Nine in 10 financial services chief information officers (CIOs) expect revenue-generating responsibilities to be part of their jobs by next year, according to a new global Forbes Insight study.
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Within 5 years, financial services CIOs will have nearly finished transitioning from legacy systems as next-generation technologies drive business strategies and revenues.
Visionary Thinking Is Now More Important Than the Operational Strengths of the Past

The financial services industry is synonymous with technical innovation. Today, technology is not only streamlining operations and transactions, it is transforming products, services, and business models. Increased customer expectations are raising the bar for convenience and security. And digital-native, financial technology (fintech) startups are encroaching on traditional territory.

The role of a financial services CIO has been rapidly changing—so much so that the title may well be chief innovation officer. Already, 81 percent of financial services CIOs are primary drivers of innovation for their firms. Almost three-fourths (67 percent) currently sit on their board of directors. And as further proof they’re leaving technical operational tasks behind, 70 percent of financial services CIOs believe they will be responsible for overall corporate strategy in 5 years—a number higher than in any other industry.

To stay ahead, financial services CIOs must continue to aggressively adopt emerging technologies such as artificial intelligence (AI), machine learning (ML), and Internet of Things (IoT), as well as prepare to guide their organizations through enormous cultural shifts arising from deploying nascent technology.

Half of financial services CIOs expect to be CEOs by 2025.
Financial services CIOs must simultaneously champion technology change and undergo personal transformations into leaders aligned with business stakeholders and board of directors, capable of navigating through uncertain economic and technological waters. Proof that financial services CIOs are ready to embrace opportunity, half of CIOs (50 percent) expect to be CEOs by 2025.

These are some of the key findings of a global Forbes Insight survey of 151 CIOs from financial services organizations with revenues of $1 billion or more. The research was done in partnership with VMware.

This brief explores

- The expectations of and realities facing financial services CIOs, as well as key opportunities and obstacles.
- How CIOs view themselves personally, and how they feel about technology and social responsibility.
- Ways CIOs can overcome challenges and seize opportunities to achieve both professional and personal success.
Financial services CIOs already enjoy considerable responsibility and power. Seven in ten (76 percent) survey respondents are both key decision makers on corporate strategy, and report directly to the CEO. More than three-quarters (77 percent) also say they are the primary decision makers for corporate acquisitions, highly significant in today’s heated market to acquire pre-IPO fintechs.

Interestingly, CIOs in financial services expect their authority to increase even further. More than half (56 percent) believe they will head a profit center within 5 years. This makes sense in an industry encouraging its leaders to identify new business models—and revenue streams—to better serve customers, empower employees, and increase efficiencies in the back office.

Financial services CIOs will be responsible for delivering new digital payment services, new types of financial instruments, mobile applications, and other digital processing innovations. Indeed, 59 percent of financial CIOs surveyed believe technology will drive “large” or “very large” changes in product development within their organizations.

Big data and advanced analytics already impact operations—from preventing fraud to assessing risk when vetting potential customers to devising personalized offers. CIOs expect to have increasing influence in these areas. When it comes to sales and marketing, where data is now king, significant proportions of financial services CIOs say they will have stronger relationships with the executives leading those two important functions (64 percent and 55 percent, respectively).

Compliance is an area financial services CIOs continuously monitor. In more than any other industry except perhaps healthcare, customer privacy is paramount. With established U.S. mandates such as the Bank Secrecy Act and the USA PATRIOT Act, and an ever-growing number of government regulations in the European Union and Asia-Pacific, financial services CIOs must be even more vigilant about customer data protection and privacy. Not surprisingly, six in ten (60 percent) financial services CIOs surveyed say they have prime responsibility for customer data, and approximately the same number (59 percent) expect to be even more deeply involved in and responsible for their organizations’ compliance efforts over the next 5 years.
Accelerating Innovation with Emerging Technology

The financial services industry has long-been known for early technology adoption. Yet the pace has accelerated considerably with technology now transforming virtually all aspects of the industry—from banking services, to insurance claims, to investments, to credit card processing. Because of the fast rise of fintech disruptors, current CIOs are accelerating investments in leading-edge technologies such as AI, ML, and IoT to stay relevant and gain advantage.

For financial services CIOs, today’s top emerging tech priority for development over the next 5 years is IoT: not surprising, given that most customers—both consumer and business—access financial and account information from mobile devices. AI is the second-highest tech priority.

The combination of AI and IoT will be a powerful one for financial services firms. For example, banks can collect and analyze ATM data from different geographies to determine where to put more kiosks to give customers easier access to services. They can also gain tremendous insights by analyzing customers’ credit and debit card transactions or track who visits branch banks and when, to help tailor experiences and provide more personalized services. All of these things will generate new or additional revenues while improving customer experience—a win-win for both clients and financial services firms alike.

Looking ahead to 2025, machine learning (ML) moves into first place in importance over both AI and IoT, with 65 percent of financial services CIOs surveyed expecting ML to be either “very important” or “critical” to their businesses. AI comes in second (61 percent) in their 2025 projection. AI also won the top spot by a long shot in being the most challenging to deploy.

