

# The Speed of Change

## App Dev Priorities in an Era of Crisis and Recovery

Financial Services 2020



## Foreword

# Recalibrating Banking and Financial Services IT for the Post-COVID World

The disruption caused by the global pandemic has made a big impact on banks and financial services firms. [KPMG's research](#)<sup>1</sup> shows financial services business leaders across the globe are facing several challenges in dealing with the impact of COVID-19 and in dealing with the increasingly stringent containment measures that governments are putting in place.

These challenges go beyond the need to manage liquidity, communication and transparency and include how the banks treat their employees since that has a relevant effect on their well-being, and consequently on their productivity. They also need to deal with customers that must know how their providers are addressing issues directly related to COVID-19—health and travel insurance, investment portfolio performance, and efficient digital delivery of banking services. This is especially critical for their corporate clients that are facing staff shortages, office closures and other public health protection measures.

Now they must reset revenue projections, focus on survival, and trim costs quickly—all while showing empathy to severely distressed customers. As recently as January, the global banking sector was expected to spend over \$550 billion on IT in 2020. Given the recalibration caused by the pandemic, that forecast seems almost unreal now.

For these reasons, KPMG recommends that banks and financial services firms review how they are delivering customer experiences to better serve clients in distress by enhancing support in the use of

digital tools. The digital transformation plans are now being stressed and this situation may require banks to revisit their priorities and try to launch new services with new products in order to adapt. This situation will create a live test of the Customer Experience relevance, the customer, partner and third party digital channel priorities, omnichannel capabilities and IT architecture flexibility and resilience.

So, how can banking and financial services IT deliver more in a time when nothing seems certain? And perhaps most importantly, how can these IT teams accelerate application development to give their companies the speed and adaptability needed in this era of crisis and digital urgency?

According to results from the 2020 OutSystems State of Development Survey, banks and financial services firms are leaders in agility compared to many other industries. However, they did name some challenges, especially after the pandemic was announced. These were adapting to significant changes in customer preferences and behaviors, improving agility and accelerating innovation, and disruption from big tech.

Addressing these challenges or making them a priority requires speed. The need to be a truly Connected Enterprise will allow banks and financial services companies to optimize the customer and partner engagement layer, leverage operational efficiency and create capacities that allow relevant digital transformation, reinforcing new business models and improving the execution of the traditional ones.

<sup>1</sup>Jim Liddy, Leadership, "Anticipate tomorrow, but deliver today" KPMG, 10 June, 2020.

Addressing these challenges, or making them a priority, requires speed and agility. For complex processes within a transformation approach, leveraging an ecosystem of technologies orchestrated with low-code, the bank is able to be more efficient to innovate at speed, to launch new channels and solutions aligned with customer needs and boost revenue.

This report has actionable recommendations for banks and financial services firms that want to become faster in the race to the new normal.



**Rui Gonçalves**

Partner, Management Consulting Services at KPMG Portugal

[LinkedIn](#)



**Marcus Murph**

Partner, Intelligent Automation Practice Leader at KPMG US

[LinkedIn](#)

## Introduction

This year's OutSystems State of Application Development survey took place amid the early part of the COVID-19 pandemic crisis, between February 12 and March 31, 2020. In this period, respondents' organizations were grappling with lockdowns, work from home, supply chain, and revenue disruption, and capping it all, a 25% global stock market crash.

It will take some time to understand the full impact of the crisis. Many speculate about a "new normal." At this time, it's hard to imagine what that new normal will look like. But for those of us who have experienced market crises before, two things seem sure:

- Organizational agility will be tested as never before over the coming months.
- Organizations that muster the most agility and ingenuity will grasp new opportunities when others falter.

Moreover, taking a longer-term view, the organizations with the most agility will outpace their competitors and establish a foundation for future growth.

So, the questions for banks and financial services firms are—**How agile is your organization? And, for that matter, can your approach to application development keep up in this era of "Digital Urgency"?**

Our research took us around the world, connecting us with IT professionals and senior business people in multiple industries, across six continents.

Six percent of responses came from organizations in the banking and financial services sector (not including insurance). We've added some extra analysis to see how these organizations are performing compared to other industry peers. These findings are summarized in the pages that follow. We also include the results provided by all respondents for comparison

## Banking and Financial Services: A Landscape of Upheaval

The survey took place as the full impact of the pandemic crisis started to become apparent to the world. As the responses rolled in during late February and throughout March, we saw the reordering of other perceived threats following the pandemic lockdown and market crash. Changes in customer preferences and behaviors became a primary concern. The fear of being digitally disrupted by competitors with more agility fell considerably.

### Top Fears of Disruption

In the financial services sector, the top fears of disruption were as follows:

Top Fears of Disruption - Banking/FS Responses	Unlikely	Somewhat Likely	Likely
Significant Changes of Customer Preferences or Behaviors	12%	44%	44%
Digital Disruption From New Competitor	19%	44%	37%
Market Downturn or Recession	19%	33%	49%
Disruptive Regulatory Change	21%	33%	47%
Digital Disruption From Established Competitor	23%	40%	37%
Disruptive Cyber Attack	30%	35%	35%
Government Budget Cuts	56%	28%	16%

Changes in customer preferences and behaviors have become a primary concern for respondents in banking and financial services. However, a

significant variance compared to responses from other industries is being digitally disrupted by new competitors, which remains a top-three risk factor.

