

**KIN+CARTA**

Digital Transformation

# 2024 Leadership Priorities in Tech

Leading through tech anxiety in  
financial services



## Contents

Introduction	<a href="#">🔗</a> 3
Digital transformation: A fast lane to the future	<a href="#">🔗</a> 4
The rise of tech anxiety	<a href="#">🔗</a> 9
Investing in a digital future	<a href="#">🔗</a> 12
Data-driven transformation	<a href="#">🔗</a> 15

## Background to the report

We interviewed 800+ business leaders based in the UK and US. Of these, 320 were from the financial services sector.

The sample was made up of C-suite executives, Senior VPs and VPs, Directors and Senior Decision Makers. We spoke with senior leaders on a range of key topics, combining surveys with in-depth interviews.

### Topic 1

#### Digital transformation for large-scale organizations

Understanding perceptions of digital transformation, what it is understood to mean, how people talk about it, and the challenges that surround it.

**98%** of financial services leaders identified 'digital transformation' as a term used within their business, higher than in any other sector.

### Topic 2

#### Tech anxiety: identifying and responding to concerns

Understanding senior leaders' concerns around digital transformation and the key issues driving tech anxiety.

Cyber security (**29%**) is the most common source of anxiety, followed by AI & machine learning (**18%**).

### Topic 3

#### Investment: the next big thing

Understanding current investment strategies in the face of emerging technologies and a changing environment.

More than half of businesses (**53%**) intend to spend more on digital transformation projects this year, compared to previous years.

### Topic 4

#### Data: what people trust

Exploring the levels of trust in company data, reasons for distrust, and the areas of data that leaders focus on the most.

**78%** of financial services leaders reported trusting or mostly trusting their company data.

## Keeping pace with change: understanding tech anxiety

Technology innovation has reshaped the financial landscape. In the midst of volatile economic conditions, the lingering impact of the pandemic, and social and political changes, financial services businesses are under mounting pressure. They must adapt and embrace digitalization in order to remain competitive.

Producing demonstrable results, however, has proven challenging for many organizations. With initial attempts at digital transformation centered on expanding digital teams, headcounts and budgets have historically been stretched with limited returns.

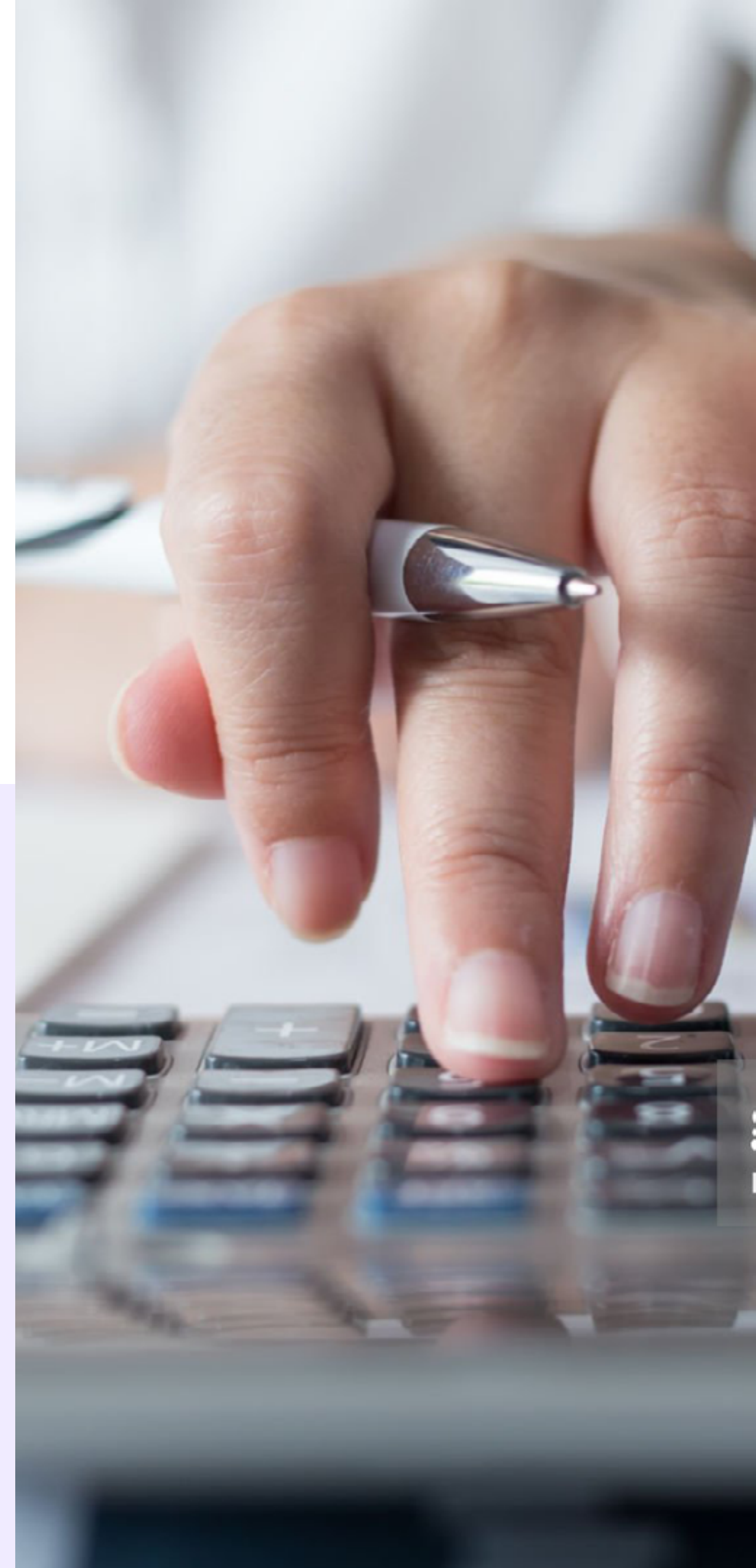
**This has resulted in a growing phenomenon across the sector: tech anxiety.** Higher stakes and increasing demands have led to worries around the implementation of digital transformation projects.

