in almost every category through 2025. The greatest planned shifts are in digital and social analytics and data modeling. Employee analytics was the only data or analytics category where executives predicted a decrease in use over the next three years.

The push for digital transformation

As part of our evaluation of digital transformation across the financial services sector, we wanted to better understand these organizations' top drivers of digitalization.

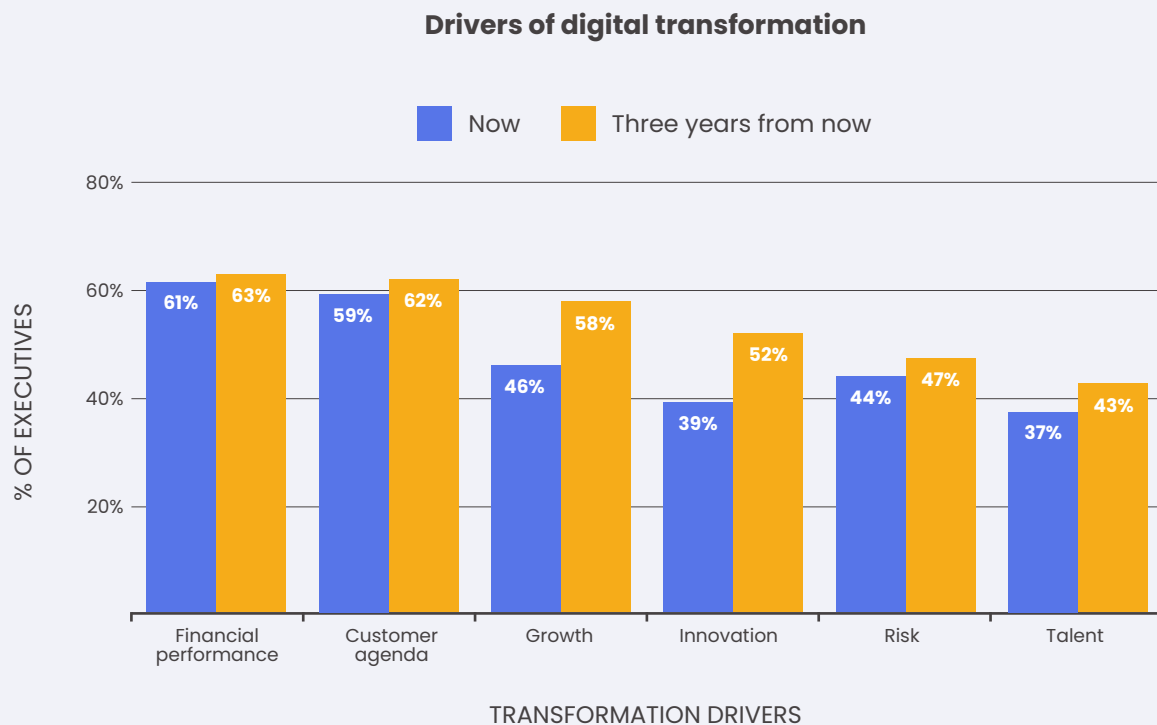


THE PUSH FOR DIGITAL TRANSFORMATION

Drivers of digital transformation

Executives identified financial performance (earnings demands, revenue, expense rationalization, profitability, and cost reduction) and customer agenda (customer experience, loyalty/renewals, and pricing pressures) as the top drivers of digital transformation today and in the future.

While financial performance and customer agenda are expected to hold their places as top drivers in 2025, executives projected larger increases in drivers such as innovation (+13%), growth (+12%), and talent (+6%).



Given current market conditions, doing more with less is going to be the theme as budget cuts are inevitable. These two strategies can help businesses compete and grow:

On the offensive, companies that focus on maturing customer personalization capabilities will be able to prescribe individualized product services to create tangible value for existing customers. Additionally, they will be able to innovate new product services to address unserved and underserved customers' needs in order to expand revenue streams.

On the defensive, improving customer privacy and digital servicing based on individual preferences will make tangible improvements, resulting in increased customer trust and retention.

The factors impacting transformation

Executives pinpointed their top enablers and inhibitors of digital transformation to shed further light on their experiences. While nearly half of the executives said that data was the most important asset facilitating their transformations, many were hindered by small or unavailable budgets.

