

How Much Are You Wasting on Digital?

by Charles B. Wendel

Last week Chris Skinner titled a blog commentary, "Banks Waste Billions on Digital" (<https://thefinanser.com/2021/02/banks-waste-billions-on-digital.html/>). He begins by making a statement that banks should be considering: "I wonder whether, one day, anyone will work out how much money has been wasted by banks on digital technologies." He then cites:

- **Accenture:** "Only 1 in 10 banks were committed to digital transformation; 4 in 10 were trying to transform, but had no cohesive strategy; and 5 out of 10 weren't making any progress at all."
- **IDC:** "70% of all digital transformation initiatives do not reach their goals. Of the \$1.3 trillion that was spent on digital transformation in 2018, it was estimated that more than \$900 billion went to waste."

We can argue about the numbers, but I do not know a client who would deny that they are not spending as effectively as they should on digital. Most banks have hit their tipping point and the mandate to spend is clear. Now the focus shifts to the classic issue of "bang for the buck."

That's where Skinner offers one line that says it all and yet too often has been ignored by those tasked with leading the digital revolution within banks: "Digital transformation really has little to do with technology." He goes on to explain "digital transformation is more about culture and organisational change than about technology."

Why?

Leaders need to "think different" about the value proposition they are offering customers.

That's tough to do if you have been managing for decades, for example, with an emphasis on reliance on a relationship banker or investment manager.

In the new world of easy access to information and greater client reliance on making their own decisions, those traditional roles need to change. This change seems hard for bankers to imagine or manage. A bank's digital team may come close to dismissing the value of the RM, viewing them as about as relevant going forward as a slide rule. While some RMs and their leaders are embracing change, others are defensively holding on to past practices, hoping against hope that "this too shall pass" or the change at least take long enough for them to get to retirement.

Is there a person(s) internally who is reaching out to bankers, technologists, and clients (remember them?) to determine the path forward, the way to exploit technology to make RMs more efficient and effective in their client's eyes?

"The mindset of leaders needs to change." Stealing Chris Skinner's phrase, he accurately uses a few words to summarize a massive issue. Lots of top managers and BOD's will nod their heads in support of digital investments, but how many see digital and the transformation it brings as a dynamic force. Leaders need to not only accept but embrace that digital changes encompass a never-ending issue that will never be solved, never go away. I've been in rooms where managers reluctantly acknowledge this and have said they would let the next generation of leaders deal

with it. No profile in courage, but a way to avoid conflict and tough decisions. Given the pandemic, though, delaying tactics will no longer work.

Et al. Skinner goes on to mention required changes to products and services, compensation, customer engagement, “the list goes on and on.”

Not easy, not short term, not going away. BODs, many of them getting up to speed on what may be happening and required going forward, must at the same time assess top execs to make sure they have the mindset and, as necessary, bring in leaders who can foster the required change process.

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.