Industrializing innovation in financial services: The path to acceleration and scale

An excerpt from a commissioned study conducted by Forrester Consulting on behalf of Ernst & Young LLP
Findings from a 2018 commissioned study conducted by Forrester Consulting on behalf of Ernst & Young LLP (EY US) confirm that nearly every company in financial services is focused on innovation as part of their digital enterprise transformation programs. Not surprisingly, some organizations are doing it better than others. For executives accountable for innovation, the study results show that holistic and multidimensional approaches emphasizing human and cultural factors are most effective in accelerating and scaling innovation across the organization.
This innovation-focused report is one of a series based on a 2018 commissioned study conducted by Forrester Consulting on behalf of EY US. The overview report highlights the unique interconnectedness of digital enterprise transformation, innovation, business model evolution, customer expectations and other critical factors in banking, insurance and wealth and asset management. It also rates the digital maturity of firms in terms of strategy, structure, culture, technology and security.

Download the overview report
About the survey

The commissioned study conducted by Forrester Consulting on behalf of EY US was completed in April 2018. The research consisted of online surveys with 240 senior-level executives (more than half of whom hold C-level positions) and additional phone interviews with select participants. Respondents represent financial services organizations – including banks, insurers, wealth and asset managers, and private equity and capital markets firms – based in the US and Canada with operations around the globe. (Private equity and capital markets firms are grouped with wealth and asset managers, and referred to as such, throughout this report.)

Position:
- C-level executive: 55%
- EVP/SVP: 9%
- Director: 36%

Department:
- IT: 33%
- Marketing: 7%
- Operations: 8%
- Finance and risk: 9%
- Strategy and business development: 20%
- Digital experience: 22%

Offices to which respondents belong or report:
- Chief digital officer: 25%
- Chief technology/information officer: 24%
- Chief innovation officer: 19%
- Chief operating officer: 9%
- Chief marketing officer: 8%
- Chief financial officer: 8%
- Chief strategy officer: 7%

Note: Due to rounding, totals may not equal 100.
Sectors:

33% Banking  |  33% Insurance  |  33% Wealth and asset management

Methodology: The digital enterprise transformation maturity model

The study evaluated respondents on 27 measures of digital enterprise transformation maturity. Survey respondents were prompted to place themselves on a five-point scale for each maturity measure across five categories:

- Strategy
- Structure
- Culture
- Technology
- Security

The overall maturity score was based on an aggregate score across these 27 measures. Respondents were then placed within one of three maturity groups – low, medium or high – depending on where their score fell along the distribution curve. The maturity assessment is an accurate predictor of where the average firm stands in relation to digital transformation excellence.

High-maturity firms, referenced as digital transformation leaders throughout this report, are those with advanced capabilities, strong track records and robust metrics in the areas listed above. They are also notable for focusing transformation efforts and investments on innovation and customer needs.

The middle cohort, referred to as mid-maturity firms, straddles the line between conventional practices and digital excellence. However, a significant number of these firms are likely to emerge as future leaders as they advance along their digital transformation journeys.

Low-maturity firms, referred to as digital transformation laggards, are typically focused on – even obsessed with – cost reductions and other financial metrics.
The inextricable link between innovation and digital enterprise transformation – and the path to acceleration and scale

In financial services, as in other industries, digital enterprise transformation has become a common undertaking, even a standard practice. Top executives speak of it often, both as an ongoing process and as a long-term goal – as a journey and a destination. More business leaders at more companies are involved with transformation initiatives. Thus, the stakes are higher (as are the budgets in many cases). Innovation is widely seen as the means to deliver tangible and sustainable value from these investments.

At most financial services organizations, innovation and digital transformation are so closely linked as to be inseparable. They are mostly deeply interwoven and mutually reinforcing at the most advanced digital organizations.

Innovation is both a driver and an outcome of digital transformation programs – a cause and an effect. In some cases, strong innovation teams drive transformation. In others, successful transformation leads to increased innovation – both in terms of outputs (like new products or business models) and organizational capabilities (increased agility and process resiliency).