TOP ENABLERS:

47% **Data** (availability, timeliness, quality, governance, privacy, security)

39% **Performance of digital technologies** (accuracy, speed, transparency)

38% **Analytics** (descriptive, diagnostic, predictive, prescriptive)

TOP INHIBITORS:

31% **Budget availability/size**

26% **Delivery of tangible business results/value**

26% **Business case contents/formation**



How companies approach value realization

Organizations can influence culture and business performance by establishing a framework for value realization aligning vision; c-level strategies split across customer, operations, and employees' growth; and financials.

This framework enables the integration of intangible KPIs with tangible KPIs of value, uniting business and IT stakeholders' teams through shared accountability and the responsibility to define, quantify, track, and realize value from investments and outcomes. This should allow for revising existing siloed KPIs. A great starting point is the productization and monetization of data and analytics outcomes serving internal and external customers.

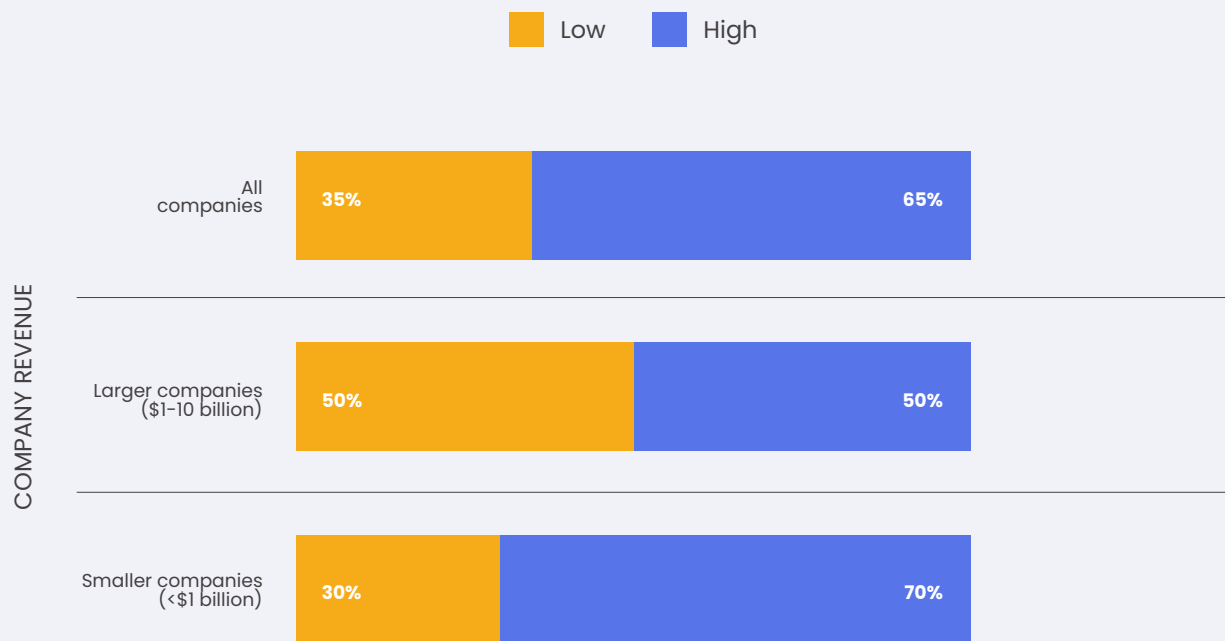
HOW COMPANIES APPROACH VALUE REALIZATION

The leaders of value realization

To achieve full value realization, c-level leaders need to own digital transformations and shepherd them through the organization. While most survey respondents stated that c-level executives were stakeholders driving transformation as a high-priority initiative, there was a large gap between the level of involvement at larger companies (\$1 billion to \$10 billion in revenue) and smaller companies (less than \$1 billion in revenue).

Overall, nearly two-thirds of respondents reported that value realization was a high priority for c-level leaders. For larger companies, this was only 50%. However, at smaller companies, 70% identified it as a high priority. Value realization is important for successful digital transformation, which makes it surprising that larger companies are not demonstrating higher levels of c-level accountability in realizing value from these activities.