Leaders in the financial services industry are faced with an unprecedented challenge—equipping themselves with up-to-date knowledge about digital developments, to better manage potentially costly and disruptive transformation procedures. While the artificial intelligence zeitgeist, increased scrutiny around data protection, and ever-changing cyber security risks have increased complexity for industry executives.

We surveyed 320 senior financial services leaders to better understand their experiences, sources of tech anxiety, and key tech investment priorities.



# Digital transformation: A fast lane to the future



## Digital transformation at the forefront

The contemporary financial services industry is undeniably digital. Technological innovation has provided opportunities for faster transactions, greater transparency around investments, and streamlined lending and borrowing processes—enabling and decentralizing the sector in unprecedented ways.

Our research reveals that **98% of senior leaders in the financial services sector acknowledge the presence of digital transformation within their organizations.** An equivalent percentage has implemented strategies related to it, albeit under different names and guises.

Even with its prevalence in the industry, there are hints: the term “digital transformation” is losing relevance. Many associate it with helping legacy organizations transition from analog to digital systems, a challenge that most financial services businesses have already conquered or simply never faced due to their pure-play nature.

Although **72% of leaders still consider digital transformation to be critical or necessary**, inconsistencies in the interpretation of the term itself and limited immediate return on investments have led to skepticism. What does digital transformation look like for the industry?

---

# 98% of financial services organizations have a digital transformation strategy

## The digital change cycle

Our research reveals that leaders in financial services understand digital transformation to mean a significant change to business operations through the integration and application of new technology. Three broad themes emerge from leaders' responses to what digital transformation means to them.

---

**94% of financial services leaders consider their companies digitally fit for the future.**



### 1. Transformation of processes, practices, and culture

Emphasizing the need to leverage digital technologies for business transformation, including reshaping processes, culture, and organizational structures. This entails embracing digital operations, automation, and integrating technology across the organization to drive continuous progress.



### 2. Evaluating technology impact and adoption strategies

Assessing the effects of emerging technologies on organizations, evaluating potential risks, opportunities, and aligning them with organizational objectives. This involves making informed decisions, setting adoption strategies, selecting appropriate technologies, and balancing current needs with future innovation.



### 3. Deriving benefits and competitive advantage

Focusing on the value derived from digital transformation and new technologies. Highlighting the potential for improved business processes, enhanced customer experiences, increased productivity and growth, leading to a competitive edge in the market.

## Digital transformation hotspots

Leaders across our research told us that digital transformation is a wide-reaching evolution. They want to continually improve outcomes and processes across their organizations, rather than focusing on siloed projects. This big-picture approach means transformation efforts are often centered around these key areas:



For **nearly half** of financial services businesses, digital transformation is seen to involve AI and machine learning.

### 1. Ethical considerations and responsible technology use

Exploring ethical implications, addressing AI bias, algorithmic transparency, and the social impact of transformation to ensure responsible use of technology.



For **48%** of financial services businesses, digital transformation centers on automating internal processes.

### 2. Modernization and automation of tools and systems

Upgrading and streamlining existing tools, systems, and processes to keep pace with digital transformation demands.



Digital transformation relates to cloud modernization in **47%** of financial services businesses.

### 3. Cloud migration and application replacement

Navigating the complexities of migrating systems and applications to the cloud while ensuring seamless integration, data integrity, and minimizing disruptions.



**46%** use the term digital transformation to describe improvements in customer experience.

### 4. Customer-centric and personalized experiences

Placing the customer at the heart of business strategies, focusing on tailored marketing, personalized experiences, and utilizing customer data to enhance satisfaction, loyalty, and drive business growth.



Long-term strategy is central to digital transformation efforts in **43%** of financial services businesses.

### 5. Informing long term technology strategy

Digitalization of processes to future-proof the organization and employing data insights to map out the direction of travel for the business as a whole.