This is, of course, connected to changing consumer habits. Given the moves made by each of the four Silicon Valley tech giants in the past year, it's understandable that long-established banking and financial service giants are particularly nervous of disruption by big tech in the year ahead.

### Digital Priorities Shift to Survival

We saw similar changes in sentiment in the lists of the top three goals for digital transformation in the sector. The top goal was to improve agility and accelerate innovation. But for those who responded after the crash, the need to address evolving customer behaviors and preferences rose higher, and the need to outperform competitors fell to last place.

Respondents in the financial services sector placed improved agility and faster innovation very firmly as their top goal for digital transformation—10% higher than any other priority.

Top Goals for Digital Transformation	Banking and Financial Services	Global	Variance
Improve agility/accelerate innovation	28.46%	22.39%	6%
Improve cybersecurity resilience	8.94%	7.08%	2%
Address evolving customer behaviors/preferences	18.70%	17.39%	1%
Achieve growth in new markets	14.63%	15.88%	-1%
Reduce costs/improve efficiency	17.89%	19.48%	-2%
Outperform competitors	8.13%	10.31%	-2%
Meet evolving expectations of employees	3.25%	7.46%	-4%

## Demand for Applications is as High as Ever

Fueled by digital innovation and differentiation initiatives, demand for application development remains at the record high level we saw in 2019. Focusing on organizations with 500 or more employees, we found that:

- Just over 65% have ten or more apps planned for delivery in 2020.
- 39% have 25 or more apps scheduled for delivery in 2020.

According to our respondents, the demand for new applications is less keenly felt in the banking and financial services sector. Focusing on organizations with more than 500 employees, we found 49% have ten or more apps planned for delivery in 2020. Just 19% of respondents have 25 or more apps scheduled for delivery in 2020.

## Backlogs Remain Stubbornly Long

Only 27% of all respondents said that their backlog had improved in the past 12 months, and 8% said their backlog had gotten worse. Industries most likely to complain of lengthening backlogs include insurance, banks and financial services, healthcare and pharmaceuticals, and business support, and logistics and transportation.

## Development Skills Are in Short Supply

Only 15% of respondents described hiring developer roles as easy or very easy. Only 45% of organizations have larger app dev teams than a year ago. For many organizations, retention of developer talent appears to be a challenge.

In the banking and financial services sector, organizations seem to face similar challenges when resourcing development talent. Seventeen percent of respondents described hiring developer roles as easy or very easy. Just 37% of organizations have larger app dev teams than a year ago.

## How Can Banking and Financial Services

### IT Get Faster?

Modern approaches and technology are the way to go. These practices are how big tech and digital newbies became a formidable threat to less nimble, long-established banks and financial services firms. Now the disrupted can catch up and surpass them by making some simple changes.

### Increase Application Development Speed

Our research shows that leaders in speed and agility were heavy investors in tech that speeds up delivery.

Investment in Technologies to Increase Delivery Speed	Laggards	Leaders	Difference
Low-code + MXD Platform	29%	44%	15%
Containers + Microservices	15%	29%	14%
New programming languages or frameworks	15%	29%	14%
Digital Process Automation/ RPA	24%	29%	5%
BPM Platform	7%	11%	4%
Cloud	58%	61%	3%


Banking and financial services IT organizations can evaluate these technologies based on their application development needs—AI in chatbots, mobile apps, voice assistance—and determine which is likely to accelerate development. Low-code development, containers, and microservices have also enabled financial services firms to succeed.

## Eliminate the Top Application Development Challenges


According to our analysis, the top app dev challenges for those who are not agility leaders are:

- Legacy system integration/lacking APIs
- Fuzzy/changing requirements
- Lack of technical development skills
- Mastering new technology and standards


So, what can banking and financial services firms do to address these challenges? Here are some ideas:




**Start with UX**  
Use customer journey mapping and design sprints to put the user at the center of your development process.




**Build for change**  
Adopt iterative, agile development practices to accommodate uncertainty, unclear direction or changing requests.



**Add new skills**  
Look for whatever skills your team needs next - web, mobile back-end, and modern stack.



**Focus on CD**  
Add technology to help teams achieve continuous delivery (CD) without assembling an array of DevOps tools and skills.



**Reach legacy**  
Find tools with built-in and DIY connectors for easy integration with any enterprise system, database, or web service.

## What It All Means

Speed is the name of the game. Banking and financial services organizations that focus on customer needs and offer developers an easy and fast path to innovation will be able to reduce costs and improve efficiency while enabling faster innovation. A small percentage are already there, and they continue striving to get faster and better. Others have work to do, but there are ways forward for them. Whether you are executing on your priorities or just getting started, you have options not just to get in the game, but to win it.

## Next Steps

Highlights of the OutSystems State of Application Development research are summarized in *The Speed of Change: How Fast are You?*, a report that outlines how the findings relate to becoming a speed and adaptability leader. It compares leaders and laggards in IT speed and offers tips to lagging organizations on how to become a leader.

Download the report [here](#).

## About OutSystems

Thousands of customers worldwide trust OutSystems—the only solution that enables the visual development of entire application portfolios that easily integrate with existing systems.

Learn more at [www.outsystems.com](http://www.outsystems.com).

