

DIGITAL BANKING: THE THREE PILLARS OF SUCCESS

BY CHRISTOPH SCHMIEDINGER

Digitalisation has now fully captured the financial world. In the face of competition from imaginative young fintechs and the desires of a new technology-driven generation of customers, established banks have had to deal with this phenomenon. Due to the pressure to innovate, views are often narrowed: with traditional programme management, but also modern working methods and/or Digital Labs, solutions are being built from the ground up to ensure banks remain competitive. New business models need to be brought to the market as soon as possible. Even if these digitalisation initiatives prove somewhat effective, they still tend to fall short of the mark.

THREE PILLARS FOR A SUSTAINABLE DIGITALISATION STRATEGY

Banks pursuing a sustainably effective digitalisation strategy rather than simply following present trends are therefore not limiting themselves to customer-oriented solutions such as a new online banking system. Successful digitalisation affects the following three areas:



Within their digitalisation initiatives, many banks are focusing on one, perhaps two, of these areas. By doing this, rapid but fleeting successes can be achieved. However, if you redesign customer solutions without changing the underlying processes and backend systems, you are going to face the same or even more difficult challenges within a very short time. The benefits of speed and flexibility can only be achieved in the long term by completely overhauling digital banking from top to bottom and adapting it to future needs.



Short-term digitalisation - only one area is modernised

THE THREE COLUMNS - DIGITALISATION POTENTIAL

► Customer Experience

In this area, all solutions involve direct contact with bank customers. This includes classic online banking, but also more innovative concepts such as digital payment solutions and financial advisors. The fastest digitalisation successes can be achieved through customer experience: from modern graphic surfaces to new forms of sending money using mobile wallets. New business models are first tested by implementing their ideas quickly and trying them out on the market. Particularly in this area, there are many fintechs for whom early customer and user integration is natural. Their success is based on early feedback allowing them to render solutions that are increasingly tailored to customers' and users' needs.

▶ Banking processes

Banking is one of the most heavily regulated areas within the economy. Uniformity, traceability, and transparency are extremely important for processes. Digitalisation forces banks to further automate (sub)processes and to avoid unnecessary handovers between people and departments. The most successful banks are those that not only use existing processes but also analyse them - perhaps even completely rejecting them. These changes are also conceived and designed with the customer in mind. For example, manual checks for credit applications could be omitted from the process; internal management dashboards could be designed more clearly and thus more informatively thanks to new technology.

▶ Core banking & backend systems

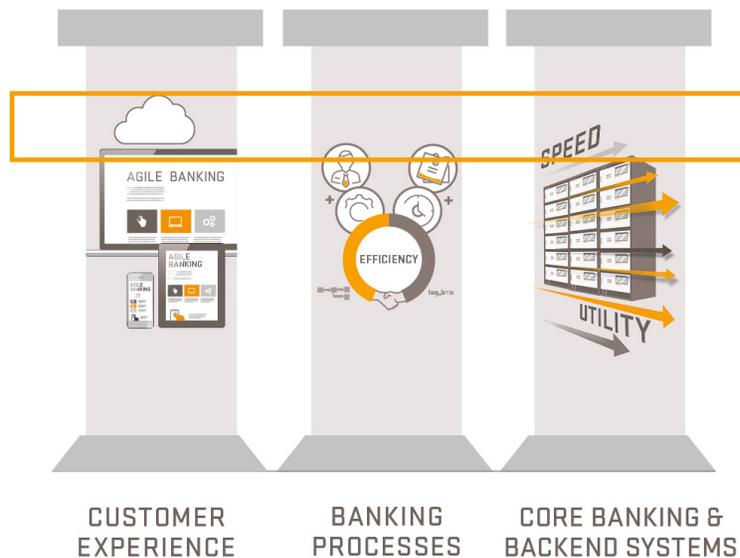
Legal requirements have an impact on IT systems and these have now become one of the biggest challenges for many banks. Changes to the often intricate and dense system networks are extremely tedious and no longer meet the demands of modern banking. New technology helps in transforming complex systems into flexible and modular architectures in order to react more quickly to market conditions.

THE WAY FORWARD: MINIMUM VIABLE DIGITALISATION

Successful and sustainable digitalisation must be based equally on all three pillars. According to the minimum viable product approach, the first step is minimum viable digitalisation, i.e. digitalisation across all three areas, the initial phase of which involves making minimal modifications (see Figure 3). What's important to note here is that columns are not completely digitalised one by one.

Let's take the focus on mobile banking in the "Digital Natives" customer segment as an example of a minimal design modification. Instead of providing a new frontend for all customers, this sub-segment will feature modern front-ends, streamlined processes, and adequate backend systems. This can be achieved by using modern technology and IT architectures such as microservices, which make it possible to modernise only a part of a large IT monolith. Once the first stage has been completed, it can then be expanded gradually and evenly over the three columns "vertically". Only with such an approach can the benefits of digitalisation and agility be fully exploited and the bank actually be prepared for the future.





“Minimum viable digitalisation”

It all begins by focusing on an initial minimum viable digitalisation solution. If the goal for the initial solution is defined, then one or more cross-functional teams can implement it. It makes no difference whether software is developed within this framework, organisational changes are made, or both happen at the same time – it only affects the technical composition of the implementation teams.

Large initiatives usually require several teams. The increased complexity of scaling must be recognised and new answers to existing questions must be found. Challenges can be overcome effectively by using agile approaches such as Scrum and Kanban. However, this involves more than just changing the development process: the new complexities are best resolved through a new understanding of leadership and collaboration, as management attitudes are the mainstay of methodical work. Focus, courage, openness, respect, commitment, and transparency are all values which form the basis of this attitude. This interplay of agile attitudes and agile methods brings the start-up spirit back into the company. Early feedback should be used to test and further develop the first attempts at minimum viable digitalisation.



borisgloger consulting supports several large banks with their digitalisation initiatives and, through its collaborations in this area, is also at the heart of the fintech scene. In order to meet your specific needs and goals, we have developed a three-point process:

- ▶ **Hand in hand, we will develop a sustainable digitalisation strategy and work with management to create an agile management philosophy. This will create a blueprint for the successful implementation of the strategy.**
- ▶ **Within your teams, we will work on familiarising you with the concept of agile work, as well as our product development and modern technology. At the same time, we will ensure that the roles of scrum master and product owner are well established so that they are able to act independently as quickly as possible.**
- ▶ **We will help you effectively anchor agile values and practices within your company, allowing it to react adequately to future market developments and customer needs.**

Let's talk about your challenge!

Mutual trust is an absolute must when taking such an important step as transforming your business into an agile company. It would be our pleasure to meet with you for a non-binding consultation to show you who we are, how we work, and what we can do for you.

We look forward to working with you!

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As a system engineer, project manager, and product owner, Christoph Schmiedinger has successfully implemented several complex, scaled development projects in the security-critical field with agile methods. He now incorporates this expertise into his work with major banks, which he supports in their digitalisation initiatives. This involves advising management on the necessary strategic steps and developing appropriate implementation measures.



About borisgloger consulting GmbH

With offices in Baden-Baden, Germany and Vienna, Austria, borisgloger consulting GmbH is one of the leading management consultancies in the field of agile change management and agile product development in the DACH region. Our focus is on the management framework Scrum. Founder and managing director Boris Gloger is the world's first certified Scrum trainer and has trained over 5,000 managers and project teams in this iterative approach.

borisgloger consulting offers training and consulting for specialists and executives in the field of agile management. Founded in 2008, borisgloger consulting GmbH currently employs 40 people.

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