To move beyond traditional approaches and generate bigger returns, digital and innovation leaders must focus on accelerating and scaling innovation capabilities. As financial services organizations look forward, many seek to accelerate and scale their innovation capabilities. The survey results provide clear insights about how chief innovation officers (CIOs) and their peers can drive such “industrialization” of innovation.

The path forward involves a range of steps, including:
- Embracing Agile methodologies
- Addressing cultural factors
- Expanding the innovation portfolio to include bolder, more disruptive efforts
- Thinking on the scale of “enterprise” and “ecosystem”
- Integrating across the business

The following pages present the survey’s most significant and actionable findings relative to innovation and then outline the recommended actions described above. The answers of respondents from digitally mature organizations are compared to those from digital laggards, as well as contrasting the inputs of chief innovation officers with their C-suite colleagues.

Executive insights:

“Innovation is top on everyone’s mind. Especially right now, it’s the key.”

VP and information security officer, large US bank
Survey results: The state of innovation in financial services

Findings from a commissioned 2018 study conducted by Forrester Consulting on behalf of EY US confirm that digital enterprise transformation leads to more innovation in financial services, as well as increased revenue and happier customers. Further, it clarifies that scaling and accelerating innovation requires a holistic and multidimensional approach – one that is powered by careful coordination, strong leadership and energized cultures.

CIOs lead industry focus on innovation

The financial services industry understands the importance of innovation: 87%, or virtually every firm, is investing in innovation as the top priority or a top-three priority (see Figure 1). The consensus regarding innovation extends across the C-suite, with the vast majority of chief innovation officers (CIOs), chief financial officers (CFOs), chief marketing officers (CMOs), chief strategy officers (CSOs) and chief digital officers (CDOs) seeing it as a top agenda item.

Across financial services sectors, increased innovation is also a top goal of transformation initiatives. Overall, 65% of respondents from digitally mature organizations cite innovation as a top goal, vs. only 32% of low-maturity companies (see Figure 2). This is not a surprise, given that innovation is widely viewed as critical to meeting rising customer expectations, navigating technology-driven disruption and competing against new players, including innovation-obsessed FinTechs. Innovation is also key to preparing for the potential obsolescence of business models and attracting new generations of customers and employees, the survey results make clear. Digital leaders appear to understand both the need for innovation and its many benefits more clearly than laggards.

Figure 1
What priority is your firm placing on innovation? (All respondents)

- 70% It is one of our top 3 priorities
- 17% It is our top priority
- 13% It is on par with other priorities

Figure 2
What are the key goals of your digital enterprise transformation?

- High maturity
- Medium maturity
- Low maturity

Base: 240 digital transformation strategy decision-makers at banking, insurance, wealth and asset management, private equity and capital markets firms
Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018
Note: Not all responses shown
Innovation is near the top of the transformation agenda across financial services. Thus, it’s a positive sign that about two-thirds of mature firms say they have experienced more innovation as a result of their transformation investments. And well over half of low- and mid-maturity firms are seeing increased innovation (see Figure 3). In terms of business benefits resulting from transformation, large majorities of respondents cited increased revenue (63%), better customer experiences (62%) and increased innovation (60%) (see Figure 4).

As we look across the C-suite, CIOs and CDOs are more closely aligned than CTOs when it comes to transformation’s ability to produce more innovation. Nearly four of five CIOs (78%) and CDOs (77%) believe their firms have experienced more innovation. Many fewer CTOs see innovation as a benefit of transformation (see Figure 5).

The consensus is somewhat stronger relative to better customer experience, cited by 74% of CIOs and at least 60% of CSOs, CTOs, CDOs and CFOs. It appears that CIOs see more benefits and see them more clearly than do their C-level peers.

Executive insights:

“Do digital transformation or don’t survive. You either master digital transformation or you’ll be left on the heap pile.” VP IT Operations, large US insurance group
What business benefits have you experienced from digital transformation at your firm?