Survey responses suggest many leaders see transformation and cyber security as intrinsically linked.

### 6. Cyber security and data privacy

Addressing cyber threats, protecting sensitive data, and complying with privacy regulations to ensure the security of digital infrastructure and prevent data breaches.



# The rise of tech anxiety



## What's keeping leaders up at night?

With improvements in technology causing the rapid decentralization and democratization of many financial services, cyber security risks are more apparent than ever before.

Our survey shows this to be the most common source of anxiety amongst financial services leaders. **29% of senior leaders reporting anxiety about cyber security.** This percentage was higher than in any other sector we surveyed. With research showing that global cyber-attacks rose by 7% in Q1 2023, concerns over cyber security are likely to persist.

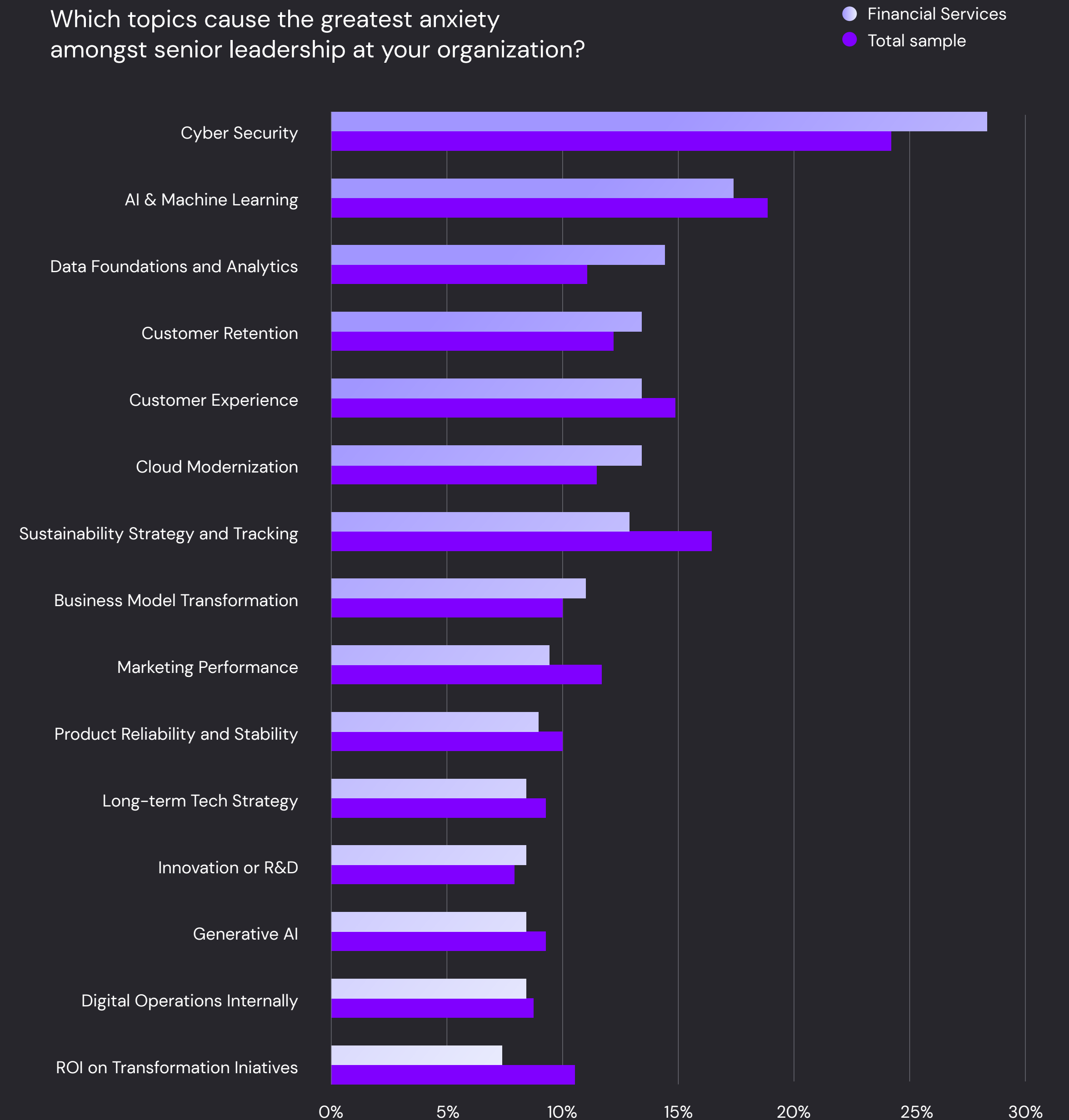
**Artificial intelligence and machine learning is also causing significant anxiety, with 18% reporting concerns.** When added to concerns over generative AI, developments in AI technology are causing almost as much concern for the sector as cyber security.

Leaders in the financial services industry also report anxieties related to data foundations and analytics (15%), customer experience and retention (14%), and the necessity for cloud modernization (14%).

