

DIGITALISATION AND PRODUCTIVITY IN THE FINANCIAL SECTOR

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Summary

Digitalisation and globalisation have permanently changed the financial sector and its operating environment. The physically intangible nature of financial services means they can be digitised and produced also by other providers besides banks and insurance companies. Payment services, for example, are already provided by online stores and social networking services. Three billion people use the internet, two billion have mobile phones, and one and a half billion are on Facebook.

Digital service platforms, or “ecosystems”, are in a positive feedback loop of growth. They attract innovative internet companies, who create supply and specialise in customer data analysis, which in turn attracts and engages new customers – digital natives in particular. Over 90% of Finns aged 25 or less use one or more social networking services.

Therefore, the most successful companies of the future will be those able to combine people, digital platforms, efficient working methods and global business, while responding to customer needs. Every company aiming for growth needs a digital strategy.

Banks and insurance companies can thrive in competition by increasing their productivity through digital technology. Successfully doing so maintains productivity and jobs and improves work well-being. While productivity in the finance and insurance business is notably higher than the national economy average, it grows slowly. The best way to speed up the growth is to develop new products and improve operating models.

Financial companies have three main ways to succeed in the competition. First way is to continuously develop services. Development does not have to depend on ground-breaking innovations, because great ideas are often born while solving smaller problems. Incremental development is typical for small internet companies that are just starting out, but can also be a less risky way for banks and insurance companies to reach the forefront of digital and mobile services.

The second way is to develop the skills, knowledge and working methods of employees. This will add further service value to customers beyond that which comes from digital services alone. The importance of expertise and trust – the traditional competitive advantages of the financial sector – will become even more pronounced in the future, as digital services increase the amount of data available. This data has to be refined into confidential information that has value for the customer. The challenge lies in finding the right methods to combine expertise with digital channels, when expertise is available only at fixed times and digital channels are open all the time. There is a clear need for flexible hours and telework, and the issue is equally relevant to managers as well as employees.

The third way is to create a corporate culture that ensures that customer expectations for digital services are met. Everything that can be digitised has to be digitised. This will require investments not only in information technology but also in leadership, incentive and reward systems. As a strategic task, the responsibility falls on the company’s board of directors.