(Top three answers)

- Increased revenue: 63%
- Better customer experiences: 62%
- More innovation: 60%

What business benefits have you experienced from digital transformation at your firm? (By role)

<table>
<thead>
<tr>
<th>Role</th>
<th>More innovation</th>
<th>Increased revenue</th>
<th>Better customer service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief innovation officers</td>
<td>78%</td>
<td>74%</td>
<td>74%</td>
</tr>
<tr>
<td>Chief digital officers</td>
<td>77%</td>
<td>74%</td>
<td>64%</td>
</tr>
<tr>
<td>Chief technology officers</td>
<td>54%</td>
<td>57%</td>
<td>69%</td>
</tr>
</tbody>
</table>

Base: 240 digital transformation strategy decision-makers at banking, insurance, wealth and asset management, private equity and capital markets firms
Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018
Note: Not all responses shown
Innovation takes on many forms

The survey addressed the various forms of innovation and the specific actions that firms take to promote it (see Figure 6). Those actions included a wide range of common techniques and tactics, from the strategic (like creating a “NewCo” business model independent of legacy) to the more tactical (such as creating innovation labs and teams and dedicated “test-and-learn” environments), as well as both internal teams and external partners (including FinTechs).

Further, the most popular actions include both technology and organizational dimensions. Indeed, in terms of expanding efforts in the future, measuring innovation and creating more leadership accountability were the top two answers. Steps such as these help make innovation an inherent part of operations, which lays the groundwork for industrial-strength capabilities.

Digital leaders show the practices and actions that have the most impact. It’s noteworthy that the biggest gaps are in the organizational factors, such as measuring innovation (which 88% of leaders do, vs. 41% of laggards). A similar gap (84% vs. 42%) exists when it comes to identifying executives with accountability and budget for innovation (see Figure 7). They are purposeful and holistic in formalizing innovation, which is guided from the top levels of the organization.

Executive insights:

“I hijacked the innovation team [to facilitate] digital transformation. It enabled rapid business process development supported by technology. That group was key to changing the organization because it combined high-potential people out of the business side with IT.”

Chief technology officer, large US lending company
What specific actions have you taken to accomplish this innovation at your firm? (All respondents)

- **Identifying executives with accountability and budget for innovation**: 93% have implemented, 61% plan to expand.
- **Identifying and implementing a means to measure the value of innovation** (e.g., time for an idea to become a product, prototyping speed, number of ideas in the pipeline, employee engagement in innovation, ROI): 91% have implemented, 63% plan to expand.
- **Creating test and learn environments to reimagine business and inject new thinking into legacy operations**: 88% have implemented, 53% plan to expand.
- **Experimenting with emerging technologies (e.g., artificial intelligence, blockchain)**: 86% have implemented, 54% plan to expand.

Base: 240 digital transformation strategy decision-makers at banking, insurance, wealth and asset management, private equity and capital markets firms

Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018

Note: Not all responses shown
When it comes to enabling faster and easier innovation with external vendors and startups, similar percentages of companies (65%) are turning to accelerators and/or incubators and formalizing their own horizon-scanning capabilities (62%). This is further evidence of the increasingly pervasive view that innovation is both an inside game and one played collaboratively with external parties. Notably, digital leaders are much more focused on internal horizon scanning (75%) than laggards (55%).

Collectively, these results illustrate that there are multiple paths to innovation in financial services, though companies across the industry appear to be following many of the same ones. Further, innovation is as much about organizational and cultural factors (like senior executive sponsorship and budgeting authority) as it is about developing or deploying the hottest new technology. Technology cannot be overlooked, of course, and survey respondents (including CIOs) definitely expect — and see the need for — further activity and engagement with emerging technologies.

Innovation priorities will shift moving forward

The survey also asked what companies have done recently and where they plan to focus in the next 12-24 months (see Figure 8). Compared to their top three areas of focus over the last 24 months, leaders will place greater emphasis on improving efficiency and productivity, improving the customer experience and implementing new ways of working. The implication is that leaders anticipate great progress in terms of deploying platform-based business models.