Value realization as a c-level priority



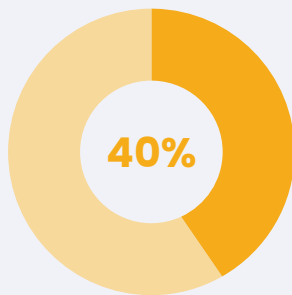
HOW COMPANIES APPROACH VALUE REALIZATION

The realities of measuring value realization

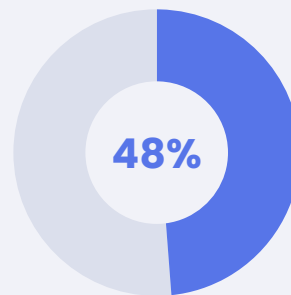
Finance functions have come a long way, making significant strides in defining, measuring, and tracking direct financial value from investments. However, to fully recognize and measure total value, we also need to evaluate non-financial KPIs as value-creating investments. Both financial and non-financial metrics should then align with a company's strategy and objectives.

Data and analytics productization are transforming CFOs' capability to recognize value through the definition of new customer and digital KPIs and through the monetization of these products to close gaps between business outcomes and IT investments and to create new revenue streams exchanging data across partners in their ecosystem or selling that data in data marketplaces.

However, many companies struggle to measure the alignment of their data and analytics capabilities with business value.



When asked to what extent they can communicate the value of digital transformation, as measured by connecting benefits to KPIs, process-level metrics, and other tracking baselines over the lifetime of the transformation, 40% reported that they are struggling (that metrics are never or only sometimes aligned).



Value realization proves even more difficult, as nearly half (48%) reported that they never or only sometimes have the necessary organizational processes, procedures, and teams to monitor and report on value realization to business stakeholders and program sponsors.

Communicating and realizing the business value from data and analytics investments is a continuous, recurring process that requires significant effort. Investing time and effort in integrating the necessary procedures and measurement structures throughout the transformation process is beneficial for the teams that are then able to track, communicate, and realize value across relevant business functions.

An approach that often proves useful here is the productization and monetization of data and analytics for both internal and external customers by establishing a quantification method with agreed-upon assumptions and estimates to link data and analytics one-time investments or recurring operational expenses to business value KPIs (financial or otherwise) across customer, operations, employees' growth, and financials.

Today's data and analytics operations and teams

Over the past decade, data analytics operating models have been evolving as organizations face greater pressure to build and expand their data and analytics teams and capabilities. While the ideal operating model and team distribution will vary depending on an individual company's needs. Given the increasing and varying regulations across the world specifically targeting data and analytics usage, it is important to aim for balance between localization and centralization to manage risks between frontline operations, risk management, and internal audit functions.



Common data and analytics operating models

The three most common data and analytics operating models are:

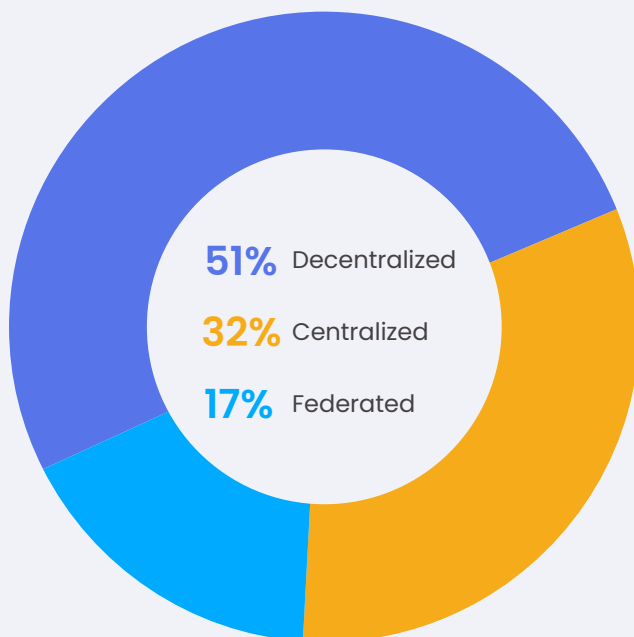
1 Decentralized:
Business teams house their own data and analytics functions.

2 Centralized:
One large, central data and analytics function owns the digital transformation journey from end to end.

3 Federated:
A center of excellence in “business technology teams,” which is aligned with the business teams who own digital transformation and the technology teams who execute the programs.

