What’s Keeping the C-Suite Up at Night: 6 Imperatives for the Banking, Financial Services, and Insurance Industries

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The opportunity for BFSI organizations is significant, but so are the challenges ...

We’re living in a constantly evolving digital world — one in which the Banking, Financial Services, and Insurance (BFSI) landscape is progressing and creating new opportunities to streamline processes & operations, uncover new models, and connect with customers in deeper and more meaningful ways. Along with these opportunities come unprecedented challenges for the C-suite. Banking, financial services, and insurance institutions have evolved through the Great Recession, numerous acquisitions, and years of accumulating technical debt to find themselves in an increasingly complex world. These rapid developments have created an environment that is inherently high cost, high risk, and high maintenance.

To add to that complexity, BFSI firms now face a world disrupted by COVID-19 and its ensuing fallout, where Agile delivery models are required to provide a fluid digital experience to their clients. If that wasn’t enough, state-sponsored cyberattacks and increased regulatory challenges are at an all-time high. It’s enough to keep the C-suite awake at night.

To navigate these changes and challenges, the C-suite must work in a connected fashion to simplify the business & IT environment, modernize legacy systems, and meet customers on their own terms.

The banking, financial services, and insurance industry has experienced substantial shifts towards a more digital landscape over the last decade. New technology means new customer expectations, evolving security risks, and increased demand for staff capable of implementing & managing the solutions that will meet the demands of the marketplace. C-suite executives have long been tasked with monitoring the pulse on these developments — but it’s a lot to keep up with and requires a tremendous amount of energy from leaders.
As with most of the business world, COVID-19 put new pressure on how quickly (and effectively) those new measures are implemented. Tomorrow's challenges became today's problems, forcing C-level executives across the BFSI industry to take a step back and reevaluate the three-legged stool of people, processes, and technology.

Today’s customers want to interact, but the traditional face-to-face ways banking and financial services organizations are accustomed to became far less palatable in the pandemic. Instead of waiting to go back to normal, BFSI companies need to look at what’s next. The new reality is driving innovation that couldn’t be justified with business cases but is desperately needed. This presents new challenges and six key imperatives that C-level executives must understand and face.

**C-Suite Imperative 1:**
**Digital Transformation**

Our already connected world is becoming more and more connected every day. In 2020, more than 4.5 billion people — nearly 60% of the world’s population — connected to the internet. Additionally, 127 new IoT devices are connected to the internet every second.

Companies are turning to technology and apps to create unique experiences for customers. Starbucks, for example, has created an app that collectively holds more value than some mid-size banks have in assets.

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These apps are designed to keep the user connected and reward them, something customers have grown to expect from their favorite brands.

In order to remain relevant and meet the customer expectations born in the consumer world, the BFSI industry must continue to reinvent itself. Up to 50% of total IT budgets will be spent on new technology by 2022\(^3\) — and for good reason. It leads to:

For users, digital transformation helps banks meet customer demands for accessibility anytime, anywhere. This means investing in self-service channels, digital nudges, and frictionless journeys across payments, settlements, and recoveries.

While the majority of C-suite executives recognize that IT simplification and the shift to digital is important, strategies empowering those initiatives are hard won. The C-suite is challenged to identify what should be modernized and when, and what legacy infrastructure can remain without creating productivity bottlenecks. But when leadership chooses to cut corners or implement the “easy” solution, they’re left with a tremendous amount of technical debt.

The C-suite needs to consider two things: managerial courage about legacy resources, people, processes, and systems to make the right (sometimes tough) decisions, and the risk challenging the financial services space.

In the insurance industry, leaders are focused on overall cost reduction and operational efficiency. Twenty percent of CEOs are adjusting their budgets and implementation plans while 25% of life insurance CEOs and 13% of P&C insurance CEOs worldwide are focusing on cost planning and operational efficiency initiatives⁴.

TRANSFORMING THE BFSI DIGITAL LANDSCAPE

As legacy skills diminish in importance and processes become clunky and outdated, they need to be replaced with tools and systems that can better acquire and retain customers. BFSI organizations can improve time-to-market expectations and ROI by going digital, remaining agile, and monitoring customer behavior demands. Modernizing core banking platforms, creating the data architecture, instituting modern engineering practices, and moving towards automated infrastructure will become increasingly important. With a strategic approach to digital transformation, companies can implement initiatives that help rid companies of their technical debt and modernize their IT.

