**Banks Don't Change…Unless**
by Charles B. Wendel

Last week I had a call with a technology vendor that aims to provide banks with a solution which, if effectively implemented, could significantly increase revenues and profits from a business area that many banks either overlook or have managed ineffectively. The offer, developed by an experienced team and headed by an acknowledged industry leader, has value, but will banks exploit what this group offers? In our conversation the vendor's business leader used two terms that caused me to shake my head in concern: "urgency" and "have an open mind."

He was hoping to work with senior bankers who could introduce change fueled by a sense of *urgency* and operated with *an open mind* that allowed the bank to operate with approaches that differed from the past.

Banks respond badly to being told they need to act with urgency. At their core most banks are risk-based institutions and understanding the risks involved in any action requires analysis and consideration from multiple areas within the bank. Bluntly, sometimes this analysis reaches a torturous degree, as many internal groups provide "value added" and raise fears about a proposed change.

There are several BIG exception areas to this anti-urgency bias. Issues involved fraud, compliance, and privacy all receive priority as banks want to keep regulators as quiescent as possible. Ensuring diversity may also be in that same category, as banks work to avoid the wrath of various interest groups. Consulting firms focusing on all things diverse have popped up almost overnight, adding fuel to the fire around this topic while promising to sell a fire extinguisher. Note the immediate cost impact of "urgent" activities and their unclear impact on revenues.

Trying to convince a banker that a strategic initiative should be given the same level of urgency is a tough sell often answered with "Yes, but" rather than "Yes!"

The vendor mentioned above correctly spoke of the need to find bankers who "have an open mind" to moving on opportunities for change. But how many of these bankers are there at a particular point in time? Example: I called on one bank for over eight years offering FIC's services. The persistence was a good thing because a relationship finally occurred, but that was because they determined that they had a need they believed our capabilities could address. Until the bank saw that need there was little we could do other than try to stay somewhere in their corporate mind. Vendors, unless they are selling something a bank views with urgency, face a similar situation.

For most vendors the classic sales funnel still rings true. However, what goes into the funnel needs to be vetted to avoid worthless initiatives. For example, somewhere on the Internet there are direct mail sites selling my name. In one case I am a dentist and in another an interior designer. Every week I get emails for a new dental technology, a direct mail offer to find new clients, or art I can offer my clients. Similarly, as a consultant in years past I often went down a fool's path marketing to banks and bankers I should have known were fruitless. Most banks are polite, and many are curious. It is a mistake for vendors to confuse politeness with real interest.

The attached chart provides a simple but largely on target picture of the change process that occurs within banks. Product and marketing groups often lead the "pre-contemplation" and "contemplation" steps, identifying initiatives that a bank should consider. "Preparation" and "Action" involves an ever-increasing cross-section of bank personnel with these steps screening or delaying most proposals.

What this chart misses is the role of leadership, a critical but rare commodity in many institutions. A vendors' search for urgency and an open mind often conflicts with entrenched management that wants to avoid conflict, minimize personal risk, and let the next person in line for senior jobs take on the necessary responsibility. That is an approach that will lead increased success for Fintech competition versus a bank. Too often, however, management may be focused on personal short-term survival rather than longer-term bank success.

*FIC works with clients on issues that result in growth and sustained success. Continued uncertainty requires organizational flexibility as financial institutions focus on enhancing profitability while managing changing customer expectations. FIC provides the independent perspective that Boards and senior management require.*