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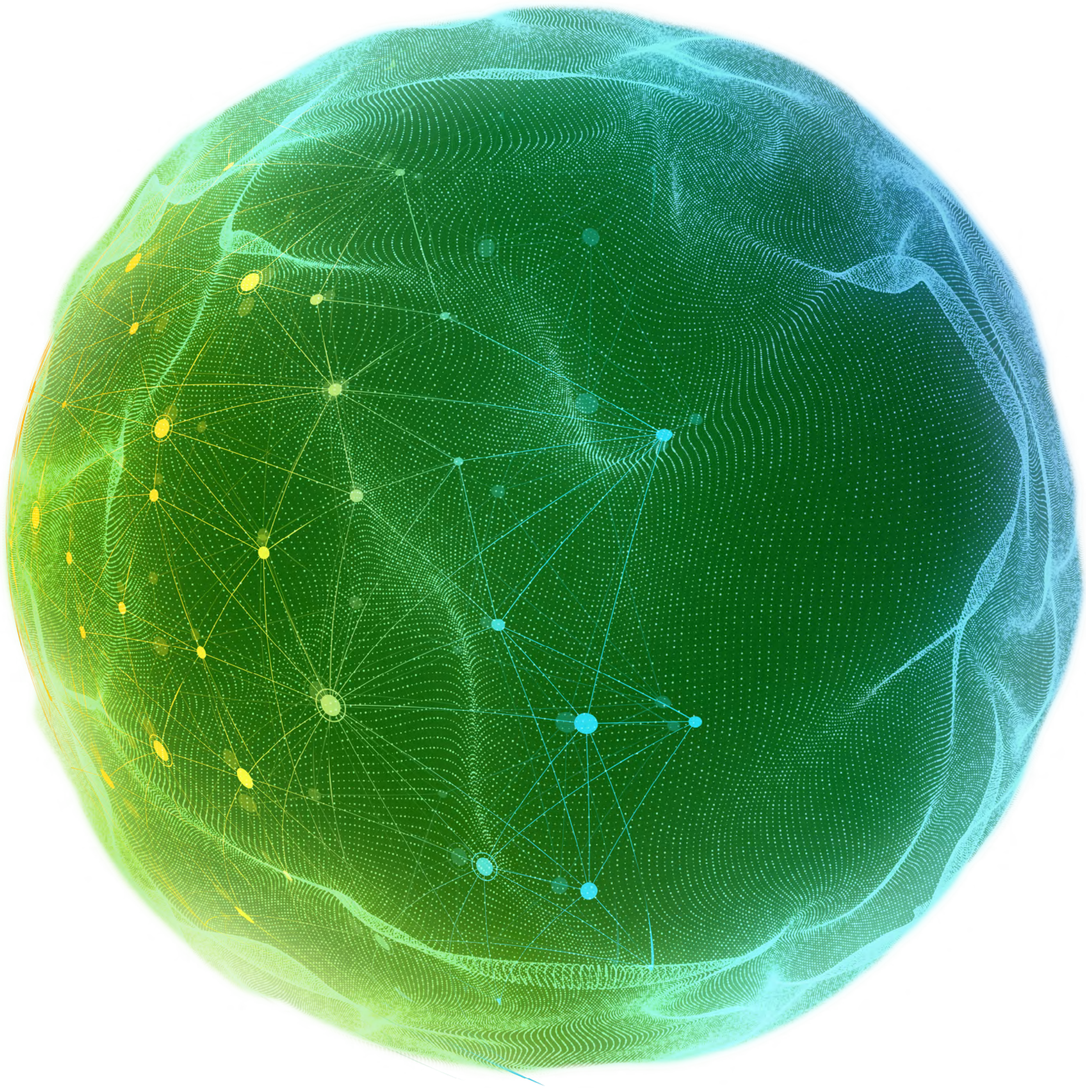

Modernizing technology for business impact

Insights from 25 banking leaders on enhancing tech strategy

Technology transformation is at the center of every CIO's agenda. It requires managing the slow, incremental change of legacy technology systems while enabling new markets, products, and ways of working for the enterprise. This is no mean feat; therefore, 25 leaders from leading US banks that are a part of the Wall Street Technology Association (WSTA) came together for a roundtable discussion about how they measure tech investments and ROI. Technology leaders from across the banking sector including JPMorgan Chase and Citi, joined a session to share strategies that are working best for them as they grapple with a complex transformation environment. The banking leaders emphasized four imperatives.

