



# THE STATE OF IT TRANSFORMATION FOR FINANCIAL SERVICES

An Analysis by Dell EMC and  
VMware

Dell EMC® and VMware® are helping IT organizations at financial services companies transform to business-focused service providers. The State of IT Transformation for Financial Services is an analysis of customer data provided by financial services companies who have assessed their current state and identified their biggest gaps. This report identifies only a handful of key drivers that we feel will help propel IT transformation within the financial services industry over the next few years.

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## Executive Summary

Financial services has long been viewed as a forerunner in the IT transformation arena. While there are many reasons, such as steep competition, the global economy, the constant threat of fraud and cyber theft, and a strict compliance and regulatory environment, the financial services sector continues to strive for IT efficiencies and capabilities to meet growing internal and external customer demands.

Have you ever wondered how your plans for transforming your IT organization stack up against those of your financial services industry peers? It is a natural part of the planning process for IT professionals and business unit leaders to seek best practices from similar companies. Understanding the IT transformation process, Dell EMC and VMware have compiled information from the world's top financial services organizations to help provide a new view on where they are currently and, more importantly, where they want to be in the near future.

The State of IT Transformation in Financial Services is a companion report of a larger analysis conducted by Dell EMC and VMware. Data was collected from a variety of companies, including financial services, with which Dell EMC and VMware are helping to transform their IT organizations. These are companies were looking to transform the way their IT organization operates. They want to better serve the business and want to be able to broker and deliver services from both internal and external providers. They are looking for help in assessing their current state and setting priorities that can be executed within the next two years.

This report focuses only on the responses from the financial services industry and provides key highlights and insights on trends that impact IT transformation for wealth management firms, banks, and insurance companies. It will expand on the overall report by providing our view on three major drivers (applications, operating model, and cloud infrastructure) for financial services organizations looking to achieve IT transformation. The entire State of IT Transformation report, along with additional industry companion reports, are available on the Dell EMC website. For the purpose of this report, financial services comprises wealth management, banking and insurance (P&C and Life).

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## Driver 1: Applications

If the next few years are to see an increase in hybrid cloud architecture within the financial services sector, a modernized application development platform will be critical. IT organizations within financial services need to foster a hybrid cloud service brokerage model, with applications mapped to optimal cloud delivery models. Ninety percent only in evaluation or proof of concept stage for hybrid cloud



**Ninety percent** of financial services respondents reported that they have **less than fifty percent of Tier 1 applications modernized and “cloud-ready”**.

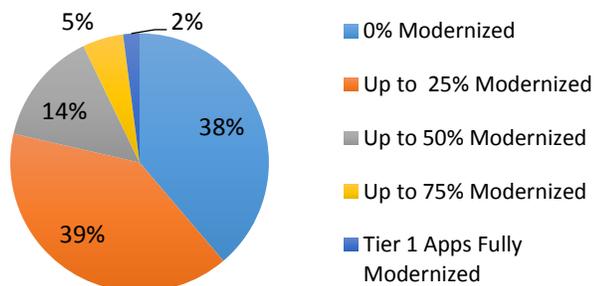
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Similar to other industries, financial services organizations seem to be stuck in neutral when it comes to application modernization. Seventy-seven percent of the financial services participants indicated that less than twenty-five percent of the application development infrastructure has been modernized to meet next generation requirements. More than a 1/3 responded that no modernization has taken place, jeopardizing their ability to deliver on agile, mobile friendly, cloud-native environments.

Nearly ninety percent of financial services respondents reported that they have less than half of Tier 1 applications modernized and “cloud-ready”. However, despite the struggles getting application development ready for the future, the financial services industry appears to be ready to push past a private cloud environment and explore a hybrid-cloud model. Seventy-five percent of financial service participants have goals of evaluating all of their applications and working towards cloud workload placement.

This is a tall order however, as currently, according to those participating in our workshop, eighty-three percent of financial services companies have either no organized plan for evaluating workloads for delivery or have a disconnected process for evaluating hybrid cloud, which can cause unnecessary operational complexity.

**Application Platform Modernization**  
*Percentage of App Development infrastructure that has been modernized for next gen computing*



### Industry Insight

Financial services has been slower to adopt traditional hybrid cloud architecture, perhaps in part due to the very blended nature of the hybrid cloud. Many early cloud adopters within financial services assumed, and correctly so, that only private cloud

architecture would satisfy the strict data protection regulations and potential security issues their application required. However, as technology has evolved and more proven hybrid cloud capabilities are available, financial services organizations will begin to look at hybrid cloud architecture as a viable, if not go-to, option.

The hybrid clouds of today, specifically those developed and built for financial services, are more reliable, cost effective, and—more importantly—compliant. Positioning themselves to leverage these architectures today financial services companies will begin to migrate toward public placement of workloads, in a measured way, per their respective comfort levels.

