Gartner for IT Leaders
Financial Services Operational Excellence and Cost Optimization Primer for 2022
Financial services operations leaders must reduce costs while driving operational excellence to maximize value for end customers and the business. Focus on building an adaptive and responsive operations function to achieve strategic goals amid higher expectations and tighter budgets.
Scope
The financial services operational excellence and cost optimization initiative helps the operations function design, optimize and implement strategies to respond to changing business and client needs.

Topics in this initiative include:

- **Financial Services Operations Process Improvement and Automation Strategy**: Navigate the challenges of end-to-end process improvement, assess process performance, accelerate automation scaling, and manage stakeholders both within operations and across the firm.

- **Financial Services Operations Functional Management**: Provide operations leaders with insights into operations’ expanding functional responsibilities, the evolving role of the head of operations, workforce planning, and strategy recommendations to address industry and customer trends.

- **Financial Services Cost Management**: Develop achievable cost management strategies for business unit executives and operations leaders, and help them strike a balance between short-term needs and long-term investments for sustainable cost savings, while enabling growth.

Analysis
Figure 1. Financial Services Operational Excellence and Cost Optimization Overview
Financial services operations leaders are at a crossroads, where they need to adapt their role and that of the function to serve the evolving business and end customers' needs. While deteriorating profit margins demand unprecedented levels of operational efficiency, short-term cost pressures make it difficult to invest in key operational capabilities that will support growth in the midterm to long term.

Today's financial services operations leaders face three critical challenges:

- To scale automation efforts and accelerate the transition to straight-through processing
- To prepare operations to sustain large-scale business transformation
- To adapt their workforce to support a rapidly evolving operations function

However, most financial services operations leaders are struggling with a loss of control over decision rights that were traditionally in their sphere of influence. Increasingly, business line leaders now have a greater say over technology and operations decisions that directly impact business goals. Future success will require greater cooperation and collaboration with those leaders to achieve operational goals and remain relevant.

Pioneering financial services operations leaders will manage the trade-off between drivers of efficiency and business transformation by proactively driving initiatives that help in building new value creation capabilities for the customer. To prepare operations for digital migration, these leaders will not hesitate to start from the ground up and reengineer processes to support a digitally enabled organization. This would require effective collaboration across process improvement and automation teams to make material improvements to end-to-end processes. Financial services operations leaders will seek to accelerate automation implementation through a combination of in-house operations capabilities and active partnership with business and IT leaders. Financial services operations leaders will focus on adapting their workforce to effectively support processes in a technology-led operations function.

Our 2022 research will help financial services operations leaders to make informed process automation decisions, improve operational efficiency, create customer value and sustain a competitive transform cost structure. In addition, our process benchmarks, business and customer priority trackers, assessment tools and best practices will support critical leadership priorities.
Financial services operations leaders are under considerable pressure to quickly respond to changing business needs, while balancing cost optimization and process excellence. Financial services operations leaders should use Gartner research to better understand emerging business priorities and to design a clear strategy for process improvement efforts, automation implementation, workforce planning and overall functional management to quickly respond to change.

Our research in this area addresses the following topics:

- Financial Services Operations Process Improvement and Automation Strategy
- Financial Services Operations Functional Management
- Financial Services Cost Management
Financial Services Operations Process Improvement and Automation Strategy

Enterprises are expected to deliver against ambitious automation and business transformation goals. However, legacy systems and outdated processes are not fit for purpose and act as a huge barrier. As financial services organizations work within operations and cross-functionally to prioritize and address these significant challenges, they will need to assess process performance and accelerate automation scaling. They must also navigate workflows and relationships across organizational silos, while demonstrating value to multiple stakeholders.

Questions Your Peers Are Asking

• How do we scale automation across the entire enterprise, and how do we control governance while quickly scaling automation?
• As we accelerate our automation investments, what criteria should we use for prioritizing initiatives that have the highest potential for success?
• How does the performance of our core processes compare with that of our peers?
• What are some areas where we should place strategic bets to improve/redesign our internal processes and set them up for automation?
• What are the most impactful examples of automation implementation across operations processes?

Recommended Content*

• Financial Services Score for Operations Automation
• Case Study: Automated, Technology-Driven SMB Credit Lending (WeBank)
• Ignition Guide to Automation Change Management
• How to Use Robotic Process Automation to Improve the Customer Experience
• Ignition Guide to Creating an Automation Strategy for Financial Services Operations Leaders
• Ignition Guide to Creating an Automation Dashboard

Planned Research

• Objectively measuring automation success
• Preparing frontline for AI and automation
• Simplifying decision making in scaling automation processes

*Some recommended content may not be available as part of your current Gartner subscription.
Financial Services Operations
Functional Management

Large-scale business transformation has increased operations’ proximity to the customer and its impact over customer experience. As operations’ role continues to expand to include cost reduction and growth enablement, operations must understand its responsibilities with respect to transformation efforts. To build the right capabilities, operations must be aware of emerging business and customer trends that impact how the function serves internal and external customers.