**Our research reveals that 92% of leaders report tech anxiety among senior leadership in their organization.**

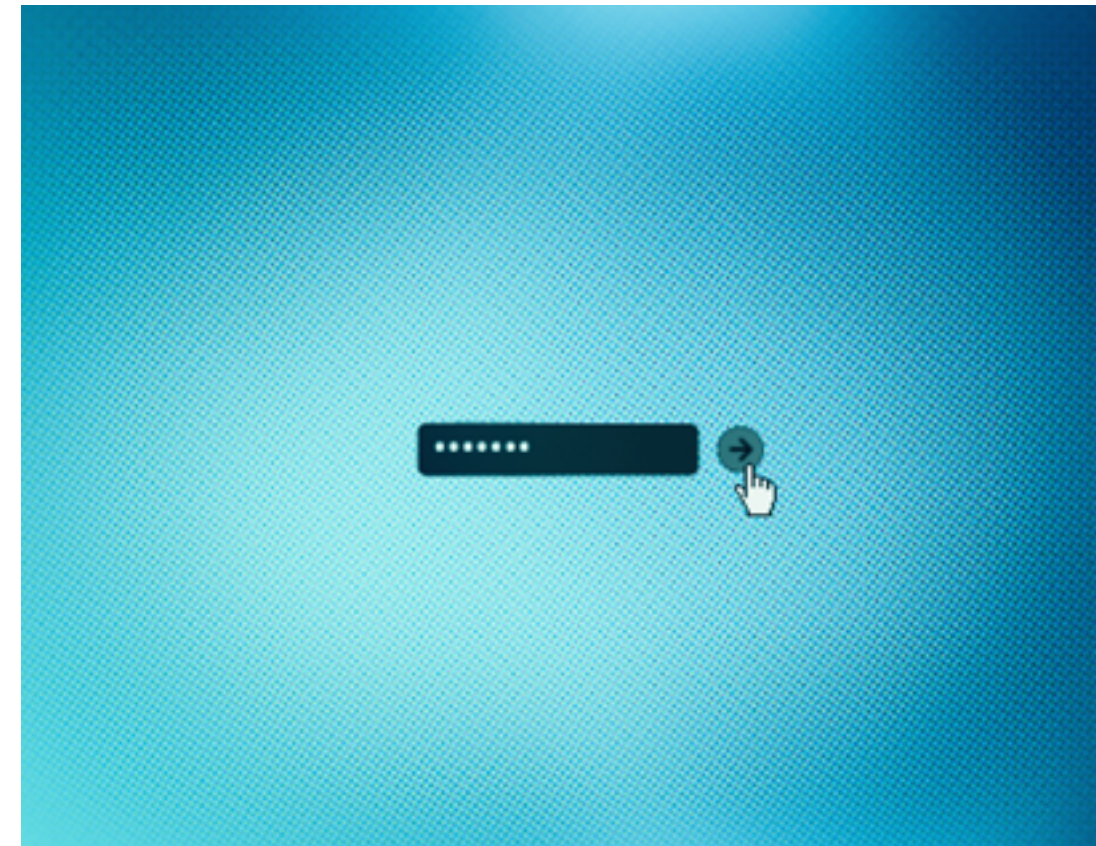
<sup>1</sup>Cyber Security Report 2023, Checkpoint, 2023

Which topics cause the greatest anxiety amongst senior leadership at your organization?



## Common sources of anxiety

Rapid technological advancements are causing anxiety for leaders in financial services, with worries about work-life balance and job security at the forefront. These are the biggest tech challenges keeping them up at night.