Secure business leader buy-in

Deloitte's research has consistently shown that technology strategies are most successful when aligned with business goals. A Deloitte analysis of 4,600 companies' business and financial filings over a decade found an aligned business and tech strategy can drive double the market cap compared with a digital strategy alone. However, aligning business leaders to modernization priorities can be challenging. A focus on shared incentives can help. For example:

- **Two birds, one stone**
  Look for the win-win by using each build as an opportunity to advance one technology goal and one business goal. A goal-oriented approach can help incrementally address legacy platform, mobile, cloud, and other technology needs in a pragmatic way, scaling into the enterprise architecture or cloud IT strategy over time. These leaders recognize that big, bold changes are often incremental and require small, everyday wins to accumulate over time.
- **Cross-business prioritization**
  Most banks operate by siloed business lines, which means that technology decisions for capital markets, wealth and investment management, and retail banking happen separately. Technology leaders expressed the importance of establishing a relationship with the business unit leader as a partner and advising on technology interdependencies —across legacy platforms and data that could impede progress. They drive greater prioritization and alignment through education and communication.
- **Carrot-and-stick method**
  Sometimes incentives are misaligned, which can impede change. For example, teams that moved to the cloud early are, in a sense, penalized—paying for both legacy and new infrastructure. Some banks have initiated cost-conscious modernization proposals to incentivize the right modernization and innovation behaviors. For example, the last business to get off the mainframe is left to pay for maintaining it.
- **Foster co-investment where possible for shared goals**
  Business leaders need to feel invested in technology decisions, and technology leaders need to understand why they're important to the business. This requires speaking the same language across five digital imperatives: experiences, platforms, connectivity, integrity requirements, and ROI expectations. Here, co-investment can go a long way. One bank technology leader revealed they have a common practice of sharing financial investment in builds, where the CTO pledged 25 cents for every dollar that the COO or CEO allocates to the project. This "bought-in" commitment symbolizes the co-investment in shared goals.

Measure what drives value

Technology investments also need to drive the desired returns. One leader shared that the business responded more positively to value conveyed through "cost savings" as a more tangible measure than "cost avoidance." Their challenge: addressing both run-the-bank and change-the-bank initiatives while maintaining that high level of cost consciousness. Many of the leaders acknowledged a need for a broad set of performance indicators across financial, customer, process, and other measures—showing greater measurement maturity relative to other industries.

Because of that maturity, banks outpace other sectors in technology spending to create value—and in measuring success. A recent Deloitte survey found that banks are more likely to view technology as transformative—and their tech investments show it. For example, spending on capabilities such as mobile technologies (86%), data analytics (92%), cloud platforms (82%), cloud native (68%), edge computing (49%), and Internet of Things (65%) was all well above the average for respondents in other sectors.

Our survey also revealed that banks have more confidence in the measures they use and that they perceive fewer barriers to effective measurement. They measure success across a wide range of both purpose- and performance-based key performance indicators (KPIs). The top five most cited metrics include budget versus actual cost (82%), productivity (88%), customer engagement (79%), employee productivity (81%), and corporate reputation (71%). Banks are also more likely to use "intangible" KPIs such as organization mission fit and corporate reputation that measure alignment between tech and business goals.

Drive efficiency, strengthen teams

Internal platform strategies can drive a broad agenda. One bank technology leader spoke about their own strategy to use a centralized platform to create data services through application program interface capabilities. While the platform required business buy-in, an up-front investment, and six months to execute, the organization can scale development with greater speed and consistency.

Cost-conscious technology leaders can better expand existing investments and better standardize data, code, functionality, technology components, and business capabilities across teams and the business with greater velocity—a critical success measure for many of the banks. Similarly, the group also discussed industry clouds for banking to accelerate speed of development, reduce friction, and increase velocity.

Platform and ecosystem strategies, however, cannot fully address the operational challenges many banks are facing due to their mainframes. Mainframe modernization—migrating core applications to a more technologically advanced environment—requires a dedicated replatforming of the business. All the banks acknowledged this issue as a drain on their resources and innovation strategies, if not addressed.

Power growth with strategic tech investments

While the marketplace continues to discuss GenAI's great potential, some leaders expressed concerns about potential regulatory compliance issues and ensuring that client-facing professionals can continue to provide excellent customer service and research insights. However, overall, the leaders were very excited about GenAI's ability to drive employee productivity, enhance data and analytics capabilities, and free up professionals to focus on more value-added tasks. Most are already exploring GenAI use cases in call centers, as well as other technologies through dedicated innovation teams that regularly sense technology category innovations, such as quantum computing, the metaverse, and others.

Deloitte research indicates that tech investment—especially in these newer technologies—is impactful and robust.

In a 2023 Deloitte survey, a majority (51%) of respondents in the financial services (FS) sector said they were leveraging their tech investments to create fundamental change in their business.[1]

Moreover, other Deloitte research clearly shows the value the FS sector sees in these advanced technologies. For example, in a 2024 Deloitte survey, 86% of FS respondents indicated they are investing in AI, with 62% investing in GenAI specifically. Further, 77% of those respondents believed that they gain value from AI in general. The research also reveals that banks spend a higher percentage of their revenues (12% versus an average of 7.5% for respondents across all sectors surveyed) on digital transformation.[2]

What's possible, and what's profitable?

At the end of the day, banking technology investment needs to balance modernization and innovation initiatives. The next 10 years will bring dramatic changes as technologies mature more quickly than they have in prior years and business leaders face new pressures from customers to continuously implement changes.

Banking leaders can prepare for these changes by deepening the relationship between business and technology with a shared language, shared incentives, and strategic investments not just for today's operational challenges but also with an eye to tomorrow.

Get in touch

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Endnotes

1. Tim Smith et al., "Unleashing value from digital transformation," *Deloitte Insights Magazine* 31 (2023).
2. Tim Smith et al., "Focusing on the foundation: How digital transformation investments have changed in 2024," *Deloitte Insights*, October 14, 2024.