2021 Predictions. Really?
by Charles B. Wendel

This week I received the first three of what will likely be dozens of publications predicting the state of banking in 2021. Beginning to read these essays, my first reaction was how could anyone having lived through 2020 have the hutzpah to make a prediction about 2021? You need either faith or naivete to believe you have any idea what might happen next year.

Then, I read the perspectives in more detail. Guess what? Each provided little objective analysis trying to make sense of a seemingly disorderly business environment. Instead, most are marketing documents covered by a thin veneer of business analysis. To these consultants and vendors the next year requires their services to become more digital, leverage AI across the organization, and exploit predictive analytics to sell your customers things they did know they needed. You get the idea.

By the end of 2019 banks had their budgets in place, their hiring plans made, and growth initiatives underway. Except for the uncertainty of an election, the economic picture looked stable. A year later? Banks have still gone through their laborious budget processes, this time with many emphasizing shrinking staff and offices and minimizing loan losses, while managing cost increases due to digital investments and covid-related costs.

No one can know what this year will bring to the banking industry. The vaccines now in production could return us to a type of normal operation, but who would guaranty that will occur? I have often quoted a Hollywood screenwriter commenting on his industry, “Nobody knows nothing.” That is even more so today and of course also applies to financial services.

Given the level of uncertainty, what’s the likely banking environment for 2021?

Work Style: Many employees will continue to work full time or several days a week from home or wherever they want. The work from home (WFH) or work from anywhere (WFA) phenomenon is here to stay. Employees will be slow to return to crowded trains, jammed elevators, and work spaces that have shrunk with every corporate redesign. The longer the delay in returning to offices the more ingrained WFH becomes.

The “at home” model has been proven to work and while it does not replace the value of being able to meet with colleagues and brainstorm over coffee, the benefits in lifestyle and productivity outweigh negatives. That said, it is much easier to deal with “thorny” issues through in-person meetings or one-on-one calls. Zoom calls are only effective up to a point. As a consultant I have found that nothing works better than walking up to someone’s desk to get a question answered or a decision made. Annoying, yes, but effective. Zoom can and in some cases has become another decision avoidance tool.

Banks not only have to deal with legacy systems as they move to a greater focus on all things digitals, but they also need to rethink their legacy offices. I can think of a conference room I worked in last year that was intended for four people, but under current guidelines *might* be useable by two people. The tendency has been for banks to move to open floorplans, shrink individual space, and create an open area where colleagues can get coffee and meet informally. Does that approach still make sense? Banks should avoid ripping up offices right now until events play out a bit more, but it is likely that employees will require more individual space further promoting a WAH emphasis, as banks look to manage building costs.

Certainly, the “branch as community hub concept” seems in doubt. Here in Miami, CapitalOne had a branch with work stations and a coffee shop, basically putting itself into competition with Starbucks for a place to hang out, work, and meet others. They even housed occasional concerts. That approach may be gone for a long time, as banks become more appointment oriented and customers do even more transactions on line. Plus, what is the liability to a bank that encourages people to congregate if someone becomes sick afterwards?

People: If work is changing to allow more at home activity and a greater reliance on all things digital (it is), what does that mean for the type of employees banks should be hiring?

I know some digital advocates within banks who would snicker and say fire the old people: “OK Boomer.” In their view the future belongs to them and those they consider “analog” bankers stand in the way of the digital promised land. And, today, as cost pressures appear likely to increase, the tendency may be to eliminate higher priced employees to capture some expense savings. This may be a treacherous path to follow for many banks that view digital replacing personal relationships, and is a path that can lead to a bank becoming a utility, just another commodity provider. If I want a digital-only experience, Fintechs, operating with no legacy systems or legacy mindset, provide a better option.

Still, even relationship bankers cannot sell and serve as in the past.

More on this next time.

FIC works with clients on these and related issues. Continued uncertainty requires organizational flexibility as financial institutions focus on their future performance and growth while managing current portfolios and changing customer expectations.