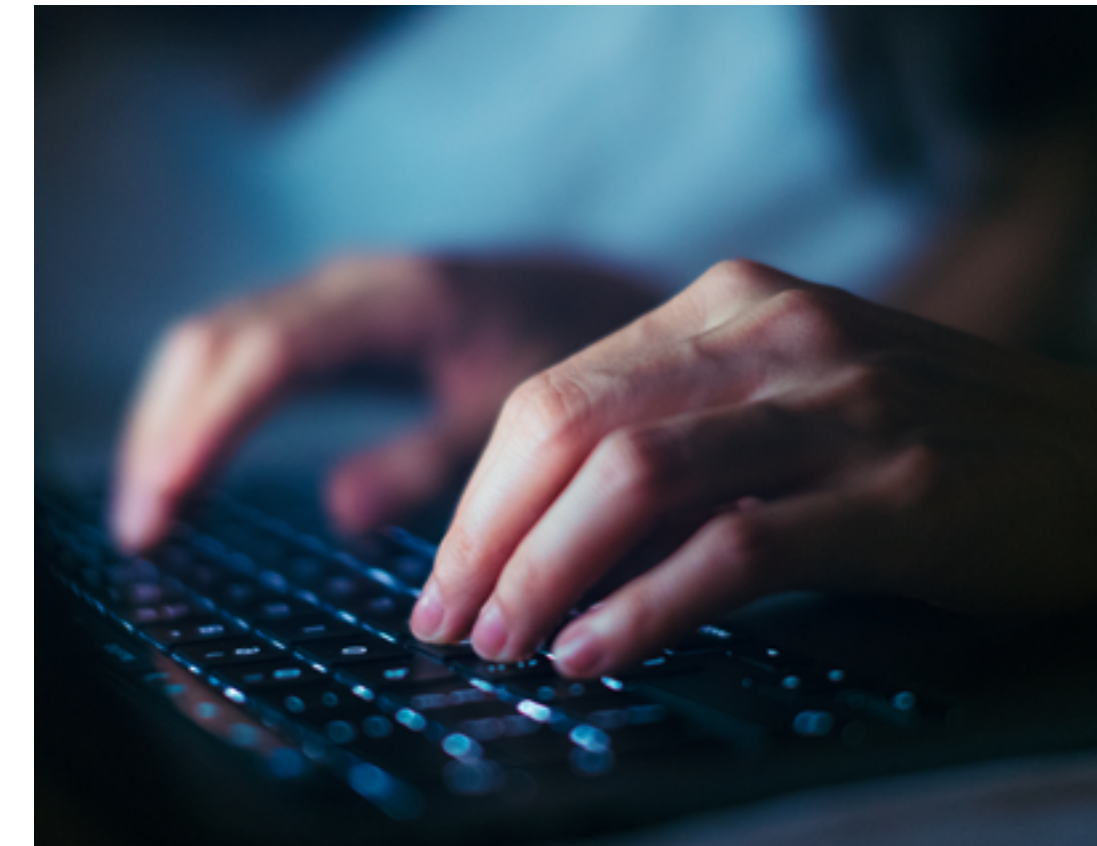


### 1. Cyber Security

Senior leaders often bear the responsibility of safeguarding their organizations against cyber threats. The increasing sophistication of cyberattacks and the potential impact on their company's reputation and financial well-being can lead to heightened tech anxiety.

---

For leaders anxious about cyber security, 46% were concerned that technology was moving too quickly.



### 2. AI and Machine Learning

As technologies advance, there is potential for AI and machine learning to create disruption alongside ethical challenges around job displacement, data privacy, and algorithm bias. They could also trigger unintended consequences or errors in decision-making processes.

---

34% of the leaders who identified this as a source of anxiety attributed their concern to a lack of trusted data.



### 3. Data Foundations and Analytics

Data foundations and analytics are crucial for the future of financial services. Strong data infrastructure ensures accurate and secure information management, while advanced analytics enables valuable insights and personalized services, driving innovation and business success.

---

The biggest worry for leaders around data foundations and analytics was an internal skills gap, with 41% reporting concerns.

# Investing in a digital future



## The importance of investing

For an industry that's undergone strict regulation and whose credibility and transparency often comes under question, the increasing digitalization of financial systems and services holds both threat and opportunity. To navigate this new territory, leaders are ready to embrace new technologies, with 72% believing investment in digital transformation to be either critical or necessary for business success.

However, all investment carries a level of risk, and **economic uncertainty has further impacted the majority of businesses' short-term (88%) and long-term (84%) plans.**

Despite this, 84% of financial services leaders believe that investment is necessary within the next 12 months, and the majority (53%) intend to spend more on digital transformation initiatives this year than in previous years.

---

84% of financial services leaders believe investment in digital transformation to be necessary within the next 12 months

## The next big thing

In the face of economic headwinds, leaders in financial services are continuing to invest, with artificial intelligence and machine learning their most pressing investment priority.

In the 12 months leading up to June 2023, 'artificial intelligence' experienced a fivefold increase in interest on Google Trends. Leading organizations in this space are gaining a large amount of attention and interest from investors. The untapped potential for this technology and the rapid pace of development has led to 15% of financial services leaders investing most in AI and machine learning.

