The new EI in Banking – Ecosystem Integration

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We have moved out of an era where one company competes against the other within an industry. This era is about competing ecosystems. The entities in the ecosystems include, but are not limited to, governments, business partners, consumers, technology change agents and unknown disruptors in the form of new security threats and market risks. Every business, and more importantly banks, needs to identify the changing face of their immediate ecosystem and the influence on their existence. The concept of banking is morphed into a 'network of businesses'. And this network is changing dynamically – its DNA being influenced by an overwhelmingly large number of entities in and around its ecosystem. It is changing emotionally, structurally, and operationally. It is time to go back to the drawing board and decide what business your bank is in.

Banking is undergoing major transformations and it is time to embrace the change at the velocity of change itself. Some of the key changes embracing banking today are

EMOTIONAL CHANGE

Measuring 'Trust' and 'Excitement'

STRUCTURAL CHANGE

Realignment of risk and reward in the value chain

OPERATIONAL CHANGE

Need for twice the speed at twice the traffic

Emotional change: Measuring 'Trust' and 'Excitement'

Measuring 'Trust' and 'Excitement' There is a fundamental shift across the dimension of emotion. There is a court of public opinion that influences the way data points are interpreted across boardrooms. Banks are now talking of measuring the 'fun' element in mortgage buying or the 'excitement' in a branch visit, comparing it with other retail shopping, like buying a car or visiting your favorite retail shop. Social media's power, post the financial crisis, has given a sharp edge to public opinion and it matters a lot because it spreads, it is heard, and it can overshadow millions of dollars of branding effort. Banks need to connect with their consumers at an emotional level. Some early signs reflect an attempt, though not a holistic strategy, like revamping a branch, introducing mobile apps, mobile ATMs, video servicing, 24X7 social media presence, community programs, web islands to customize experiences, new products for the Gen Y and the millennial to regain the eroded trust of the consumer through a single touch point.

Structural change: Realignment of risk and reward in the value chain

Governments and reformers are more involved in banking now more than ever. Names like Dodd, Frank, Volcker, Brown, Kaufman, Cordray and Durbin influence banking as much, if not more, than the C-level executives at all banks. Non banking logos are now an integral part of the traditional banking value chain. New game changing partnerships have emerged with telcos, technology providers and retailers that create new forces and have led to redistribution of risk and rewards in the value chain.

Operational change: Need for twice the speed at twice the traffic

A combination of mobility, cloud and analytics has given birth to businesses which modified operations of big logos in a big way. Names like Facebook, Twitter, Square, Groupon, Dwolla, Level Up, Tabbed Out, ISIS, ClearXchange to name a few, were not on the corporate map a few years ago, but are now on the strategy deck of every bank. 'Chief Innovation Officer' is now an essential position that was mostly absent till a couple of years ago. All this overwhelming change has fueled the expectations of the consumers for the need of a faster, more reliable and convenient service.

The structural, operational and emotional changes in banking are creating a new banking ecosystem, which is a network of businesses - physical and virtual, dedicated and shared, collaborative (sometimes with competition) and consolidated, integrated vertically and horizontally, agile and aged but most definitely in need of accelerated idea implementation.

Implications of the Ecosystem on the CIO's charter

You are NOT doing business alone anymore. The C-suite is fast realizing that they do not completely own the customer experience. They are not doing business alone.There is a deeper and wider network of partners, service providers and third party agencies that need to behave in a well integrated manner to provide the desired business output. This new emerging ecosystem is posing new questions and challenges for the CIO as well.

1. **Move from being a change adopter to a change agent:** Traditionally, banks have been adopting technology, but the smarter ones know that now they have to lead the way by creating technology that matters most to their customers.There has to be a fundamental shift in the energy spends from 'run the IT' to 'envision a new IT'. Every technology has to be measured on the velocity of change and the quantum of change that it brings to your ecosystem.That's where the ecosystem comes into play.The CIO will have to create the right joint venture, and manage the complete build-adoption and operation of the new technology that creates the new wave that matters most to the business.The need is to be the change agent and use the ecosystem to create the change.

2. **Redefine 'Core'** – Increasing capabilities are being provided by players in the ecosystem other than you. In most cases, better than how banks traditionally have been able to do it by themselves. In this changing environment, banks have to redefine what to own, control, co-ordinate and share. Functions like underwriting, that were fiercely controlled as in-house capabilities are fast becoming standardized and commoditized.The precision automation in this space will give rise to shared services across banks and any lending based industry. Similarly the fraud PDI (Prevention Detection Insurance) space is using a shared service framework where interested parties can subscribe to the services.With each technology wave, whether it is as big as the mobile omnipresence or introduction of a new form factor like tablet or using biometrics for identification, the CIO has to decide whether its core to the ecosystem or not.

3. **Build adaptive ecosystem:** As mentioned earlier, we are entering into an era of competing ecosystems and for banks; these entities have impacted regulations, recessions and reputational changes. Every business, and more importantly banks, needs to identify the changing face of their immediate ecosystem and the influence on their business. It is more important for banks to identify this ecosystem, share resources, redistribute the risks and rewards, and most importantly be adoptive to newer players in this ecosystem. This calls for building adaptive architecture, recognizing the need to create shared data and infrastructure to move towards an optimal utility based model. Secondly, while the pace of technology invention and innovation has dramatically increased, the pace of adoption is still slow and is subject to numerous local and external challenges. How soon you are able to identify the change and use it to build a competitive advantage will be a critical differentiating factor.

Assessing the velocity and quantum of change

Any ecosystem needs an inherent property to thrive – it needs to adopt change.There are only two types of changes – one that you adapt to, the other that you self-initiate. But in both the changes, you need to know the velocity and quantum of change and prepare a competitive strategy that helps you maximize the value out of the change in the ecosystem.

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