

Is Digital Transformation in Banks Worth the Hassle?



We know banks that embark on multi-year modernization efforts that don't ever seem to end. Maybe yours is one of them. **There are not many things harder to accomplish than digital transformation, and due to the rapid pace of change, it's continuous. So, here are some words of encouragement and data to back it up ... It is worth it!**

A team at McKinsey recently completed a review of longitudinal data from **80 global banks from 2018 to 2022**. Based on their commitment and success at modernization, they categorized the banks into digital laggards and digital leaders. Leading banks grew their return on pre-tax tangible equity (ROTE) from 15.5% in 2018 to 19.3% in 2022. The digital laggards had more modest growth from 13.6% to 15.3% in 2022.

The research further showed that **digital modernization improves success in growing revenue and in containing expense growth**, and that planning for modernization should contain both strategies. Leaders grew revenue and added more customers. Laggards saw a decline in revenue and zero growth in their customer base. During the same period, the digital leaders' operating expenses grew at 1.3% and the laggards grew at twice that.

So, YES, you can do more with less and digital transformation is the key. Power on with your digital transformation efforts for the viability of your bank! There are a lot of other instructive takeaways from the study, and as I read the report, I kept thinking about how the Leap platform technology is designed specifically to help banks get at this digital transformation with more speed and success. **If that's something you care about**, please, use the QR Code to read our 5-Step Guide to Speed Software Releases with LCNC, exclusively for Financial IT leaders.



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