High Touch *and* High Tech
by Charles Wendel

One of the major management challenges faced by senior bankers today concerns their ability to balance the two worlds in which they operate. They need to support what can be described as a "traditional" approach (current people and processes) while actively transitioning to a world that increasingly relies on technology for product development, process streamlining, and delivery and demands that bankers effectively partner with third-party vendors.

Tradition meets Fintech. Few managers can straddle these two often times conflicting worlds. Yet, for a bank to remain relevant to its changing customer base, it needs to do so. Ultimately, banks have no choice in this matter, as their customers (both young and old) expect new ways of doing business. Providing a digital solution does not guarantee success; not offering a digital solution may eliminate a bank from consumer or business customer consideration.

What I mean by "traditional" centers on the need for banks to continue to manage the day-to-day "feet on the street" activities of their branch personnel and relationship managers (RM). Most customers want access to people who can quickly address their needs and offer value-added and/or cost-saving advice. While there exists a growing demographic group that operates with a DIY mentality, the size and depth of that segment still is to be determined. In instances in which a decision involves large dollars or significant complexity, the tendency to seek in-person assistance increases. And, while decreasing in number, Baby Boomers remain a large and attractive segment. While this approach may be traditional, it is usually conducted inefficiently and unproductively. At many banks RM productivity remains low and branch-based sales are at dismal levels.

Managing the Fintech world requires a tolerance for unproven methodologies, startup companies, and sometimes naïve and/or arrogant vendors. While Fintechs can provide unparalleled value to a bank, they also often take the senior banker out of his/her comfort zone. Understandably, for many 50+year old bankers, the call to create a digital bank may result in as much anxiety and fear as excitement and enthusiasm. One senior banker recently told us to avoid Fintech-dependent solutions among our recommendations because implementing them was largely out of his control and required an enterprise-wide approach.

What to do? Reactions of concern and confusion by management to the dynamics of the new Fintech world seem appropriate. The hype factor is enormous and in some cases Fintechs, rather than providing innovation, are putting lipstick on a pig, allowing banks to put a digital spin on analog products and processes.

True innovations such as wearables and AI need to be assessed in light of the practical realities of near-term earnings requirements and fundamental strategic and strategic questions such as:

- What is the role of sales staff when AI can be used to make product and loan offers to customers and even help borrowers select the right type of loan for them?
- What is the timeframe during which this will happen? Some Fintechs would say this is available today.
- What does your customer want? In some cases Fintech-offered capabilities may be beyond the interest or comfort level of some customer segments. A transition to a new way of doing business may be occurring, but is it a three-five year or 10+-year transition? How does a bank manage its focus and its personnel in this environment?
- Bankers of a certain age may lack the background and mindset to operate in this new world. But, "traditional" banking (people-based) likely drives the bottom line at most banks. Conversely, some of the new generation of bankers may lack an appreciation for the "archaic" needs of a sizable current customer segment.

The "secret sauce" to managing the Fintech revolution requires selecting the right IT fueled options for your bank and integrating them into the way branch personnel and RMs operate. Recently, I had a reporter ask me whether bankers would become unnecessary, as the shift to self-service increased. But, bankers are not going to disappear anytime soon nor should they, as many customers value and need personal contact.

The challenge banks and bankers face involves repositioning themselves to make sure they are exploiting Fintechs to provide an extraordinary customer experience, one that makes life easier and results in a better informed and served customer. Experimentation needs to be encouraged and, yes, failure needs to be tolerated.

But, **senior** management also needs to protect and build its current franchise while anticipating the future. How?

- Build a small team of internal and external advisors who can keep management informed of trends and their implications for the bank
- Explore pilot programs to test opportunities with limited risk
- Make sure your Fintech selection process is rigorous and includes line of business personnel. We see too many Fintechs being selected because of contacts or sloppy internal decision processes rather than demonstrated capabilities.
- Maintain your presence and show your interest in leveraging Fintechs. Some top managers express frustration in understanding this world and avoid active involvement, undercutting how younger and/or more IT savvy employees view them.

When I first started working at McKinsey many consultants actively avoided working on banks, viewing the industry as uninteresting. No more. While the basic mission of a commercial bank remains relatively simple, achieving optimal performance requires an artful balancing act between the demands of today and tomorrow.