To get the full benefit of data and analytics, resources and intelligence must be shared cross-functionally. However, not all data and analytics operating models can smoothly facilitate this cross-functional alignment. We found that 68% of organizations have either decentralized or federated data and analytics organizational models. If those separate data analytics teams don't have critical interaction models in place, it may make it difficult to fully create and measure the value of their activities across departments.

The most common data and analytics operating models



These operating models parallel the most common reporting structures for data and analytics teams. Only 35% are independent functions reporting to the CEO. Another 42% are part of IT, and the remaining 23% report to a different business unit or other leader.

Data and analytics talent

The demand for data and analytics talent continues to grow, making it critical for organizations to have strong hiring and retention strategies to keep their teams fully staffed, as well as relationships with external organizations that can supplement their data analytics teams and skillsets as needed.

Retaining new talent is one of the most pressing challenges, as 47% of executives cite retention as a pain point. However, aligning HR and data analytics needs can also be a struggle. One-third of executives indicate that talent acquisition and skill development are misaligned with digital transformation initiatives. Forty-five percent of executives prefer to continuously identify and partner with boutique, “best of breed” consulting firms rather than large consulting firms or vendors pre-screened by procurement.

To address talent issues, it is important to pursue diverse options ranging from upskilling current talent to hiring external consultants for temporary or project-based needs. Each route has unique benefits. Upskilling employees may boost retention and team loyalty, while enlisting external consultants can deliver faster results and more specialized talent. However, to achieve a data- and analytics-driven culture, organizations must empower employees to develop, serve, and evaluate data and analytics as products enabling self-service for internal and external customers. This approach would help them measure ROI based on internal user/customer value.





Expanding data and analytics capabilities

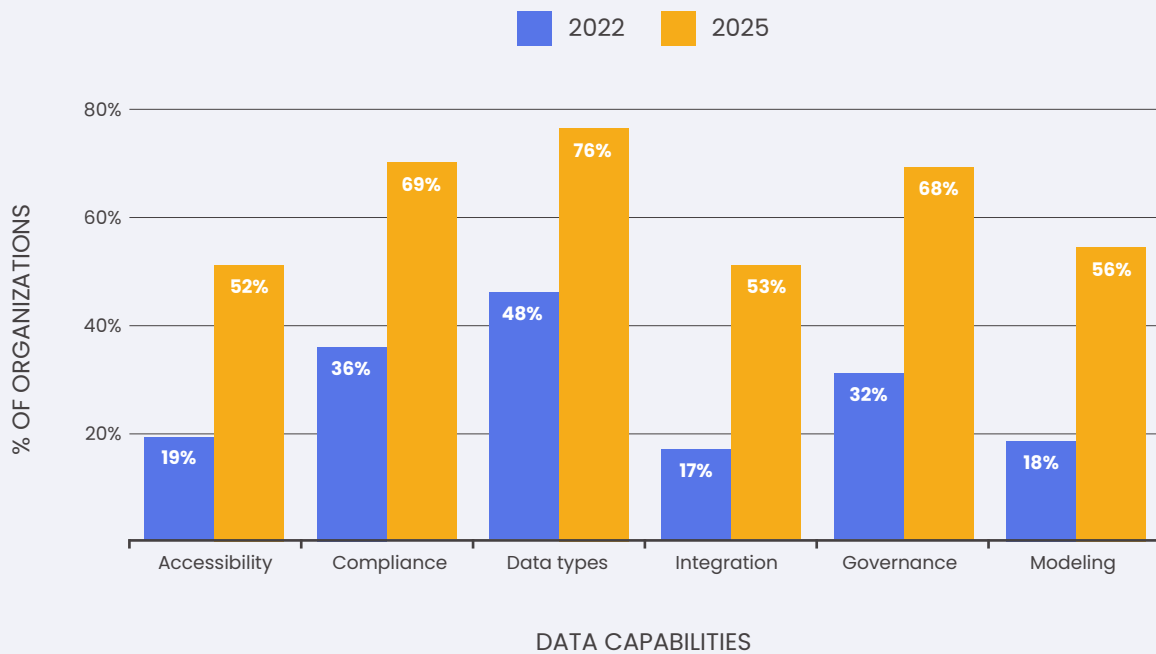
As businesses continue to uncover new use cases and analytics and AI/ML solutions become more widely available, companies are focused on expanding their data and analytics capabilities to implement modern solutions and gain competitive advantages. The opportunities these capabilities offer can significantly impact company revenue, expenses, client satisfaction, and more.

