

Identifying the True Battle Zone of Future Bankers

BY JEFFREY R. LEFEBVRE

Reading *FutureBanker* is much like reading the latest issue of *Wired*. That's good; the magazine is a future-oriented journal providing a "vision of leadership in an electronic age," and it is unmistakable that the future of the banking industry is information technology (IT).

Consider other industries and the impact that IT had on their "futures." Fifty percent of the top 10 airline companies in 1980 dropped off the top 10 list (a.k.a the "leader board") by 1996. One of the drivers of this shift in leadership was the advent of computerized reservation systems.

In examining the impact of IT on other industries, reflect on the retailers' 1980 leader board and the massacre of 70% of them by 1991. This transformation was the direct result of electronic data interchange technology that allowed retailers – Wal-Mart, in particular - to more quickly respond to changes in consumer demand from store to distribution center to manufacturer. Or ponder the decimation that occurred to 70% of the leading computer companies between 1980 and 1991 as a result of the sea change from mainframe, "big iron" computing to client-server based, networked computing.

IT has a hideous way of dramatically altering the industrial competitive landscape in relatively short periods of time. Many of these industries probably wish they had had a FutureAirliner, FutureRetailer or FutureComputer magazine at their disposal.

Since a large part of the future of banking lies in technology, we can feel good about focusing on the right issues. But are we focusing on the right battle zone? The decision to implement automated underwriting or "push" technology will not ensure long-term success. What does? Your ability to make a decision that is aligned with your corporate strategy; to make a decision that provides real business benefit; and to make a timely decision.

Given adequate corporate strategy (an assumption not every company can make), banks on the leader board of 2010 will be those institutions with the strongest decision-making capabilities and greatest capacity to react to change. Successful companies will inculcate an ability to make decisions, change course and react to the inevitable uncertainties that IT presents.

Given the above, where is the real battle zone in the banking industry? The real competition will exist among firms developing and enhancing that decision-making capability. As an industry, how committed are you to developing this resource? A mortgage banking executive recently told me that he had no interest in improving his people's general business decision-making capabilities because if he educated his people, they would leave his company and become his competitors. This is a fairly pessimistic outlook on building a first-class operation.

The banking industry, like most industries, has some impediments to overcome if it wishes to develop that decision-making capability to compete for the long-term. To make the proper

decisions, your people first need to truly know how the business works, what activities generate profit and what the key business drivers are.

Secondly, decision-makers, regardless of title or level in the hierarchy, need to know about and be involved in the organization's strategy and its evolution. John Kotter, author of *Leading Change*, did an analysis that suggests only .58 percent of the total amount of communication an employee receives is vision oriented. More recent research indicates that when a vision is salient within an organization, managers can better assist in the strategic planning process, particularly in the situation analysis phase.

Once decision-makers understand the drivers of the business, how money is made and the direction of the organization, they will also be better prepared to align their actions with the organization's overarching goals.

Where will the battle zone of tomorrow be? In an *Economist* survey of 180 leaders concerning "the major influence on organizations through the millennium and beyond," 65 percent of respondents said it would be teams, or groups of individuals. The true battle zone will be fought developing teams of decision-makers who can wade through the ambiguity that IT presents and make decisions that will ensure a position on the leader board of tomorrow.

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Industry Exchange

"In what areas of financial services is decision support technology most critical going forward?"

Christopher Formant: Chairman, National Banking Industry Group, Coopers & Lybrand

"Some of the most creative applications right now are on the back end, not on the front end. ...Trying to determine what I can do to that customer that will influence them to allow me a greater share of what we call 'debtors wallet.' How can we get more principal back from him as compared to what he's paying other people."

Douglas W. Meyer: Partner, Financial Services Consulting, Ernst & Young

"The current trend is to transaction-level profitability information. This is part of the marriage of marketing and financial functions within financial services. [With] data warehouses...[banks] can begin to understand which are their most profitable customers and which are their least profitable customers, analyze the differences and target specific groups of customers or change the pricing or offer new products."