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*Together makes progress*

**The keys for growth:**

*Trading traditional cost programs  
for long-term productivity*

# Introduction

For many banks, cost programs still start with the same reflex: reduce budgets, freeze hiring, and delay investment. That may stabilize results in the short term—but it rarely changes the underlying cost base. The problem is not only how much banks spend. It is how much of that spend is absorbed by complexity. While one-off cuts can offer a quick fix, they seldom address underlying issues. In contrast, optimizing performance can improve competitive posture. To grow and thrive in today's marketplace, banks need streamlined, efficient operations that deliver sustainable outcomes—not one-off savings.

Sustainable cost transformation starts by shifting the focus from cost to productivity. In simple terms: how much effort does it take to deliver value to a client? Look at costs through the lens of productivity, then invest where it matters. Which systems and solutions both boost cost efficiency and spur growth? Which choices encourage innovation, even breakthroughs? Can you redirect investment to areas that improve performance, scalability, and returns?

To strike the most effective balance between cost control and growth, the financial industry CFOs surveyed for Deloitte Insight's [Finance Trends report](#) are addressing the root causes of performance issues for people, processes, and systems, and choosing to invest in technology—including AI, cloud infrastructure, intelligent automation, and specialized in-house expertise. AI and automation, in particular, can drive productivity and improve cost efficiency in middle- and back-office processes, making them excellent candidates for cost transformation.



## How long-term transformation beats short-term cost reduction

The challenge, then, isn't whether to invest, but how to invest intelligently. That means ditching the quick fix—and investing in technology and change management with the potential to add long-term value while streamlining costs.

For many banks, legacy complexity remains the single biggest cost driver. Fragmented systems, duplicate data, and manual interfaces increase cost per transaction and slow down change. Keeping aging systems running requires complex, ongoing upgrades—a major drain on a bank's time and money. And while making the leap to a modern, automated system may at first seem daunting, it frees up significant funds and resources for productive, sustainable initiatives.

In the rush to add AI capabilities, banks must trade hype for down-to-earth results. AI should be used to reimagine processes, customer journeys, and operating models without increasing complexity or cost.

Over time, complexity becomes the silent driver of cost. It builds gradually—but once embedded, it is hard to reverse. Banks who streamline product portfolios and technology are better positioned to implement cost transformation. And tackling legacy technology issues with a focus on long-term value creation can have a direct and positive return on equity.

## The opportunity: Control costs—and fund change and sustainability

Organic growth has become increasingly elusive in banking. A fragmented competitive landscape, combined with margin pressure, regulatory burdens, and digital disruption, has shifted the strategic focus from growth to cost efficiency and sustainable cost management.

Several challenges are driving the need for cost transformation:

- Operational complexity involves customer-centric offerings that often sit on top of fragmented products, processes, and systems—making them expensive to deliver.
- Strict regulation can inspire banks to “overachieve” on regulatory requirements out of fear of negative consequences, adding unnecessary complexity and cost.
- Commoditization and capital-intensive operations can further squeeze margins, making cost efficiency improvement especially important in investment banking.
- Market consolidation and increased competition leads to margin pressure that makes structural efficiency—not one-off savings—critical for long-term.
- Inflation and rising labor costs also press banks to identify cost efficiencies without compromising service quality.

# A new approach to long-term performance improvement

Transformational change is based in solid, detailed, and actionable information. When banking leaders understand exactly where costs exist and how they contribute (or not) to productivity, they can uncover cost-saving opportunities that are sourced and validated through data. Equipped with a clear view of current costs, they can then use the data to quantify cost-saving opportunities, set tangible benchmarks, and assess the scale of change required to meet specific goals.

Validation can also come from qualitative inputs. Interviewing leaders of specific bank functions, for example, can highlight potential service duplications and cost-management opportunities, helping banks position themselves to prepare for, and reach, ambitious cost targets.

## Best practices for cost transformation

A successful cost transformation project should demonstrate increased productivity through value creation and cost optimization. And there's a crucial link between productivity and sustainable cost management. AI use cases, especially, should demonstrate a direct impact on bank profitability and operational improvements. AI is often seen as a shortcut to efficiency. In reality, the impact depends on the context in which it is used.

For many transformative projects, including AI adoption, an end-to-end approach is more likely to realize tangible benefits than siloed implementation. To ensure compliance and maximize benefits across business units, such initiatives should be implemented across a single horizontal layer of the organization.

*AI is a catalyst, not a silver bullet. AI investment can drive productivity—but it can also increase costs without improving performance. The difference lies in whether AI is applied to simplify work—or to compensate for complexity.*

### *Cost transformation in action*

Deloitte Switzerland recently conducted a diagnostic assessment of cost, revenues, and associated metrics for a global asset manager, mapping costs to the firm's operating model. The assessment uncovered potential bottom-line improvement of 15% through cost savings and revenue enhancements.

When it comes to platforms, products, and back-office operations, comprehensive standardization is almost always more cost-efficient. Recently, a European Deloitte team worked with a bank seeking to better integrate its

general-purpose AI tools. An initial rollout had been met with underwhelming efficiency gains, user reluctance, and a lack of process integration.

With the team's support including leadership alignment, development of AI ambassadors, value-generating use cases, and AI literacy and training, the bank was able to add high-impact AI use cases to workflows in ways that drove measurable value and supported larger strategic objectives.



## Keeping an eye on the big picture

When you're aiming for true transformative impact, never lose sight of the big picture. Prioritize long-term value over short-term savings, knowing that lasting value has the greatest ability to scale. For banks working to stay competitive in fast-changing markets, performance leadership often demands ongoing investment, especially in technology and AI.

And remember that cost transformation is a powerful way to support performance—but never an end in itself.

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