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Digital Transformation in Financial Services

Foreword

Everywhere we look, digital transformation is at the top of the agenda. Publications, think tanks, consulting firms (including the one I lead) all have views on how digital transformation will rewrite the future of industries—and especially the future of the financial services industry.

Most agree, generally, on what digital transformation is: the profound impact of digital technologies on business activities, processes, and models. But they often disagree on how best to address it. How can organizations meet the challenges and seize the opportunities that digital transformation presents? How can companies develop the methods and tools they need to evolve their businesses in the right ways to truly become “digital”?

These are the questions that Claudio seeks to answer in this book. To do so, he offers an approach that he argues could help banking and financial services institutions to digitally transform while also becoming more stable and more profitable. Specifically, he says these companies should:

- take advantage of the dramatically increased availability of data and real-time information;
- use machine learning/AI to build more organizational intelligence;
- evolve a more inclusive, interconnecting intermediation model;
- develop solutions that add value to the overall economic ecosystem rather than playing a zero-sum game; and finally
- earn and trade on the trust that is central to the stability of the overall global financial system but that is often much more readily given to purely digital players.

Companies that take this approach could evolve into a new, digital breed of financial services institution: what he calls the “synapses bank”. The “synapses bank” connects its various activities and partners in mutually beneficial ways, in much the same way that synapses connect neurons in a human brain. And in doing so, the “synapses bank”, like the human brain, forms a whole that is greater than the sum of its parts. In Claudio’s vision, financial services institutions that use digital

technology to find new ways to add value rather than just extract it would become both more stable and more profitable.

Claudio does not predict that this “synapses bank” is the future of the financial services industry. But he does argue that it is an ambition worth considering. And he offers it as a lens through which to understand the financial services industry’s successful and failed attempts at innovation and transformation—from payments to lending to risk management and insurance. And in doing so, he invites us to have a glimpse of what might be possible along the digital transformation journey.

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