Growing data capabilities

For good reason, executives across the board picked data as the top enabler of digital transformation. Data is an indisputable enterprise asset. Organizations stand to reap its benefits by continuing to mature capabilities and delivering business cases across customer, product services, and transactions while managing operational risks with appropriate controls.

In fact, executives plan to achieve 34% more robust data capabilities through 2025, maturing from current basic or intermediate levels. They plan to expand and/or mature data capabilities of every major type over the next three years.

Organizations with mature data capabilities in 2022 vs 2025



As these data capabilities expand, organizations that are quick to embed AI/ML across operational data capabilities will gain a competitive advantage by unleashing auto-learning processes to optimize everything from resource use and cost reduction to ROI and value delivery.

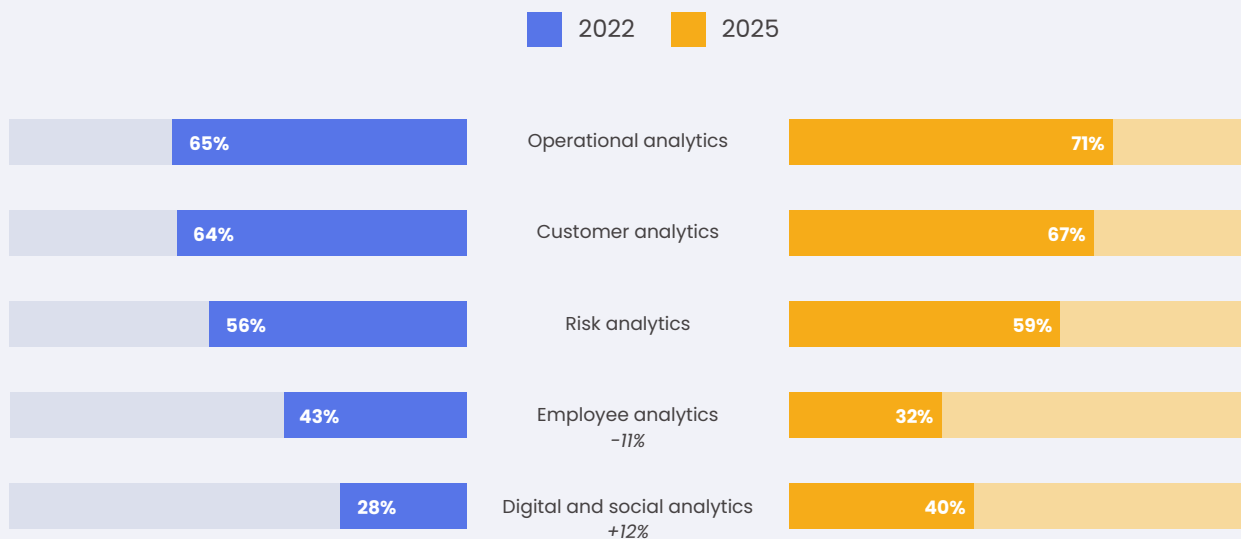
EXPANDING DATA AND ANALYTICS CAPABILITIES

Growing analytics capabilities

Analytics use cases evolve and expand into new focus areas as organizations strive to optimize business performance. The focus on optimization parallels the high level of use financial executives reported for operational analytics and customer analytics – both of which are critical for streamlining processes, maximizing customer satisfaction, and ultimately boosting the bottom line.

Unlike data capabilities, where executives projected large expansions in their maturity over the next three years, the use of analytics capabilities was not predicted to expand significantly through 2025 in most areas. Digital and social analytics was the only analytics type with a planned increase of more than 10%.

Use of analytics capabilities by business units/executives in 2022 vs. 2025



By continuing to develop analytics, especially with strong AI/ML use cases, organizations will be better able to auto-learn at scale and formulate insights to guide strategic decisions at the enterprise level. With already high levels of adoption in top analytics categories, existing uses and continued improvements enabling self-service will likely deliver high value for financial services institutions that prioritize analytics.