The views of CIOs are very similar to those of the most mature firms (see Figure 9). More than two-thirds, or 68%, are focused on improving efficiency and productivity. Improving the customer experience (58%) and implementing new ways of working (56%) are other top priorities.

The contrast between recent and future innovation priorities highlights both the significant progress on and continuous nature of the innovation journey for companies in financial services. For example, that platform-based business models are moving down the innovation agenda suggests how common they have become. According to one respondent, “This ‘platformification’ is just a thing you do.”

Executive insights:

“So we’re trying to look at a Lean Six Sigma approach within this innovation lab, to actually test things, to determine what we need to do, to measure it, to improve and analyze it, and eventually control and then move it out to the organization.” Senior vice president, marketing, large Canadian financial services group
Creating new platform-based business models
Improving customer experience
Improving efficiency and productivity
Implementing new ways of working

Past 24 months

<table>
<thead>
<tr>
<th>Priority</th>
<th>High Maturity</th>
<th>Medium Maturity</th>
<th>Low Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating new platform-based business models</td>
<td>57%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>Improving customer experience</td>
<td>55%</td>
<td>44%</td>
<td>58%</td>
</tr>
<tr>
<td>Improving efficiency and productivity</td>
<td>56%</td>
<td>53%</td>
<td>47%</td>
</tr>
<tr>
<td>Implementing new ways of working</td>
<td>37%</td>
<td>44%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Next 12-24 months

<table>
<thead>
<tr>
<th>Priority</th>
<th>High Maturity</th>
<th>Medium Maturity</th>
<th>Low Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating new platform-based business models</td>
<td>33%</td>
<td>43%</td>
<td>39%</td>
</tr>
<tr>
<td>Improving customer experience</td>
<td></td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>Improving efficiency and productivity</td>
<td></td>
<td>67%</td>
<td>66%</td>
</tr>
<tr>
<td>Implementing new ways of working</td>
<td></td>
<td>55%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Figure 8
Primary areas of innovation (percentage ranked as top-three priority)

Figure 9
Primary areas of innovation: Next 12-24 months (Chief innovation officers)

Base: 240 digital transformation strategy decision-makers (including approximately 50 chief innovation officers) at banking, insurance, wealth and asset management, private equity and capital markets firms
Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018
Note: Not all responses shown
Investments are targeted toward current business models

While innovation can be applied to nearly every part of the business, most investments are still focused close to current business models and on sustaining innovation. Nearly half, or 43%, of respondents say innovation investments are focused on improving the core business by innovating around known industry capabilities, markets or existing business models. Another 35% are establishing new capabilities to extend the current business. Only one-fifth are seeking disruptive or transformative innovation that will redefine current ways of doing business (see Figure 10). Interestingly, CIO responses are consistent with those of all respondents.

“Near-horizon” innovations that are designed to enhance or extend current business models are more likely to deliver 10% returns than they are to deliver 10x returns, which only come from more ambitious efforts designed for disruption. The implication is clear: firms seeking breakthrough performance gains or stronger market positions must think bigger and act bolder.

Innovation is largely measured through the eyes of customers

Most organizations view innovation through a customer-centric lens. Metrics related to customer satisfaction, such as gains in Net Promoter Scores (NPS) are used by 61% of participating companies. Customer adoption of new products and services generated through innovation is another popular metric, cited by 59% of respondents. Slightly higher percentages of CIO respondents cite such measurements – 72% for NPS gains and 68% for customer adoption of new products and services (see Figure 11).

Employee participation in innovation is cited as an innovation measure by 48% of all respondents and 58% of CIOs, another reflection that they understand the crucial organizational dimensions of innovation. Interestingly, 84% of CIOs say business model shifts are used to measure innovation, vs. 61% of all respondents. Again, it seems that CIOs see the big picture.

Executive insights:

“The innovation teams are embedded in each of the major functions, the development, delivery and customer experience teams, and into the business.”