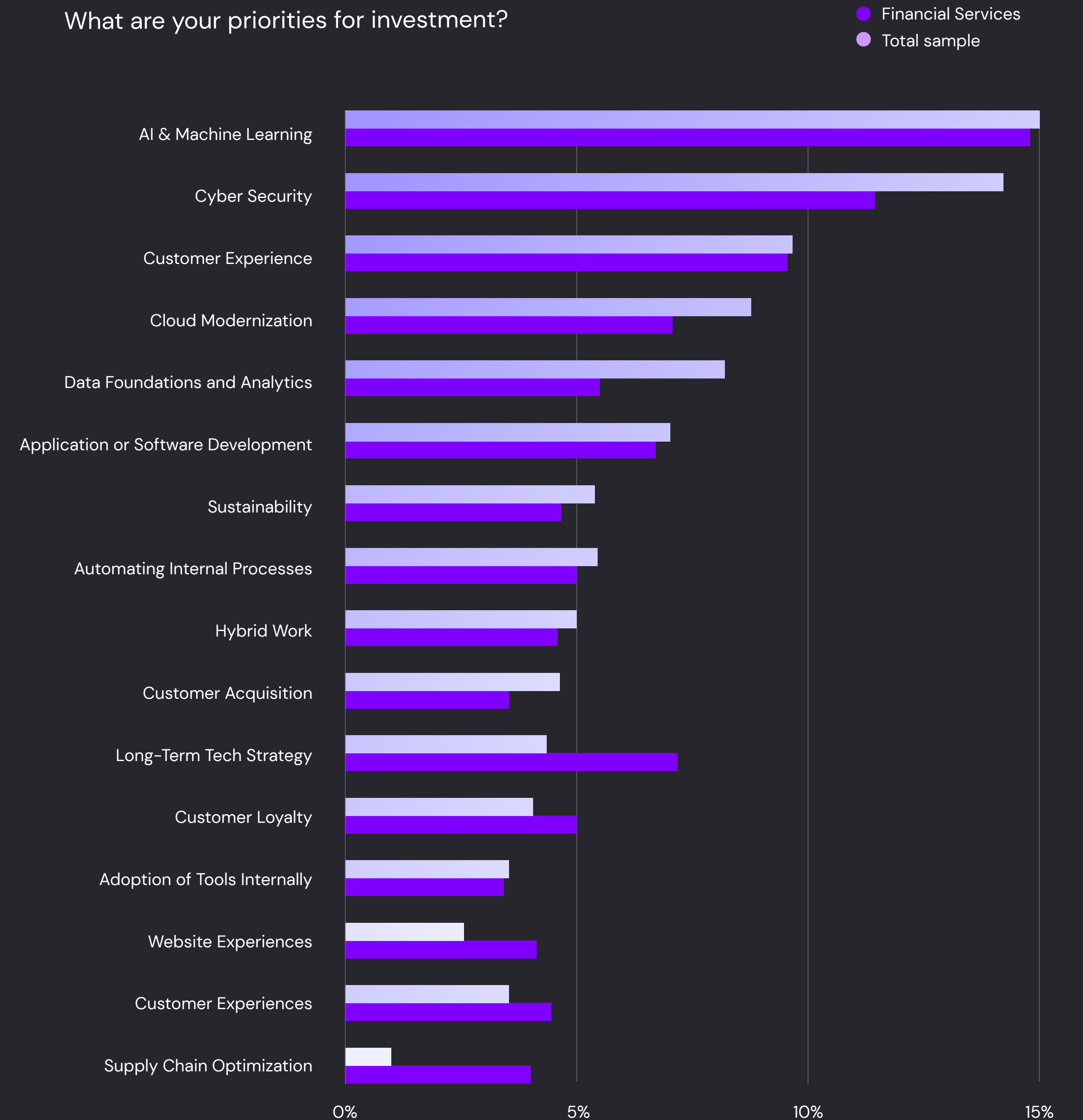
Cyber security also remains a priority, with 14% of leaders identifying this as an investment area. With the shift to hybrid working and the increasing use of digital and cloud systems for data storage, increased complexity has led to a higher risk of cyberattacks. Considering that the average cost of a data breach for organizations with private clouds is \$4.2 million, and the global cyber security skills shortfall stands at 2.7 million workers worldwide<sup>2</sup>, the need for investment is clear.

Financial services organizations are also investing in a variety of other digital transformation initiatives, namely around improving customer experience, cloud modernization, and data foundations and analytics.

**15% of financial services businesses are investing more in AI and machine learning than anything else.**

<sup>2</sup> Cost of a Data Breach 2022 Report, IBM (2022)