EXPANDING DATA AND ANALYTICS CAPABILITIES

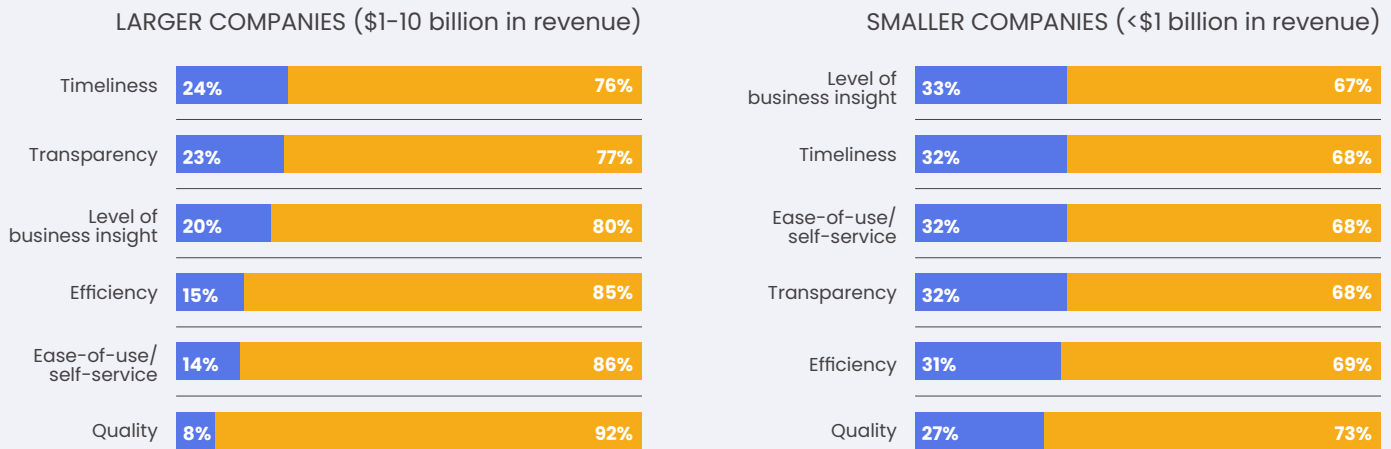
Technologies and user satisfaction

While organizations continue to mature their data and analytics capabilities and operationalize new AI/ML use cases, it is crucial to prioritize the most impactful outcomes and manage expectations. This requires precisely defining the benefits you expect digital initiatives to have and how you will track them – and then setting reasonable expectations for your key metrics.

While overall, most financial services executives reported being satisfied with their current data analytics capabilities, there are opportunities for improvement, especially for smaller organizations.

Level of satisfaction with current data and analytics capabilities

■ Dissatisfied ■ Satisfied



While most executives reported satisfaction with their capabilities across the board, at least a quarter of respondents at small companies felt dissatisfied in each area. Timeliness was one of the most challenging factors at all companies, which may point to the difficulties of keeping data analytics teams fully staffed, operational struggles, and more.

Conclusion

Financial services executives know that using data to improve customer experience is imperative to stay competitive and grow their businesses. In fact, many are planning to invest more money into this crucial asset over the next three years to employ new technologies like AI and ML and further refine their business operations. However, budget and lack of urgency from c-level executives have prevented these changes thus far.

To realize the value of a digital transformation and move the business forward, there needs to be a greater focus on transparency, especially with AI/ML usage, and a shift in senior leaders' mindset so CFOs and CDAOs can define, track, and optimize data resources and technologies to fully reap the benefits of their efforts and realize the true value of their investments.





About Wavicle Data Solutions

Wavicle Data Solutions provides award-winning cloud data and analytics solutions that accelerate value, reduce risk, and empower our clients to make smart, data-driven decisions. Our financial services data and analytics consulting team works with financial institutions to make the shift from legacy infrastructure and siloed data to modern data architectures and digitally enabled operations. As industry experts with deep technical expertise and cutting-edge accelerators and frameworks, Wavicle's team empowers financial services companies to make the most of their data. Contact us today for more information.



About our participants

The insights in this report come from a survey and executive interviews conducted by Beresford Research with 320 financial services executives in North America.

Participants represented both business and technical functions, including executive and strategy; corporate services; finance and risk; operations and contact centers; sales, marketing and distribution; and IT (data analytics and AI).

86% of the participants were c-suite executives, split equally between business and IT functions. The remaining were director- or VP-level executives.