By prioritizing ML, financial services CIOs are recognizing they need to leverage the immense amounts of data their firms are accumulating. ML will help their companies churn through this data, identify patterns and trends, and gain insights not otherwise visible to human eyes because of the huge volumes of data involved. These insights are expected to bolster both bottom-line and top-line initiatives.
Overcoming Challenges

Successfully implementing any innovative technology requires the right combination of people, process, and technology. The chief obstacle for financial CIOs will be finding people with sufficient expertise and hands-on knowledge. Almost one in three (29 percent) financial services CIOs surveyed expect that implementing AI will be the most challenging of all technologies to implement for this reason.

Financial services CIOs will find they have to grow their own expertise, hire third parties to aid them in their innovation efforts, or both. At the same time, they will need to champion the cultural shift to come.

IoT, AI, ML, and other technologies are poised to significantly change the way financial services advisors work and interact—with each other and with clients. Some old and new jobs will involve working more with intelligent systems to complete complex tasks. This will require training, collaboration, handholding—and patience.

The CIO 2025 survey showed that among financial services organizations, CIOs believe that gaining employee buy-in and collaboration is the single most important aspect of managing a successful technology implementation. This is followed closely by integrating the new technology with multiple systems and, significantly, smoothly transitioning out of legacy systems. Financial services CIOs stress this last point much more than CIOs in other industries because of the increasingly digitized nature of the products and services they offer. Technical debt is an enormous burden in financial environments—one that firms are eager to shed.

Financial services CIOs also believe their success will be tied to engaging with knowledgeable and trustworthy third-party technology partners. Currently, no off-the-shelf AI, ML, or IoT applications exist. Each system must be custom built to meet the specific needs of a particular financial services organization. Partners that offer quality solutions and possess deep technical expertise will be important.

By working and collaborating with trusted partners, financial services organizations can explore the potential—and limitations—of leading-edge innovations, and come out the other side of digital transformation with high-ROI solutions. More than one-third of financial services CIOs (34 percent) surveyed believe that working closely with technology partners and using partners’ professional services are the biggest determinants of a technology project’s success.
Converting IT from Cost Center to Profit Center

Cost savings has long been the number-one driver of IT innovation. But that’s changing. Across industries, today’s CIOs are focusing more on revenue-generating opportunities, as technology is increasingly viewed as a key driver of business growth rather than just a way to squeeze inefficiencies out of operations. Within one year, 89 percent believe they will have revenue-generating responsibilities in addition to their traditional IT ones.

For example, banks can boost existing customer engagement by providing adjacent services to traditional banking products, such as accounts-receivables management and cash-flow analyses to small or mid-sized businesses. Additionally, most financial services firms have immensely rich stores of demographic and customer-purchasing data. This data can be used for value added services, and analytics can be converted into important sources of new revenue and upsell opportunities.

In short, the CIOs surveyed expect the technical expertise they develop internally will be useful in the market both to customers and to other financial services companies going through digital transformations.

Within one year, nearly 89 percent of financial services CIOs surveyed expect to have revenue-generating responsibilities in addition to their traditional IT responsibilities.
Maintaining the Role of Cyber-Dragon Slayer

Defending organizations against hackers and cybercriminals is a never-ending job. CIOs in all industries continue to invest millions in cyber defenses, but ongoing losses from leaks and breaches far outpace spend. Most financial services CIOs surveyed say they can’t keep up. Radical changes in tactics and tools are needed.

More than 8 in 10 financial services CIOs (83 percent) believe the Internet requires a cybersecurity overhaul. And almost one in four (37 percent) financial services CIOs believe that cybercrime has the capability to actually shut down the Internet.

Although this sounds ominous, technology can also be used for good—to help secure the privacy and security of sensitive systems and data, by using such modern strategies as intrinsic security.

Acting as a Moral Compass for the Enterprise

Recent disclosures about personal data and information being used improperly across commerce, government, and social realms have the potential to sour consumers on technology.

CIOs are acutely aware of this situation, and feel social and moral obligations to respond. Only 10 percent of financial services CIO respondents view themselves as solely responsible to support the profitability of their organizations. An overwhelming majority of financial CIOs (71 percent) believe they should avoid using technology that does harm. Yet just as many (71 percent) believe they should do more—that they should harness technology for social good.

Financial services CIOs are also adamant about a number of specific social concerns. They believe CIOs will be pivotal in helping their organizations succeed in navigating socio-economic issues over the next 5 years, including ensuring privacy for individuals (71 percent) and easing the digital divide in young peoples’ educations (62 percent).
The Financial Services CIO of 2025

To become a financial services CIO of 2025 requires championing change and increasingly driving revenue as technology becomes more and more important to the strategic positioning of their organizations. These executives must master the deployment and management of emerging technologies to identify new business opportunities, take responsibility for introducing new products and services, and become accountable for generating revenue through them. They also must continue to thwart cyberattackers while protecting the privacy and security of customer data and financial records—all while helping drive corporate social responsibility.

They will not be alone. Cooperative employees and reliable, expert partners will help them transform their products, services, and organizations on their ongoing digital transformation journeys.