To prioritize the right digital strategies and create a sustainable digital landscape that tackles both today’s and tomorrow’s challenges, it’s important to start with what brings the most value to employees and users alike. There are many paths to digital transformation but prioritizing what becomes digital and what stays is the first and most important step.

C-Suite Imperative 2:
Capturing Customer Insights

Data is the new oil in the digital era. According to International Data Corporation (IDC), more than 59 zettabytes (ZB) — or 59 billion Terabytes — of data will be created, captured, copied, and consumed in the world this year — up from 33 ZB just two years ago⁵.

But the data alone isn’t what provides value. You need to make the data mean something. Efficiently turning your data into deep customer insights can be the most important predictor of revenue.

growth and profitability. In fact, roughly 75% of banks are investing in more
customer-centric models, using intelligent data to help BFSI organizations
mitigate risk and identify the riskiest customers.

Too often, companies struggle to turn customer data points gathered from
omnichannel interactions into revenue-driven information. They end up
hoarding data while customers’ expectations are unmet.

TURNING DATA INTO ACTIONABLE INSIGHTS

Many banks are transforming their Target Operating Models (TOM),
decoupling and moving to a decentralized or democratized governance
structure. In a decentralized governance structure, banks are reorganizing
authority to regional and local levels.

As a result, BFSI organizations reap important benefits:

- **Breaking down silos**
  - Silos keep data trapped in one department or business unit, where it’s inaccessible to the rest of the organization. Democratizing governance structure also democratizes this data.

- **Increasing decision-making speed**
  - Without silos, organizations get a more holistic view of the organization more quickly. This arms executives and stakeholders with the ability to make data-backed decisions with confidence.

- **Delivering value and competitive advantage**
  - Breaking down silos also helps the organization deliver value. Customer insights cascade throughout the organization, making strategic decisions on everyday tasks more customer-focused.

For example, credit card companies have been utilizing data, artificial
intelligence (AI), and machine learning (ML) for years to determine spending behaviors, rewards incentives, and tailored card capabilities. Banks can use these models to determine product behavior and predict life events like starting college, an upcoming wedding, or a future vehicle purchase.

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6“Retail Banking 2020: Evolution or Revolution?” PricewaterhouseCoopers.
It's crucial to have a strategic vision for how to make the most of your data. This begins with properly managing the data you have, eliminating silos that can make data difficult to use, and ensuring the right people are in place to provide deep insights into what your data means.

**C-suite Imperative 3: Becoming Agile**

IT projects in BFSI are known to move slowly. They are littered with scope creep and deadline extensions, which can create frustration with both team members and the customers they're trying to please. Moving to Agile can help maintain team momentum and keep morale high during the development process by getting things done quicker and even anticipating and adjusting for scope creep.

Moving to Agile product and technology development can improve time-to-market (time-to-value) and process efficiency, both of which can be strong competitive differentiators. Nearly 40% of banks are planning to significantly increase investments in Agile transformation over the years.

But for C-suite executives, the shift to Agile requires major cultural transformation and the accompanying change management challenges. IT and business development must be deeply connected and every aspect of people, processes, and technology will be affected.

**CREATING AGILE FRAMEWORKS**

Agile must be a company-wide commitment and approached with an end-to-end perspective. This requires a core approach to connected planning (business and IT) and strategy. It includes fundamental changes in the investment model and requires a commitment to a product-based model, including the implementation of dedicated product owners and product managers, creating a true cultural transformation in the way an organization does business and delivers technology.

For BFSI organizations to develop Agile frameworks, they first need to develop Agile skills. This can be done through bringing in new team

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"Retail Banking 2020: Evolution or Revolution?" PricewaterhouseCoopers.
members experienced in Agile methodologies, and through upskilling & reskilling current employees.

For example, in an effort to bring the entire organization onboard with Agile transformation, an organization can use training and coaching to introduce new ideas and get all parties up to speed on developments and challenges. This might be through Scrum master classes, product owner classes, and executive classes to ensure Agile is reaching all levels of the organization. In some cases Agile bootcamps can be very valuable.

C-Suite Imperative 4:
Improving Cybersecurity

In the past, cybersecurity was focused on “keeping the bad guys out.” In today’s world, it assumes that those bad guys are already in. Instead of blocking attacks, modern cybersecurity measures are designed to help teams prepare and manage for when they inevitably happen.

The necessities of modern banking and financial services practices expose even the most forward-leaning organizations to cybersecurity issues. The shift to digital, need for real-time data analysis, superior operational control, reduced capital expenditures, and massive shift towards remote work sparked by COVID-19 have made cloud migration just the starting point. As one of the biggest targets of state-sponsored cybersecurity attacks, financial institutions need to prepare and manage systems & processes through creative thinking and new solutions.