IT operations VP, large US insurance group
Approximately what percentage of your innovation investment is given to the following three primary levels of innovation?

- Continuous improvement of the core business (by innovating around known industry capabilities, markets or existing business models): 46% (Chief innovation officers), 43% (All respondents)
- Establishing new capabilities to extend the current business (by innovating around customers, products and markets beyond the current business model): 35% (Chief innovation officers), 35% (All respondents)
- Achieving disruptive innovation to transform the market/industry (by redefining current ways of doing business): 19% (Chief innovation officers), 22% (All respondents)

How does your firm measure innovation?

- Shifts in our business model: 84% (Chief innovation officers), 61% (All respondents)
- Changes in customer satisfaction (e.g., assessed through metrics like Net Promoter Score): 72% (Chief innovation officers), 61% (All respondents)
- Customer adoption of new products and services that were generated through innovation: 68% (Chief innovation officers), 59% (All respondents)
- Employee participation in innovation: 58% (Chief innovation officers), 48% (All respondents)
- Customer acquisition linked to new products and services that were generated through innovation: 54% (Chief innovation officers), 51% (All respondents)

Base: 240 digital transformation strategy decision-makers (including approximately 50 chief innovation officers) at banking, insurance, wealth and asset management, private equity and capital markets firms
Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018
Note: Not all responses shown
CXOs not fully aligned on the role of innovation

When it comes to transformation goals, business benefits and future priorities, there are significant gaps between the views of CIOs and their C-level colleagues. For instance, CDOs and CIOs are more closely aligned with each other than with CTOs (see Figure 12).

On one level, the lack of alignment is not surprising. Naturally, chief innovation officers are more focused on driving innovation, while CTOs want to prepare the organization for new technologies. However, the gaps raise three important issues:

1. Need for C-suite alignment: The entire C-suite needs to be in synch in driving innovation. As technology evolves at a constant and increasing pace following Moore’s law, chief technology officers have a critical role to play, not only in keeping up with, but – more importantly – also in promoting and enabling innovation through a robust digital infrastructure.

2. An underlying cause of innovation struggles: All firms have access to powerful technology, but perhaps a lack of coordination and consensus among senior leaders holds back returns on investments.

3. A need to clarify strategic goals for innovation at the highest levels of the organization: Senior leaders must work together to build consensus where it matters – especially relative to goals, target outcomes and metrics. A sense of shared purpose is particularly important for companies seeking to accelerate and scale innovation.

Executive insights:

“With innovation, we’re tracking more to the outcomes. Like each year you actually have a specific number of new products. It could be a new solution that you’re offering and things like that, so we track those, and we have milestones.”

Chief operations and technology officer, large US bank
What are the key goals of your digital enterprise transformation? (By role)

- Innovation: 66% (Chief innovation officers 44%, Chief digital officers 43%)
- Keeping up with competitors: 40% (Chief innovation officers 31%, Chief digital officers 11%)
- Being better prepared to deal with changing technology: 24% (Chief innovation officers 30%, Chief digital officers 46%)

What business benefits have you experienced from digital transformation at your firm? (By role)

- More innovation: 78% (Chief innovation officers 77%, Chief digital officers 54%)
- Increased revenue: 74% (Chief innovation officers 74%, Chief digital officers 57%)
- Faster speed to market: 62% (Chief innovation officers 61%, Chief digital officers 49%)

Base: 240 digital transformation strategy decision-makers (including approximately 50 chief innovation officers, 60 digital officers and 60 chief technology officers) at banking, insurance, wealth and asset management, private equity and capital markets firms
Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018
Note: Not all responses shown
Lessons from leaders: Digitally advanced firms point the way forward

The big difference between leaders and laggards is in the how of digital enterprise transformation. Leaders use repeatable process and federated models of innovation to a much greater extent than laggards do (see Figures 13 and 14). These same techniques can serve as a template for industrializing innovation. Laggards do not design their innovation processes for scale and take either an excessively decentralized or centralized approach.