Questions Your Peers Are Asking

- What is the future of operations, and how should we strategically move toward that future?
- As the role of the operations function evolves, what metrics are pioneering financial services operations leaders using to measure the success of their function?
- What emerging trends should financial services operations leaders be preparing for in 2022?
- With growing interdependencies within the organization, what are the most effective ways to improve collaboration inside and outside of operations?

Recommended Content*

- Ignition Guide to Building a Performance Dashboard
- Calculating the ROI of Customer Experience Initiatives
- Case Study: Operations-Defined End-to-End Process Improvement Metrics (LunarStream*)
- Case Study: Formalizing Customer-Focused Collaboration (Danske Bank)
- Case Study: Analytics-Enabled Stakeholder Engagement (PayPal)

Planned Research

- Evolving role of operations — a vision for the future
- New rules to maximize growth in financial services
- Ignition guide to overhauling fraud management processes
- Aligning the operating models for strategic priorities

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Financial Services Cost Management

Identifying near-term opportunities to reduce expenses may help improve efficiency, but can also harm business transformation efforts that will support future organizational growth. Operations is, therefore, pressured to place the right bets at the right time to support current and future profitability. To do this, it will need to carefully manage the trade-offs between efficiency and organizational growth.

**Questions Your Peers Are Asking**

- How do we cut costs without hurting the customer experience?
- With frequent technology upgrades, a continuous stream of investments is required to transform operations. How do you prioritize investment decisions and manage costs in such a scenario?
- What would potential business and operating models that enable a fundamentally lower-cost structure look like?
- What are some best practices around improving adoption of self-service tools that reduce cost in customer journeys?

**Recommended Content**

- Finding the Successful Strategy for Growth During Disruption in Financial Services
- Self-Service Strategies That Reduce Cost and Effort in Customer Journeys
- Hidden Inefficiencies Diagnostic for Financial Services Operations Leaders
- Rethink Your Customer Service Channel Strategy (Case Study: Australian Taxation Office)

**Planned Research**

- Driving frontline productivity in the branch and call center
- How efficient growth banks outperformed their peers
**Suggested First Steps**

- Financial Services Technology Survey: The State of Digital Investments by Organizational Size
- How Financial Services Firms Can Effectively Partner With Fintechs
- Financial Services Operations Score
- Leadership Vision for 2022: Financial Services Operations
- Principles for Building a Strong Operations-IT Partnership

**Essential Reading**

- Finding the Successful Strategy for Growth During Disruption in Financial Services
- Infographic: The Six Turns Critical to the Future of Customer Value in Financial Services
- Engaging FS Operations Employees About the Value of Technology

**Tools and Toolkits**

- Ignition Guide to Creating an Automation Dashboard
- Financial Services Operations Score
- Hidden Inefficiencies Diagnostic for Financial Services Operations Leaders
- Ignition Guide to Building a Performance Dashboard
- Ignition Guide to Automation Change Management
- Business Case for Agile Project Management in Financial Services
- Business Alignment Tool for Financial Services Operations Leaders
- Tool: Agile Readiness Scorecard for Financial Services
- Ignition Guide to Conducting a Scenario Planning Exercise for Financial Services Operations Leaders
- Financial Services Score for Operations Automation
- Tool: Product Impact Assessment Framework

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# Financial Services Operational Excellence and Cost Optimization Primer for 2022

## Table 1: Related Priorities

<table>
<thead>
<tr>
<th>Initiative Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS Digital Business Strategy and Innovation</td>
<td>This initiative helps banking, investment services and insurance firms identify the appropriate business and operating models, and choose the technologies to support those models.</td>
</tr>
<tr>
<td>FS Technology Modernization and Transformation</td>
<td>This initiative helps prioritize technology investments to move from protection of resources to new technologies that can support a return to growth.</td>
</tr>
<tr>
<td>FS Business Leadership and Strategy</td>
<td>The financial services business leadership and strategy initiative helps executives to design, develop/optimize and implement strategies to respond to changing business and customer needs.</td>
</tr>
</tbody>
</table>

Source: Gartner
Actionable, objective insight

Position your finance organization for success. Explore these additional complimentary resources and tools for financial services CIOs and IT leaders:

- **Ebook**
  How Financial Services CIOs Can Build Leaders’ Digital Dexterity
  Build digital dexterity across your financial services organization.
  Download eBook

- **Webinar**
  The Gartner Top 12 Strategic Technology Trends for 2022: Banking
  Leverage these trends to drive innovation and transformation.
  Watch Now

- **Ebook**
  2022 CIO Agenda: A Banking and Investment Perspective
  Explore insights that enable banking enterprises to stay ahead.
  Download eBook

- **Research**
  Accelerating Financial Ecosystems to Combat Digital Giants
  Learn how financial services CIOs can plan a competitive strategy.
  Download Research

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