C-suite executives also face unique challenges related to the changing work environment. With more teams working remotely, cybersecurity teams are faced with new challenges, including the authentication of the person logging into accounts, tracking & monitoring behaviors to ensure work is actually happening, and bulletproofing measures to protect the franchise with a scattered team.

The need for many financial institutions to be fully remote, operational, and secure has placed tremendous pressure on the foundational network and infrastructure services of the organization, while at the same time expediting digital transformation and cloud adoption.
MITIGATING CYBERSECURITY RISK

Strategic cloud migration and a secure infrastructure are just the beginning. To properly manage risk, especially with a remote workforce, identity is king. Ensuring confidentiality, integrity, and access of your systems and data must go beyond the systematic. When you can't physically see who is logging in to an employee's account, you need to think of your workforce in terms more than just a user ID and password.

Data and access management helps control who within the organization can access sensitive information, going beyond just the user's role in the company. It helps monitor employee behavior to consider identification factors, like how they type or use their mouse, that might indicate they're not who they say they are.

“Bad actors in this world disguise themselves to create a fear of the unknown. Master the unknown by understanding your people, your systems, and the threat landscape. Removing fear brings clarity of thought and action.”

- David Armstrong
Chief Information Security Officer
The Judge Group
C-Suite Imperative 5:
Meeting Regulatory and Compliance Mandates

The alphabet soup of regulations (Dodd-Frank, SOX, ISO, GDPR, CCPA, HIPAA, NIST...) and associated governing bodies (FDIC, OCC, SEC, CFPB, NCUA, NIAC, FINRA...) present consistent and ever-evolving challenges for BFSI organizations. With so many regulations (and some that don’t even align or agree with each other), BFSI organizations often struggle to keep up with the demand for the latest safeguards and systems to protect customer and business information.

As you examine the different parts of the BFSI industry individually, it becomes clear that the regulatory demands they must meet vary greatly. Credit Unions have different governing bodies than banks and for-profit financial services companies. Investment firms and insurance companies have very different compliance needs than their banking counterparts and size matters when you consider things like Dodd-Frank (>$10B assets). The days of vertical discreet silos are quickly diminishing from a regulatory perspective and large companies in this sector must address things at the enterprise level — requiring the business to look at the core value streams and the associated end-to-end process and IT organizations to re-examine their technical debt on a global scale.

As leading organizations push forward to meet customer expectations and explore new opportunities, they must balance the desire to innovate with their ability to meet compliance standards. Legacy silos in many BFSI companies have created fragmented processes and a lack of end-to-end capabilities. These are further exacerbated when global and offshoring capabilities come into play. Scenario planning, stress testing, and balance sheet optimization will need to become the core of planning and management decisions.

The Biden administration could also bring new regulations to the technology and finance sectors. While it’s too soon to see how these
changes will impact those in the BFSI industry, complying with these changes will require significant investment of time, money, and resources.

**COMPLYING WITH POLICY REQUIREMENTS**

Properly managing and governing data is crucial. With such sensitive client information (Pii data), banks and insurance institutions need to ensure their data management and governance is top-of-the-line. For BFSI C-level executives, this means implementing industry standard models based on first (operational), second (corporate), and third (audit) lines of defense over the last five years and making continuous improvements by monitoring risk and compliance. Organizations must be well-versed in GDPR, CCPA, and the various demands they place on these institutions and their board of directors.

To address these ongoing challenges, BFSI institutions should expand their use of data and analytics throughout their ecosystem and further deploy innovative technologies such as intelligent automation, robotic process automation (RPA), natural language processing (NPL), artificial intelligence (AI), and machine learning (ML) to enhance their processes. These technologies are driving quality and efficiency gains and creating opportunities for team members to move onto more enriched roles.

Staying on top of the changing demands is a massive undertaking, requires an integrated approach. Industry leaders are using global resourcing strategies with a mixture of buy / build / partner, FTE / Contingent, On / Off / Nearshore capabilities to create sustainable models and the workforce of the future to stay ahead of the compliance curve.

“Compliance around security and data should be a primary focus for all companies. GDPR and CCPA are all about data, security, and securing gaps with controls. The world has changed from ‘compliance-based’ to a ‘threat-based’ model and we advise our clients to assess themselves against threats to determine what gaps they have in their security posture.”