As financial services companies continue to explore and develop customer technologies (IoT, mobile, etc.) the need for modernized application development infrastructure will increase exponentially. In fact, IDC has predicted that cloud usage within the banking industry alone will double within the next 3 years<sup>1</sup>.

<sup>1</sup> IDC FutureScape: Worldwide Financial Services 2016 Predictions

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## Driver 2: Operating Model & Service Strategy

Financial services organizations will continue to strive for IT efficiencies and increase their capabilities to effectively manage requests through a service catalog and self-service portal. Despite some progress, most still consider their capability in this regard as being immature yet critical to future IT transformation. For financial services organizations, the regulatory burden to document and adhere to process adds to the overall push for greater automation when it comes to configuration, capacity, and performance management.



**Ninety-four percent** of respondents from the financial services industry are looking to establish a service catalog with a self-service portal for test and development requirements, with the goal of fully implementing the service for production within the next two years. Only **one percent** of all respondents currently have a fully implemented catalog and portal for IT production.

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The financial services industry scored slightly higher than the overall participant average when it came to having a service catalog. However, sixty-five percent of financial services respondents indicated that they have either no service catalog in place or have yet to fully develop one.

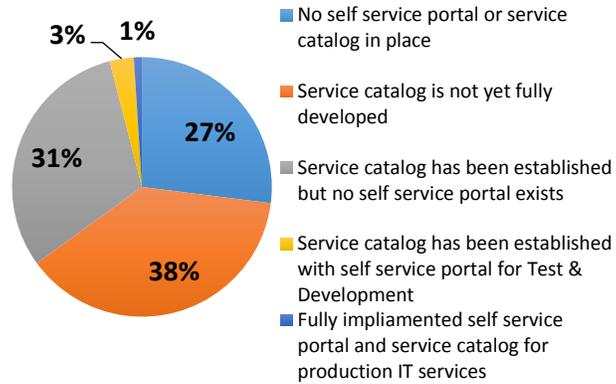
### Industry Insight

The gap between where financial services' IT organizations currently are and where they would like to be in two years is certainly great. No doubt having an effective service catalog and self-service portal allows IT to provide:

- Rapid, automated fulfillment of requests for internal customers
- Documented, standardized services, choice for easy compliance and tracking
- Transparent service levels
- Professional-grade customer service

However, the presence of a fully functional service catalog also paves the way to address other areas of concern that were identified through analysis of data from the workshop. **Eighty-eight percent** of all financial services respondents are looking to implement **a way to measure service consumption**. The ability to know what resources each business unit consumes and then have the ability to implement chargeback or showback based on usage is made possible through the establishment of an enterprise-wide service portal.

### Self-Service Portal or Service Catalog



### Performance Management

When it comes to monitoring the process of collecting metrics from disparate data sources, centralizing the data, analyzing, and acting on potential discrepancies, the process remains primarily a manual one, or at least still a manually intensive one. **Seventy-one percent** of financial services respondents report either **a lack of performance management capabilities** or a manual method of gathering OS, network, and storage metrics in a consolidated manner.



**Ninety-nine percent** of respondents would like automated performance management capabilities with visibility and centralization of at least the majority of the environment, with the goal of having trending analysis, alerting and forensic capabilities in place.



**Ninety-eight percent** of respondents would like automated capacity management capabilities offering the ability to track, report and predict capacity issues.



**Eighty percent** of respondents would like automated configuration management capabilities driven by a policy-based engine, with the goal of having a fully-automated predictive configuration management process that is built into a CMDB and ITSM strategy.

When we look at the current state of configuration management, **ninety-six percent** of the financial services respondents indicated that they, at best (forty-three percent), have manual configuration management with limited automated auditing; with most (fifty-one percent) using a manual configuration management process with no auditing in place; and at worse (two percent), have no configuration management in place at all.

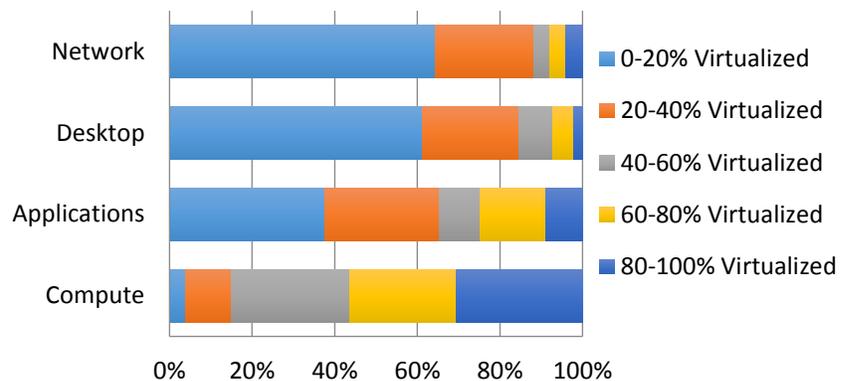
As indicated above, financial services organizations are looking to improve their ability to manage the IT operating model. In order to close that gap, they often point to executive support as a needed component. However, more often than not, this is another area where improvement is needed. Nearly half of the participants (**forty-eight percent**) indicated that they have no documented strategy or roadmap in place.

