



FINANCIAL SERVICES **SECTOR ANALYSIS**

# WORLD QUALITY REPORT



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# FINANCIAL SERVICES

New IT investments drive growth in QA and Testing budgets and “shift left” initiatives

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The global economic downturn of the past few years forced firms in the Financial Services (FS) sector – banks, capital market firms, and insurance companies – to focus primarily on maintaining existing applications. As the global economy has returned to growth, CIOs in the sector have begun to shift their priorities from maintenance to developing and implementing new systems to help grow the business, expand into new product areas, and increase their customer reach by opening new distribution channels. The more positive economic outlook has also renewed interest in merger and acquisition activity. For this reason, the post-merger integration of IT systems is an important priority for IT teams.

Merger and acquisition transactions, and the need to support new technologies and channels, create substantial implications for application Quality Assurance (QA) and Testing practices. Over the years, QA and Testing teams have gained extensive expertise in validating legacy, often proprietary, applications. Many financial institutions invested heavily in building automated regression tests, which helped them perform testing more efficiently and with better coverage. However, new types of systems and technologies require a new approach to testing, which translates into a need for additional investment. This has further increased the need for business assurance testing, requiring QA professionals to have a higher degree of domain and business knowledge.

In 2013, the *World Quality Report* research found that 24% of the overall IT budget in the FS sector was allocated to application quality – among the highest of all sectors. The 2014 research data shows a further increase in QA and Testing spend to 26%, same as cross-sector average – a figure that is expected to rise to 28% by 2017. Furthermore, the research shows that 53% of the testing spend is focused on new application development initiatives, leaving 47% for maintenance projects.

While the proportion of QA and Testing spend in IT budgets is rising, many organizations still face challenges in articulating the benefits of Testing to business outcomes. The 2014 research shows a positive trend toward more companies capturing metrics such as cost savings by preventing defects from getting into production (from 41% in 2013 to 48% in 2014). However, it is still challenging for FS firms to demonstrate how testing helps reduce the time-to-market.

The growing focus on QA and Testing is also reflected in FS firms' awareness of the need to introduce testing earlier in the software development lifecycle. Although today more than two out of five (41%) IT leaders interviewed state that their testing leads get involved in a project at the development stage or later, 68% of these respondents report that they are planning to start introducing QA and Testing earlier, making the “shift left” to ensure that Quality Assurance is integrated into the test strategy, planning, requirements definition, and design processes.

Growing improvement of QA and Testing practices within FS firms is also apparent in how they structure their testing functions. Many banks and FS firms are customizing their existing models to find a solution that best suits their needs. While 27% of CIOs and IT directors interviewed report that testing is centralized into a single stream across their organization, a higher number (34%) state that they employ a combination of centralized and decentralized testing teams. Many organizations find it beneficial to consolidate testing governance and metrics, while keeping the professional testers close to the project groups that they support.

Frequently, the structure of the testing function depends on the ability of different stakeholders to reconcile their interests. While senior executives often see the value in having consistent testing processes across the entire organization, many project leads believe that



their business requirements and specifications mandate a dedicated testing team aligned exclusively with their business units.

FS firms are facing challenges around change management while restructuring their testing functions. As the discipline of application quality evolves, banks and other FS companies will continue to explore different models to find the ones that deliver the best outcomes.

In 2013, one in five (20%) of the executives interviewed in the FS industry reported that their firms had an established Testing Center of Excellence (TCOE) using either in-house resources or third-party service providers. This year, the percentage of executives interviewed who state that they have a fully operational TCOE has increased to 30%.

The definition of an industrialized TCOE varies widely across organizations. Most companies in the FS sector tend to view TCOEs as groups that help ensure that the best methods, standards and technologies are available to teams throughout the organization, rather than a collection of different testing disciplines and capabilities under one roof with a single leader. With such a holistic approach to the TCOE, it's not surprising that 51% of the CIOs and IT directors interviewed plan to establish standardized TCOEs in the future, or have already begun the process of putting one in place.

Most FS firms are rapidly adopting cloud to host and test their applications. The research data shows that as many as 29% of applications have been migrated to the Cloud (an increase from 19% in 2013) and that 31% of testing occurs in cloud-based test environments (an increase from 24% in 2013). Furthermore, 56% of IT leaders interviewed state that cloud services are among their most significant IT investment areas. Almost all cloud investments are likely to continue in the private cloud space, given security concerns

and the need to report on data security to external auditors and industry regulators.

Adopting agile methods is seen as an ongoing challenge. Some 93% of respondents in the FS sector state that they use agile development methods. However, many firms struggle to adapt their traditional operating models to iterative and collaborative development and testing practices. In this year's research, 59% of respondents from FS firms state that they don't have a good testing approach that fits within their agile framework, and 51% of participants state that they can't easily identify the right focus areas for testing within agile.

In the meantime, mobile testing is experiencing rapid growth as expected. Banks and other FS companies continue to invest in mobile applications as part of their efforts to provide an all-channel experience for their customers. Nearly half (46%) of executives interviewed in 2013 stated that they didn't test mobile applications and devices, but in 2014 that figure has reduced to 15%.

As with agile, many organizations are still trying to define the best QA and Testing strategies for mobile. The executives interviewed report that their most significant challenges are finding enough time to test (38%), adopting the right processes and methods (36%), and having specialist testing experts (36%). Compared to last year, however, FS companies report fewer challenges in the area of mobile testing. In many cases, this is due to the involvement of specialized service providers who help deliver complete testing services of mobile solutions.



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