Large Private Banks need to revamp their IT
Get ready for digital banking

For large private banks, the shift toward digital banking creates a special challenge. Typically, large banks have a substantial IT department that manages an array of proprietary banking applications. This department can be an asset because it offers IT skills in-house, and it can be a liability because its organization may not be fit for digital banking.

As private banks and wealth management companies are increasingly competing with financial technology (fintech) companies, whether they are giants such as Google and Apple, or small startups, they need to adjust their IT management approach:

IT proficiency at all management levels: Today, many large banks select their managers based on management skills rather than IT knowledge and experience. However, when technology is central to what the bank does, the people in charge need to be tech-savvy and have a strong IT background. This skill set is required along the entire echelon of management from the CIO to the staff level. The criteria for hiring or promoting should be the manager's IT background and track record from previous projects. Rather than general management capabilities, IT managers at all levels need to thoroughly understand what technology can do and how it impacts the business. They must be able to discern technical options in detail, and they must be proficient partners in all kinds of technical discussions. In short, think of Sergej Brin and Larry Page when you hire your IT managers.

Why IT decision are often wrong

Assume the bank wants to decide on the best option for a new digital project. The objective is to create a product risk matrix and enable clients to select financial products based on the products' risk ratings and their own risk profile. The project faces various requirements such as compiling financial product and risk data, setting up compliance and suitability checks, and representing the information in a mobile banking app. Most of these requirements can be implemented in different ways depending on functional preferences, and technical and architectural feasibility. But from the CIO to the IT department heads and sector heads, and down to the team heads, very few of the managers have an IT background. Instead, each layer relies on the level below for IT knowledge and expertise. Eventually, at the lowest level, the direct reports of the team head will provide options regarding how the project can be realized. Descriptions of these options will then move up through the same layers of management. Imagine how much context is being lost along the way and how arbitrary the final decision will be.

End-to-end application responsibility: How do large banks organize their application management? In a typical setup, an application / product manager administers one or more applications. As a general manager, he may know little about a specific application and even less about the technology involved. If changes are required, he passes a change request to the IT development team. In general, the application manager neither knows nor controls the developers who are working on the application. Such as setup obviously fails to define clear application responsibilities.

Compare this with Google, where applications/products are the focal entities to manage. A product manager is the head of the team that develops and maintains the application. He has end-to-end responsibility for the application, from staffing and developing, to testing and deploying. He knows the application's functional and technical details, as well as the

infrastructure dependencies. Due to the flat hierarchy, short turnaround time, and a minimum of red tape, the product manager can intervene immediately, if required.

Fintech-type culture: The typical working environment of a private bank's IT department does not easily attract top-tiered talent, and there is little room for innovation and exploration. Technical career opportunities are virtually nonexistent, which also explains why few senior, high-caliber IT professionals are working in banks.

Of course, private banks do not need to host hackathons to attract tech talent, but they should consider adopting a fintech-type culture where employees can exert control over their daily workflow, get motivated by peers, and foster a trust-based relationship with the business. Such a culture both encourages employees to think creatively and tolerates failures in trials. Equally important, banks should base promotions on technical delivery and introduce technical careers that can be aspired to by every IT staff, if so desired. Guess why Google gets an average of five job applications per minute.

Conclusion

Changing their IT management approach may help banks turn their IT department into an enabler of their digital future rather than a pure cost center. As part of this change, IT should become a true partner to the business and to the executive management team.