- John Battaglia
  President & Chief Technology Officer,
  Judge Consulting
C-SUITE IMPERATIVE 6:
Finding the Right Talent

The market for top-tier tech talent is more competitive than ever. It’s a fallacy to believe that the pandemic upended the job market significantly for highly skilled talent — it has remained very much a candidate’s job market. In fact, it has largely been unskilled labor that has been impacted the most; in October 2020, the unemployment rate for high school graduates was 8.1%, compared to just 4.2% for college graduates.

Between cloud migration, cybersecurity concerns, and an increased focus on exceeding customer expectations in a digital era, the demand for these experts remains high — not just within BFSI, but in other industries as well.

With this as context, finding the right talent for your team remains crucial for the success of the company. In a world of people, processes, and technology, your staff will be the glue that holds the organization together. When you don’t have the right people, the right processes or technology will never be enough.

Hiring the wrong people is also costly. The U.S. Department of Labor estimates that the cost of a bad hire can be as much as 30% of that new hire’s first-year earnings.

Failing to take diversity and inclusion initiatives seriously can be just as costly to an organization. Lost productivity and employee turnover as a result of not feeling included at work is estimated to have cost U.S. companies $1.05T in 2019 and $3.7T worldwide.

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But even so, companies continue to make hiring mistakes and ignore equality initiatives, predominantly when it comes to hiring based solely on the skills a candidate has. While the right skills are important, hiring for one competency ignores the several other factors that can play into whether or not a candidate truly fits the role, such as attitude, culture fit, and communication skills.

**STAFFING IS A CRITICAL PART OF A COMPREHENSIVE APPROACH TO TALENT**

There are many options to address talent challenges within your organization. From traditional full-time employees to offshore workers, each comes with its own value statement — but also its own expense and risk. Resourcing strategies within BFSI must consider all options, including contingent workforce, geographical location, professional services, managed services, buy vs. build, and more. If not approached strategically, the wrong option could lead to a loss of productivity, time-consuming & costly management, open positions, and security risks.

Upskilling and reskilling provides another opportunity to meet the ever-changing demands of the digital landscape. Teaching existing employees new skills gives you an opportunity to invest in your people, building on the strengths they already possess to enable them to meet next-level challenges. For example, rather than hiring additional IT staff, a coding bootcamp can upskill your existing workforce to be able to tackle new problems.

Staffing, including direct placement and contract-to-hire, can provide more strategic opportunities for filling gaps, especially when your organization is coupled with the right partner who can provide the consulting services necessary to identify what you truly need, and the training capabilities to help current staff modernize their skill set. Where managed services expose new risks that can be expensive and time-consuming to mitigate, strategic staffing provides opportunities for filling new and temporary gaps in cost-efficient ways.

Managed services, upskilling, and reskilling should work cohesively — and must be used strategically. BFSI firms should work closely with trusted partners that bring end-to-end talent and consulting services capabilities.
Conclusion

“Skill shortages in cloud, data, digital, and cyber continue to be pervasive across the BFSI sector and all industries. But building high performance teams is about more than hiring talent with tech savvy skills alone. Targeting talent with BFSI-specific domain knowledge paired with the right level of tech skills make all the difference, and often results in higher levels of acceptance, engagement, and productivity. In today’s WFH virtual world, culture is also paramount. CIOs and leadership that foster a culture of trust, continuous learning, and manage their workers based on outcomes, rather than hours, stand to attract, and more importantly, retain the best of the best.”

– Brian Anderson, President, The Judge Group

Solving the challenges facing C-suite executives is imperative for success within the BFSI industry in today’s ever-changing climate and beyond. But as needs, threats, and opportunities are evolving every day, top-level leaders are tasked not only with selecting solutions that solve current challenges, but upcoming ones as well.

Strategic partnerships give C-suite executives the insight and support to choose the most practical solution while maintaining day-to-day business operations. Becoming a trusted advisor in today’s world requires understanding, experience, and problem-solving skills to help BFSI organizations stay on top of shifting industry expectations and technology trends.
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ABOUT THE JUDGE GROUP

The Judge Group is a leading professional services firm specializing in talent, technology, and learning solutions. We consult, staff, train, and solve to make BFSI professionals and organizations better. Our services are successfully delivered through a network of more than 30 offices in the United States, Canada, and India. The Judge Group serves more than 50 of the Fortune 100 and is responsible for 9,000 professionals on assignment annually across a wide range of industries.

Working at the crossroads of people and transformative technologies, The Judge Group delivers innovative business solutions – powered by top talent – to help BFSI organizations reach their strategic goals and realize opportunities now and in the future.