### Driver 3: Infrastructure



Thirty-one percent of financial services' participants categorized themselves as having achieved at least eighty percent virtualization of their compute platform. However, **one hundred percent** of participants in the workshops indicated that they would like their organization to achieve this level of virtualization within the next two years.

**Current State of Virtualization for Financial Services**



While compute virtualization is mature, many financial services organizations still can find efficiencies and cost savings by virtualizing other areas of IT. Goals for network, desktop and application virtualization are modest. Nearly half of the respondents cited goals of increasing application and desktop virtualization to at least sixty percent over the next two years.

### Industry View

Many industry experts believe that overall IT spending in the financial services industry worldwide will grow slightly over the next few years, but while budgets may remain relatively the same, there will be a continued shift in the area where those dollars are spent, as most financial services companies try to lessen their dependencies on hardware and other legacy IT models.

Increased virtualization will allow financial services organizations to rapidly develop and test new customer offerings. For example, insurance providers that are looking to offer more and more usage-based devices will require an increase in application and network virtualization in order to keep up with consumer demand.

Traders at a securities firm looking to move as fast as the market, or a bank employee at a retail branch being provisioned correctly, regardless of the branch from which he or she logs into the system, require an increasing level of virtualization. For many financial service companies, virtualization is the foundation of transformation. It establishes an agile environment that can be strategic, not reactive.

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## Conclusion

When it comes to IT Transformation, financial services is outpacing other industries in some areas, but lagging behind in others. The rationale for this is can be found by examining the nature of the industry and some of the trends over the past five years. Much of the regulatory burden stemming from the financial crisis put tremendous pressure on companies to look at how they accessed and analyzed all of the internal data in order to create a transparent view of the organizations. Insurance, which traditionally has been viewed as slow to adopt technological change, has been leading the way by developing innovative uses for data collected from new sources. Cloud and hybrid cloud architecture was either viewed as an unproven risk or a luxury expense. At the same time, competitive pressures are now pushing financial services organizations to develop new products and services, and deliver them through new channels, far outside the financial services' traditional brick and mortar channel.

For financial services organizations, there is no single path to IT transformation. Doing "more with less" doesn't mean doing the same things with less. Driving change within a company's infrastructure, operating models or IT service strategies can enable companies to be more efficient by reducing time spent managing the issues and more time meeting the needs of the business.

## About the IT Transformation Workshop

The [IT Transformation Workshop](#) can help IT organizations identify key transformational initiatives by measuring the readiness of their current environment. Organizations receive benchmarking data that shows where peers in their industry are in each area of transformation, and an analysis of the key gaps in their environment. At the end of the workshop, participants have a prioritized list of next steps to take, along with the estimated return on investment (ROI) that would be seen by closing the gaps in IT transformation that were identified in the workshop.

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## Appendix—Methodology

The organizations analyzed in this report began their transformation with an IT Transformation Workshop, which was specifically designed to help them assess the gaps in their IT transformation, benchmark their current state against their industry peers, determine their goals, and gain consensus among their executives on prioritizing the immediate next steps to take to achieve those goals. The CIO and his/her direct reports are the participants at these workshops.

*The workshop was extremely beneficial – it gave us the insight to what we need to do to march forward [with our transformation]."*

*– IT Executive, Financial Services Company*

This report is an analysis of the data collected from financial services organizations during these workshops and is a barometer of where companies are in their IT transformation. This analysis therefore is not a random sample of research subjects, but an analysis of companies who are actually in the midst of an IT transformation.<sup>2</sup>

Prior to an IT Transformation Workshop, a company completes a questionnaire that is used to assess the company's current and desired state of transformation. There are 29 questions that cover various areas:

### Applications

- Application modernization, development, and platforms
- End user computing

### Operating Model and Service Strategy

- Packaging IT services – self-service enablement, financial transparency
- IT service automation – provisioning, metering, monitoring, reporting, and predictability

### Cloud Infrastructure

- Hybrid cloud – workloads and architecture
- Virtualization – compute, storage, app, network, and desktop
- Business continuity and availability

Workshop participants answer each question in two ways – where they are today (their current state) and where they want to be within the next two years (their desired state). A gap analysis is performed and recommendations for closing those gaps are presented to the CIO and team. The company also receives a benchmark analysis that compares their progress in IT transformation against industry and competitive peers.

<sup>2</sup> This report covers the 105 global companies who participated in workshops between 2014 through mid-2015

## CONTACT US

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