Federated models appear to be most effective in “operationalizing” innovation across the organization. Fostering and promoting innovation are the federated team’s full-time job, though many other teams are involved in innovation, as they should be. The survey results suggest that this is the fastest path to innovation at scale.

Federated models help balance the need for coordination and guidance from the top corporate levels with integration into the business and operational units. It places decision-making authority and benefit realization at the right place in the organization.

In contrast, a decentralized approach offers too little command and control; if innovation is thought to be everyone’s job, it often turns out to be nobody’s job. An excessively centralized model, however, can limit ownership or input across business units or operational groups, thereby restricting the scale and pace of innovation programs.

It is worth noting that high-maturity firms are not dedicating significantly more resources to innovation (see Figure 15). Again, the implication is that it’s how leaders approach innovation – how they organize themselves to deliver innovation, how they oversee it and measure its value – that sets them apart from laggards and the middle cohort.

Executive insights:

“Our innovation committee meets regularly to show where the organization should be headed. We want to pool the collective resources of our employee base. We don’t want to take an ivory tower approach [to innovation].”

Director of digital banking, US credit union
There is a central team that coordinates across innovation teams (75%).

We have a defined, repeatable and scalable innovation process (61%).

Approximately how many people are tasked with managing and implementing innovation at your firm?

- More than 50: 7% (High), 11% (Medium), 4% (Low)
- 41 to 50: 5% (High), 10% (Medium), 5% (Low)
- 31 to 40: 9% (High), 15% (Medium), 12% (Low)
- 21 to 30: 24% (High), 31% (Medium), 24% (Low)
- 11 to 20: 34% (High), 35% (Medium), 31% (Low)
- 1 to 10: 13% (High), 13% (Medium), 5% (Low)

Approximately how much funding is given to managing and implementing innovation at your firm?

- More than $10m: 15% (High), 19% (Medium), 7% (Low)
- Between $5m and $10m: 31% (High), 28% (Medium), 13% (Low)
- Between $1m and $5m: 35% (High), 58% (Medium), 14% (Low)
- Less than $1m: 13% (High), 14% (Medium), 5% (Low)

Base: 240 digital transformation strategy decision-makers at banking, insurance, wealth and asset management, private equity and capital markets firms
Source: A commissioned study conducted by Forrester Consulting on behalf of EY US, April 2018
Note: Not all responses shown
Recommended actions: How financial services firms can continue their journeys to maturity

Financial services firms seeking to strengthen their innovation capabilities must recognize the need for holistic and multidimensional change. That’s true whether their innovation focus is on operating model revamps or on automating processes. As illustrated by the study results, mastering innovation affects multiple aspects of the business:

- People and relationships – customers and employees, vendors and partners
- Organizational mission, structure and culture
- Business strategy and brand positioning
- Systems, technology and data
- Process design and performance
- Back-office functions and customer-facing touch points

In this complex innovation formula, it’s critical that chief innovation officers take a leading role in setting the agenda, influencing investment priorities, coordinating teams and functions across the organization, and driving effective execution. Their efforts should be focused on the following areas:

### Securing and aligning executive commitment

Chief innovation officers are uniquely positioned to align incentives on enterprise goals from the “top of the house.” Specifically, that means coordinating with CDOs, CTOs, CMOs and others to build consensus on the most compelling innovation opportunities, both in customer-facing channels and in the back office. Outside the C-suite, CIOs should seek to create enthusiasm around a clear vision for innovation and make advocates of leaders and staff across the business.

### Implementing Agile development

It’s one thing to set up teams in innovation labs and centers of excellence. It’s another to empower them to embrace new ways of working and proven techniques, such as the Agile methodology. It’s critical that these teams move in Sprints, if only to set new organizational standards and increase the normal tempo for delivery and outputs.
**Embrace staged acceleration**

Related to the adoption of Agile, the focus must be on adding value incrementally through innovation and orienting ROI cycles to nearer-term horizons. As a practical matter, that means aligning governance toward rapid outputs rather than procedural red tape.

