

Article 06\_04.04.2024 /AP\_IMCI+ Alliance

By Andrea Pisoni

## Technologies that enable Digital Transformation for the finance sector

Similar to other industries, also in Finance the last years after the pandemic have seen a great acceleration in the path of digital transformation, to the point of being a true revolution. Indeed, the use of innovative solutions is increasing by the day, giving rise to true ecosystems of players capable of delivering high-value customer experiences. Between investments in cloud, Blockchain, AI, IoT and automation, in the next few lines we will see together which technologies are enabling Digital Transformation for the finance sector.

### Digital Transformation in the Finance Sector

For some years now, in all sectors including the financial services sector, Digital Transformation has been creating a real revolution. How? By laying the foundation for a market full of solutions and innovations. During the pandemic, an industry that had for a long time remained essentially stationary at the level of established dynamics and models, found itself reckoning with a disruption fueled by regulations that were finally conducive to progress, then the advance of numerous new, agile players capable of offering innovative propositions and business models never seen before.

In this way, a kind of bipartition, thus not opposition, has arisen within the market. On one side are the "big boys" of the banking and insurance world, with great strength, solidity, reputation and wide offerings. On the other side, however, we find third-party operators, who seek to enter the value chain, going to harmonize their offerings together with the work of the larger organizations. This category includes not only fintechs and insurtechs, but any other digital technology player in finance interested in playing a prominent role in the market.

The Digital Transformation of the financial ecosystem, then, is a revolution in its own right, supported also by a regulatory framework that finally looks to modernize the sector. In particular, the PSD2 directive required the various banks in Europe to expose their APIs. This granted qualified third parties access to the big players' data, then the development of truly innovative services to offer to their customers, either stand-alone or as a service offered by the bank itself.

### Enabling Technologies of Digital Transformation

To date, Digital Transformation projects are able to absorb 1/4 of total corporate budgets. Included within them are significant cloud investments. From many quarters, the cloud is seen as central to change, thus a real driver of efficiency. Important investments are also devoted to security and emerging technologies such as machine learning, Internet of Things, Blockchain and Cognitive Computing. In particular, it is automation that is most fueling a radical transformation of the work model, and this is in both the insurance and banking sectors.

Looking ahead, the most plausible hypothesis is related to the progressive automation and digitization of different processes, which will lead to a complete restructuring of work and a concomitant "revision" of roles. In other words, new professionals will be born. Taking a concrete example, with time the figure of the bot master, i.e., that person capable of governing and managing bots, is becoming increasingly important.

This is not to say that there is not still some difficulty for financial market participants to develop truly coherent transformation strategies. This is because in the face of quite substantial investments in enabling technologies, there is not always enough investment in timely management of challenges, both cultural and organizational. These are "brakes" that in some ways can significantly hinder the achievement of innovation and digitization goals.

### **A new "sensitivity" to data**

New disciplines that rely on Machine Learning and AI models are able to enable models capable of picking up signals so weak that they could hardly be intercepted through traditional methods. All of these new technologies can predict evolutions and scenarios in a truly accurate and reliable manner, to a level unthinkable only a few years ago. The companies that have been up to the task of implementing process digitization programs have also been those that have been able to undertake structural and extensive interventions.

This means that they have not limited themselves to spotty automation of activities, but instead have acted on vertical and selected areas. In any case, digital is really revolutionizing operating models, thus offering truly unique opportunities to improve and revise ways, organization, and places of work. Essentially, automation is capable of enabling cost optimization levers that go beyond traditional offshoring and outsourcing options.

This enables companies to reap significant efficiencies even with interventions that do not necessarily involve significant changes in organizational perimeters. The introduction of the latest digital technologies, moreover, makes it more common to proceed with the creation of Centers of Excellence for the management of new activities, going on to ensure sufficient critical mass (even and especially in the start-up phase) to incubate many professionals unknown until recently.

Obviously, innovative operating models and new technologies also require the creation of work teams with a new "digital mindset," where a set of requirements far greater than "simple" technological skills are required. Among the main ones, we certainly find flexibility, ability to work in interconnected environments, customer orientation, but also management models that can prove to be agile through prototyping approaches and progressive improvements in setting up different transformation paths.

### **Finance market: the needs of companies**

At this point, talking about digital transformation in finance and going down to the concrete, it is quite normal to ask what are the real needs of companies in the finance market, that is, financial operators, banks and insurance companies. Below we find the main ones, with the understanding that some of these technologies are already widely exploited, while for others the first steps are only now being taken, and for this reason they still show unexpressed potential.

### **Migration to multicloud environments.**

This is a very strong need, because these environments are able to manage legacy environments, but also and especially cloud-native processes and applications. Just think of applications related to home banking. For several years, in fact, banks failed in the task of adopting cloud systems. There were several reasons

for this, but first of all it was the lack of security and reliability of these systems. As things stand today, these issues are objectively outdated, considering also the technological maturity of the solutions on the market. As of today, therefore, there are platforms capable of fully supporting any company's digital business in a secure manner.

### **Dematerialization.**

This is primarily a need in some areas related to the use of paper. Through dematerialization, it is no longer necessary to print paper documents, which must then also be physically stored. All documentation is managed digitally and available online to those who need to use it, even at the same time with other operators who can update a document at the same time together, something that was impossible to accomplish when documents were printed.

### **Cyber security.**

As explained earlier, the security of corporate data and information is one of the central needs of any Finance company. In addition, the open banking concept will allow customers to share access to their financial information with others, further reinforcing this need.

Transformation of branches and locations.

This is a need that has arisen to foster a better customer experience. In all likelihood, the number of branches is likely to decline in the coming years, partly due to (or because of) the potential that comes with digital. The trend, therefore, will be to have branches with "lightened" spaces, technological and smarter.

### **Data Intelligence & Analytics.**

It is now clear: the future in the financial market is in data. Studying data and managing information in the right way is in fact a primary source of business, with potential that is even difficult to quantify. In the future, these tasks will be the preserve solely and exclusively of machines and robots.

R&D platform for developing your own blockchain.

It will be possible to test and develop self-developed applications on these platforms. Among the apps and platforms to be considered are definitely those related to mobile and digital payment. These are technologies that have now reached more than 80 percent penetration in our country.

### **Conclusions**

Digital Transformation must be understood as a journey, and as such it must have a beginning, thus a first step. In this case, one must start by understanding the level of digitization of one's company, then of the real needs based also on the size of the business. How? By harnessing the potential of a dedicated test that will allow one to accurately identify the respective level of digitization. This will be the starting point, but it is fundamental to minimize the waste and maximize the results.

The author bears full legal responsibility for the content, editing, and referencing provided, including any indications of sources.

@All rights reserved IMCI Group International Ltd – 2004-2024 and the Author  
IMCI+ Alliance is a Trademark of IMCI Group International GmbH – Zurich, Switzerland,  
Swiss Company ID CHE-274.653.816