Maysam Rizvi reviews the Banking Tech Revolution.

Capital is more expensive, costs are higher and prices have gone down… the technology revolution has become a necessity.

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A After the financial crisis and the subsequent intensifying global regulations banking is going through a technological revolution. The environment in which we operate has changed dramatically - shareholders, customers and regulators have had a paradigm shift in their thinking and perception of banking. Given the advances in mobile technology there is now a growing threat of competition from tech firms like Google and Apple but also a number of Fin-tech startups trying to bring innovation to a long standing industry. This raises many questions: As a bank how do you differentiate your services from your competitors? How much do you spend on technology? How much is too much? How do you ensure success?

The challenges become even bigger when you consider that capital in banking has become more expensive, the cost of satisfying regulations and continuing to provide service to clients has gone up, due to increased liquidity and increased competition prices have gone down impacting profitability. In many aspects the advent of revolutionary technology in banking is inevitable. Without the benefits of revolutionary technology to leap frog your competitors most banks face a very bleak future.

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In reality technology is not new to banking - SWIFT payments, ATMs, online banking, mobile payments have all been great innovations but they have focused on making long standing processes more efficient, this is in part due to the technology itself. Due to advances in computing and technology what we will soon see is a major shift in what banking really does and how it is delivered. When I think about the future of banking technology I see three broad categories - customer facing solutions, internal business intelligence and core systems. Generally when you read about technology in banking the focus is on the customer facing solutions - they are more mobile, they are automated/ unmanned self service solutions and they are connected to your client's systems/lives. Technology in banking is going to ever increasingly penetrate your client's lives and that is how these solutions have to be developed. Business Intelligence is critical to any large organization that is trying to efficiently sort through the trillions of bits of data on their data warehouse or systems to find meaningful, actionable intelligence. These solutions are also mobile and they work across various systems and platforms and provide insights that weren't possible before. The core systems of the banks will need to consolidate and be compatible across a number of platforms. These are your financial and accounting systems, your credit systems and your transactional systems.

The future is where all three categories combine to provide solutions in ways that were not possible before. Clients will be able to use geotagging to use the relevant services anywhere, branches will become obsolete. Management will be able to see how the bank is performing and drill down to get into the nitty gritty and conduct what-if analysis on the fly before making major decisions. Compliance and Risk teams will get flags to check and ensure that transactions are in order. Sales staff will be completely mobile checking their emails, making their call reports, evaluating team performance and doing a health check of their client's portfolio without sitting on a desktop.

How do you get there?

For many banks that have been investing in improving their systems for years there is good news - most of the new technology is built with compatibility across a number of systems which allows you to buy off the shelf rather than rethinking your capital investments. The challenge is that there isn't holistic thinking across the banking tech spectrum. The key word is revolutionary - if your product or product delivery is not going to fundamentally revolutionize, you would either be carrying out a long and expensive exercise that will not reap enough rewards or you would be left in the wind by upcoming fin-tech that are doing just that.

The questions are simple and age old… what is your relationship with your client? What do they need? Where and when do they need it? Why do they need it? If you can imagine being part of a client's life and not a service provider you might be on the right track.

To get to the right solution you need to create an environment within your firm that can deliver ground breaking innovative solutions.

Challenges

Resistance to change:

One of the biggest challenges large institutions like banks face is the resistance to change, both at the top and at the bottom of the organization. Firms where the top management is bought on the approach of total tech revolution are more likely to experiment with various technologies and products. The problem is that this culture needs to incubate and you need open minded employees who will explore new age solutions. Innovation of any sort can be difficult in a nay-saying environment and bankers in general have evolved to be skeptics and nay-sayers (in some instances with good reason).

Weaknesses in your under lying data or core systems:

The challenge with most long standing organizations is that they have invested in technology in various forms, others have inherited them through acquisitions… whatever the case the challenge is there are multiple entry points for data and then there are teams dedicated to cleaning up the data and there are other teams that are just overriding them. All this chaos creates weakness in your underlying data set and you'll find teams blaming the business intelligence solutions rather than the underlying data set. The solution is simple, use the business intelligence to identify and fix these issues. In many ways business intelligence solutions do increase the intelligence in your business.

Shorter development time:

The challenge with any major IT project is the development time, you are stuck in a multi-million dollar investment that takes years to deliver and in many cases is scrapped in year 3 due to cost overruns or scope creep. Development times need to be reduced, if you can't develop and deploy a system within one year you need to consider buying the solution externally and implementing. Technology is changing at such a quick pace that if you are not adopting a rapid development and adoption program you are likely to face technology obsolescence.

Radical changes not minor improvements:

Whenever you look at a major solution it should firstly touch multiple points and be value additive, if the system is only adding minor improvements it is probably not worth investing time and money in. Your solution should be a game changer; it should set you apart from competition and bring true change. The challenge is being able to think of multiple connections - can your technology solution provide improved customer experience, improve your profitability, reduce costs, meet regulations better and improve how you operate your business? If it doesn't, it may be worth asking why not. Connect the dots
- Credit, profitability and transaction pieces need to connect to each other to provide meaningful insights

Train your people to think differently:

The role of the banker in this new world is changing. Customers, regulators and shareholders are asking bankers to take more on individually - the new banker needs to be a credit manager, a sales person, a risk manager, a compliance officer and the client's counsel. In some parts of the bank this may be true but this needs to be true across the spectrum. Your front line need to be superheroes (able to do anything anywhere) and technology is the key. Having business intelligence at your finger tips not only helps management but helps the front line do their jobs better and also ensures better controls from compliance and risk perspective. The reality is that the banker's role individuals in these positions need to embrace this change rather than fight it. Training is critical in this aspect.

Security concerns are real, address them don't fear them:

Security remains the major threat to all improvements in technology and especially in a sensitive area as banking this remains an important challenge. It is critical to bring in the firms legal, compliance and risk personnel early into the development cycle of your technology. The challenge is you need individuals who are forward looking and looking for solutions and not nay-sayers that fear the light of day. Technology has taken massive leaps - don't be tainted by your past experiences with technology. The end goal needs to be clear, and you should have a clear understanding of who can use what information. Sometimes the lines are blurred between business intelligence and client confidential data. If you're clear on what information is in or out you should be in a comfortable position to deliver a successful project.

The reality is banks are financing institutions they are not tech firms, Fin-tech companies are increasingly competing in traditional banking arenas they are also willing to experiment in areas banks will not or cannot. However, there is still some way before they become a real threat to banking. Banks should still think about their role in this space. There are considerable overlaps that can be exploited by collaborating with fin-tech for the benefit of the clients and industry as a whole. Banks need to rethink where their customers are or they will be left in the wings. It needs a leap of faith and asking tough questions of your institutions.

Where do we go from here?

So you've made up your mind and you're going to revolutionize the banking technology. Where do you start?

Sometimes it's better to take a step back and re-look at your business, you may already have the gems to deliver ground breaking products and services, the key is to step back and take a holistic look and have clear direction and drivers. Don't make a mountain out of a mole hill, once you've identified what needs doing start driving change in manageable projects with competent teams that communicate well and often. Strategic oversight is also critical and without a singular goal of where you are going can lead to projects that are expensive and undeliverable.

We need to start think of technology as the product - maybe in the future customers will be camping outside banks for a different reason (to get their hands on the latest banking gadget).

Additional Information:

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