**Manage an innovation portfolio**

While rapid value delivery is important, the long game of innovation cannot be overlooked. Financial services firms must develop and maintain an innovation portfolio across multiple time horizons and at varying scales. That means some initiatives should aim to extend and enhance existing operations in the near term, while other investments represent bigger and longer-term bets on more disruptive shifts in the business models. Some ROI targets should be 10% and others 10x.

**Experiment with new technologies**

It's well understood that innovation isn't solely about technology. But, innovation can’t happen without advanced technology. That’s why it’s essential that organizations continue to experiment with leading-edge and emerging technologies. Innovation-centric practices like “test-and-learn” are best applied to new technologies.

**Engage with ecosystems**

Innovation at scale is impossible without effective external partnerships. In the transformative age, a wide range of stakeholders – FinTechs, early-stage startups, venture capitalists and academia – are generating ideas and concepts that may disrupt the industry. Incumbent banks, insurers and wealth and asset managers can harness the powerful energy of these forces and can even serve as connectors for those new products or platforms that can benefit the entire industry (e.g., the establishment of industry utilities). Many of tomorrow’s innovations will start with today’s collaborations.

**Integrate functions to enable continuous transformation**

Innovation must be viewed as an enterprise capability if it is to be industrialized. New ways of working must take hold, including more cross-functional collaborations, and new skills and talent must be brought on board. This won’t be an easy task, which is why CIOs must keep it near the top of their strategic agendas. For many organizations, the starting point must be the ability to rally relevant parties from across the organization around a common vision and execute specific innovation initiatives.
Industrializing innovation in financial services

Financial services companies need to “industrialize innovation” to keep up with the pace of change and to take full advantage of emerging technologies. Industrialized innovation means innovating at scale, at speed, efficiently and safely. To realize that ambitious vision, organizations will need to change culture, implement agile development, experiment with new technologies, engage with ecosystems, manage innovation portfolios, scale new solutions and experiment with new business models, possibly enabled by digital platforms.

The survey results indicate that many financial services firms are working actively along these lines, though the need for further improvement is just as clear. Yes, banks, insurers and wealth and asset managers have made progress on their digital journeys in the past few years. However, new challenges — demographic, technological and competitive — mean the industry still has a long way to go.

Innovation undergirds everything banks, insurers and wealth and asset managers need for competitive success in the future — from operational excellence and workforce optimization to product development and customer experiences. Innovation is a top priority for leaders, laggards and the middle cohort; thus, future success will likely be determined by who can industrialize innovation capabilities most effectively.

A final word: Innovation is both a journey and a destination.
Contacts

Roger Park
Americas Advisory and Financial Services Innovation Leader
Ernst & Young LLP
roger.park@ey.com
+1 212 773 5379

David Kadio-Morokro
Financial Services Advisory Innovation Leader
Ernst & Young LLP
david.kadio-morokro@ey.com
+1 212 773 9117

Further reading

A vision for platform-based banking

Download the complete report

Technology disruption and the future of wholesale banking

Download the complete report

Digital Disruption in Wealth Management

Download the complete report

Digital transformation in insurance

Download the complete report
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

EY is a leader in serving the financial services industry

We understand the importance of asking great questions. It’s how you innovate, transform and achieve a better working world. One that benefits our clients, our people and our communities. Finance fuels our lives. No other sector can touch so many people or shape so many futures. That’s why globally we employ 26,000 people who focus on financial services and nothing else. Our connected financial services teams are dedicated to providing assurance, tax, transaction and advisory services to the banking and capital markets, insurance, and wealth and asset management sectors. It’s our global connectivity and local knowledge that ensures we deliver the insights and quality services to help build trust and confidence in the capital markets and in economies the world over. By connecting people with the right mix of knowledge and insight, we are able to ask great questions. The better the question. The better the answer. The better the world works.

© 2018 Ernst & Young LLP.
All Rights Reserved.

1811-2944144
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com