## What are your priorities for investment?



# Data-driven transformation



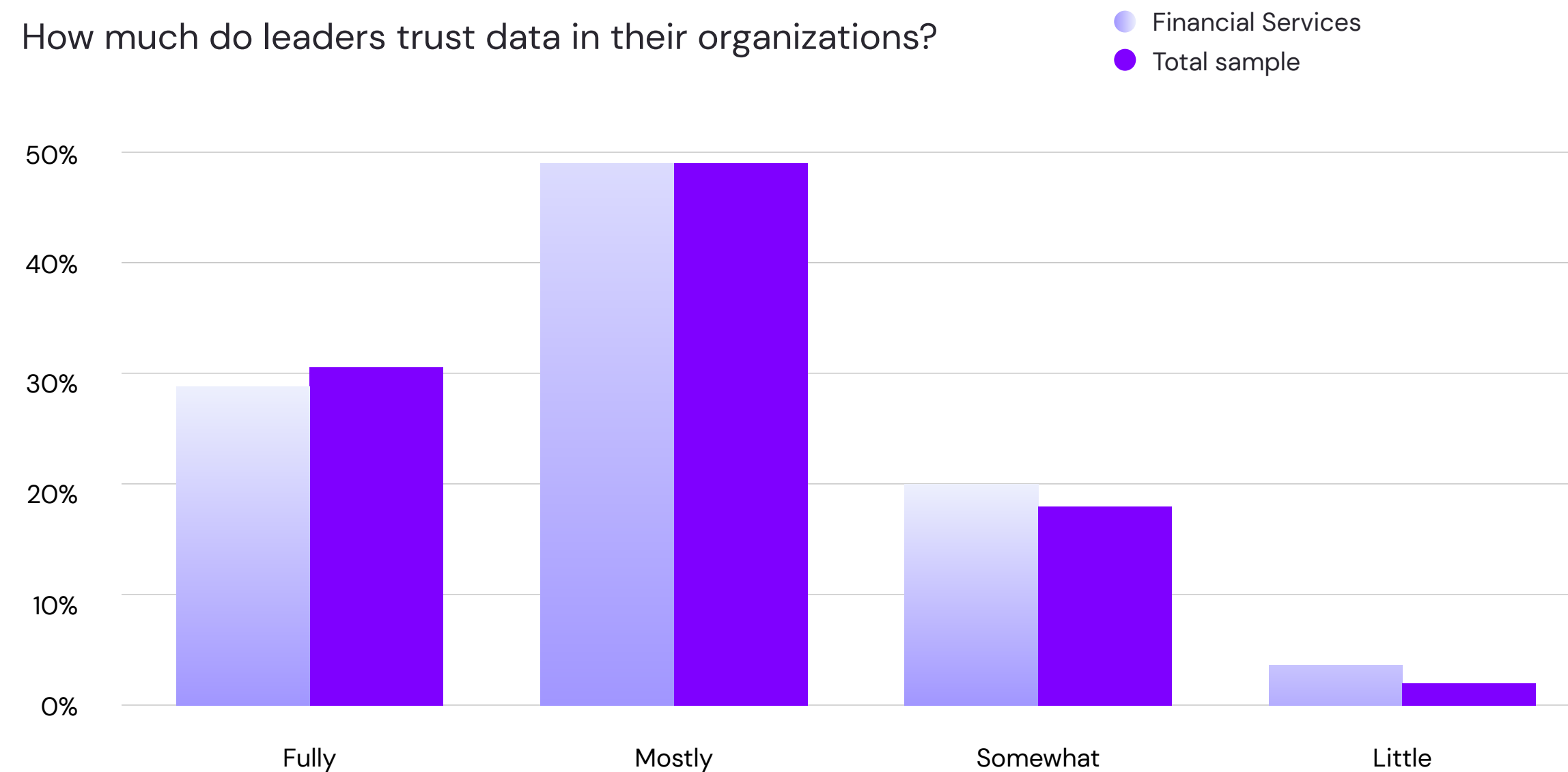
## Confidence and trust

For senior leaders in financial services, data plays a key role in enabling and empowering decision-making. However, not everyone in the industry feels an adequate level of trust in the data provided by or to their organization. Just 29% of leaders fully trust this data, and although nearly half mostly trust it, 23% have somewhat or little trust.

The main data challenges for financial services leaders were connecting data across systems, channels, and brands as well as issues around multiple siloed systems. They also identified a lack of tools and internal expertise, and the data “not seeming right” as factors causing them to question the veracity of the data.

---

# 23% of leaders reported somewhat trusting or having little trust in their business data





## Focusing on data priorities

As the financial services industry continues to evolve, leaders are investing in data to fuel success. Our research found that 98% of financial services businesses plan to invest in data over the next year.

