

How To Fail at Digital Banking

by Charles Wendel

In the past year banks have been waking up to the need to adopt digital solutions that will enhance their customer's experience. In some instances cost concerns are driving this focus while in other cases customers are demanding digital options as part of their ever increasing channel choices.

While the realization that "digital" is part of the permanent landscape has increased at banks, the approach used and the leadership assessing and recommending options also needs to change. Otherwise, at some banks "digital" could become nothing more than a check mark on the list of issues a banker thinks he should address. As more banks are learning, in fact, "becoming digital" often requires a bank to reinvent itself from the perspective of the customer experience.

But, that's not the approach we see at many banks.

What not to do

Example: The product group at one bank promoted and led the selection process regarding a digital solution for a particular line of business. They decided a need existed (not a universal view within the bank) and defined what was required, interviewed vendors, and made a selection that the line of business went along with. Basically, the initiative was stillborn with little enthusiasm or commitment by the business. No surprise.

Example: In another case a vendor was selected because of high-level bank contacts rather than an RFP or RFI process despite there being multiple other vendors with distinct approaches and established track records. Again, the vendor was "gifted" to the line of business. And, again, enthusiasm for the initiative appears minimal with line leadership predicting failure.

Example: At one bank the digital initiative failed to get off the ground even though adopting that approach would likely save dollars and improve their current offering. Top management simply did not care about that business line and would give it no "bandwidth", preferring to allow the segment to continue to generate mediocre results rather than investing the time and dollars to fix. The line had no top management support to act.

Example: IT leads the digital process at this bank. The head of IT "gets it" and is doing the right thing by introducing potential Fintech partners to various business lines for their consideration and line of business selection. However, some of the business heads want to be told what to do and appear unable to make a decision; they are comfortable in their current "analog" space and may not know how or even want to move to a different approach. Even today, some are clinging to the concept "This Too shall pass," or maybe can be delayed until they retire.

The above all present tales in which project leadership comes from the wrong area or does not come at all. This likely dooms a project to failure but also indicates line leadership needs to run the process of digital transformation or be replaced.

But winners are emerging.

Not all the bank stories are negative. Banks like Citizens in small business and wealth management and Regions in retail and small business provide good examples of banks working across silos and functional groups to enhance the customer experience. And, while the largest banks have some advantages in this area, smaller banks have the opportunity to take advantage of what Fintechs offer. Just last week Atlantic Capital, a \$3B Tennessee bank, announced a new online mortgage application capability. Other banks of similar and smaller sizes are also partnering up in a variety of areas as more vendors focus on regional and community banks.

What's required?

Banks need a digital leader. Banks may need a dedicated person (or at least a significant chunk of a well-respected person's time) to develop a digital roadmap and assist, but not dictate to the line.

Top, that is TOP, management needs to give this area a TOP priority. We often meet with senior bankers who seem to have deliberately stayed away from the digital area, either because they are intimidated or do not care. They are overlooking a revolution; they cannot survive doing so.

The Board needs to become aware and involved in the changes that are happening. If the Board is not already asking questions, then the bank probably has the wrong Board.

Line of businesses need to bake "digital" in to their thought processes and take a lead role in partner selection. Period.

Management must ensure that line of business leaders can handle this transformation or replace them. Banks need leaders who can both protect the current revenue streams while embracing the changes that are occurring. Time to upgrade?

BTW, avoid ageism. Among the banks I work with, I see leaders of the same age who are approaching this topic dramatically differently. Of course younger employees should "get it" more naturally, but I know banks where the "grey-haired" or "folically challenged" are leading the charge, often pushing their much younger team to move more quickly. That is great to see.

Final thought: The digital work presents banks with many challenges, some of them new, but should be approached with enthusiasm. The revolution has begun and no bank can opt out of it.