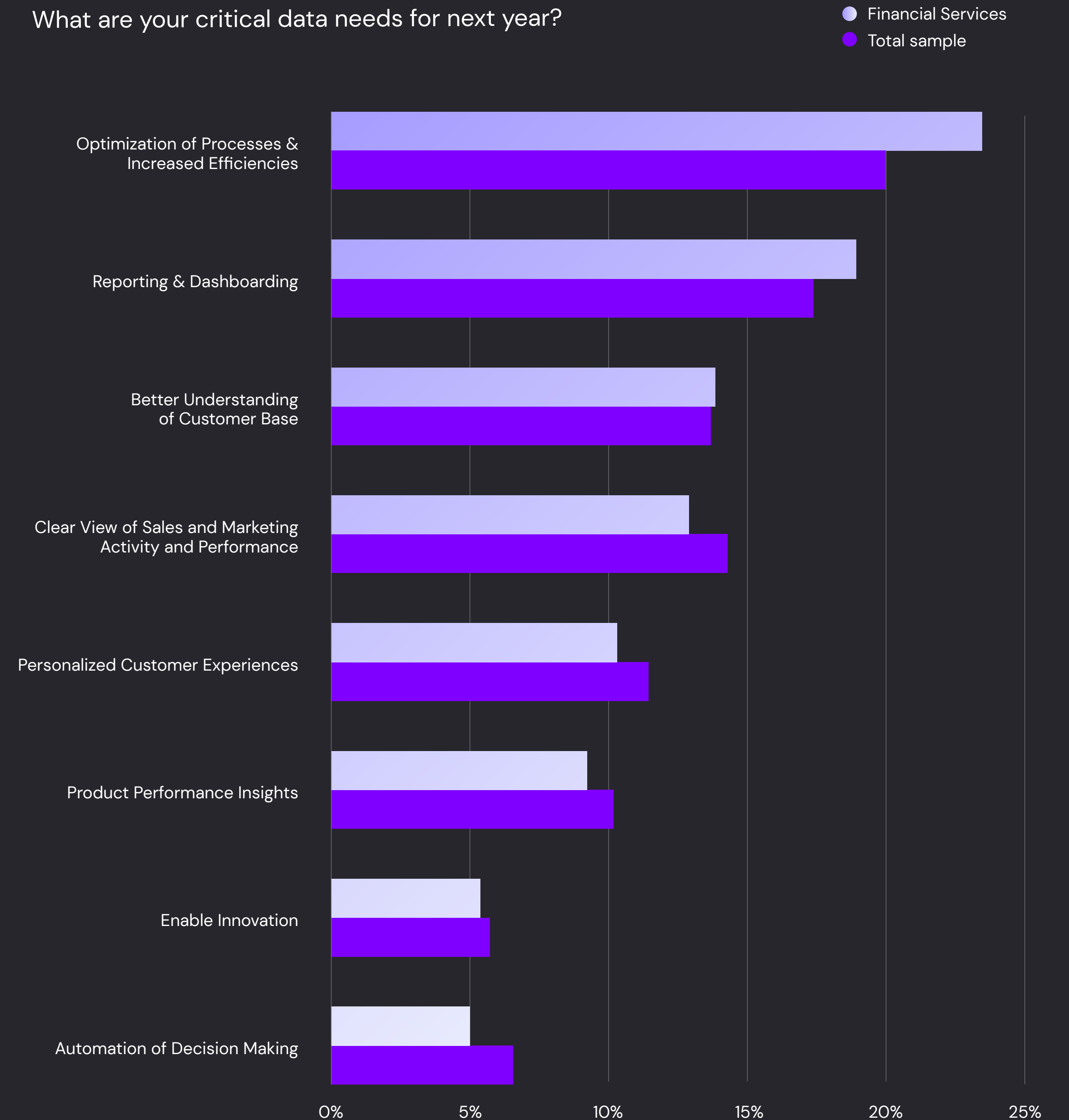
24% of leaders reported the need for optimizing processes and increasing efficiencies as a critical data requirement.

As organizations continue to wrestle with fragmented and siloed data, leaders are seeking a clearer view of their business through reporting and dashboarding, a better understanding of their customer base, and a coherent picture of their sales and marketing activities.

---

**24% of financial services leaders reported optimization of processes as a critical data need over the next 12 months.**

What are your critical data needs for next year?



## Practical tips for overcoming tech anxiety

The pressures around digital transformation aren't going anywhere. So, how do leaders ensure they can overcome obstacles and make changes that deliver real value for their organizations, colleagues, and customers?

Adam Schanfield, VP, Strategy and Innovation Service Line, Kin + Carta, shares his top advice for senior leaders:

---

### 1. Think bigger

Move beyond internal use cases for data. Challenge your teams and yourself to drive differentiation by connecting end-user value propositions—that drive customer lifetime value and lower acquisition cost (via increased NPS)—with delightful, original, and valuable experiences.

---

### 2. Focus on parallel priorities

Put high-priority investment areas first. AI and machine learning, cyber security, and customer experience are all high anxiety areas and top investment priorities. These are areas where you need to find ways to build capabilities, tooling, architecture, experiences, and models in parallel. Multiple, simultaneous initiatives can ensure you succeed when unexpected challenges arise.

---

### 3. Plan for future needs

Leaders often avoid challenges that fall into the high-anxiety x low-investment space—sustainability strategy, customer retention, marketing performance—out of fear of the unknown. But often these become hot-button issues inside the C-suite, quickly rising up priority lists and catching leaders unprepared. Scope targeted initiatives for these areas now, building perspectives and skills in anticipation of investment and prioritization in the future.

---

Digital transformation may be overwhelming, but it also unlocks exciting possibilities. By examining priorities and taking smart, targeted actions now, leaders can build the resilience and capability to thrive through whatever comes next.

**KIN+CARTA**



## About us

Kin + Carta is a global digital transformation consultancy committed to working alongside our clients to build a world that works better for everyone.

Our 2,000 consultants, engineers, and data scientists around the world bring the connective power of technology, data, and experience to the world's most influential companies, helping them to accelerate their digital roadmap, rapidly innovate, modernize their systems, enable their teams and optimize for continued growth.

As a certified B Corp, our triple bottom line focus on people, the planet, and profit is at the core of everything we do.

### Global Headquarters

The Spitfire Building  
71 Collier Street  
London  
N1 9BE  
United Kingdom

[kinandcarta.com](https://kinandcarta.com)

© 2023 Kin + Carta

