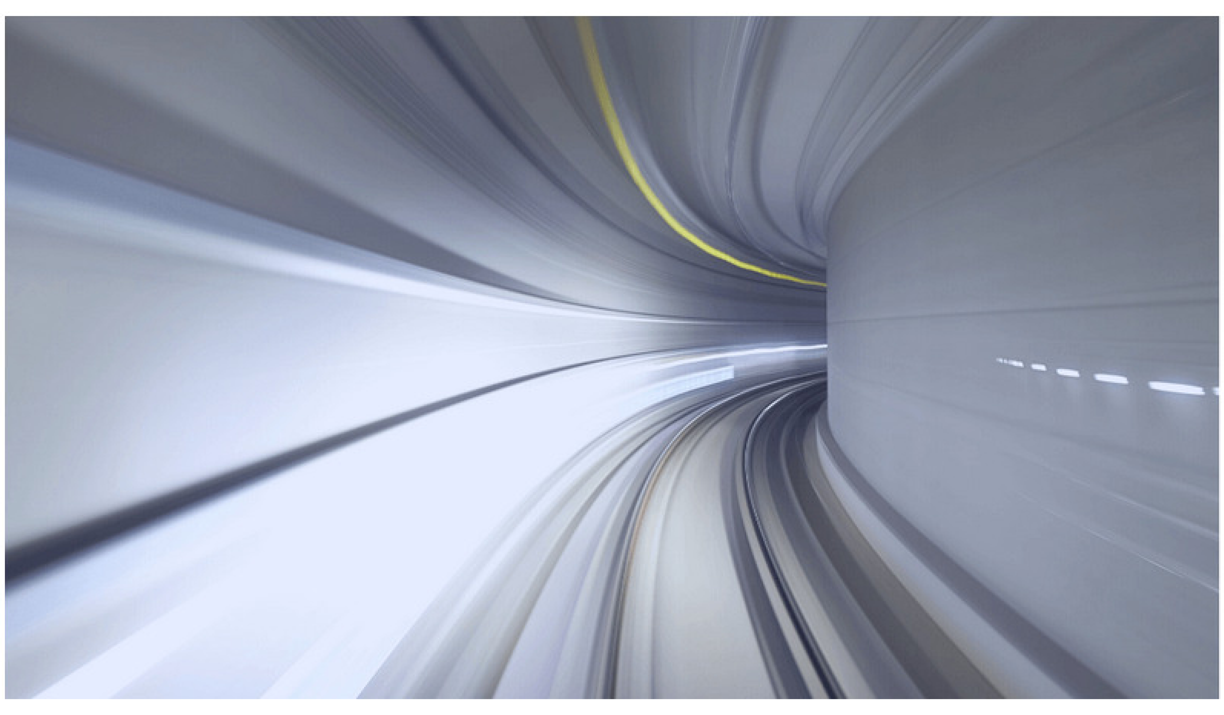
Insights

# How banks can move fast, without breaking anything

Share



Here's a radical thought:

*What if it was OK for banks not to be good at technological innovation?*

Hear me out.

Ever since Mark Zuckerberg coined it, the phrase "*move fast and break things*" has taken on a life of its own. This includes both new interpretations and misinterpretations.

Development teams were quick to embrace it as a justification for risk-taking. But we live in a world where specialized organizations in critical parts of everyday life such as finance and health are powered by increasingly complex tech. So while calculated risk-taking is sometimes necessary, the impact of breaking things can be very bad for business.

With this in mind, I'd argue it's time to ditch — for want of a better term — 'the Zuckerberg method', for a different approach. So how can banks maximize the rewards of innovation while keeping risks to a minimum?

## Banks must move fast, but they can't afford breaking things

The proliferation of tech startups and scaleups during the past decade has raised the bar on customer expectations. Modern customers expect their banks to be at least as good at delivering top notch digital experiences as tech giants like Google, Apple, and Amazon. And they don't think twice about walking away if these expectations aren't met.

This attitude has been branded "The Amazon Effect". In a world where you can order on Amazon at midnight and have the product in your hands by noon the next day, it's becoming harder to understand technological limitations. And this holds true whether the business is another e-commerce website or in a completely different industry like financial services.

The flipside is that these same customers aren't especially forgiving when things go wrong. When UK bank TSB had a headline-grabbing IT meltdown in 2018, for example, they lost 80,000 customers and had to pay hundreds of millions in compensation.

For other banks, the message couldn't be clearer. When risk-taking ends well, customers are happy and the rewards are great. But if it all goes wrong, the consequences — *financial and reputational* — can be disastrous.

## To move fast safely, you must leverage modern tech and tools

While banks can't afford to disrupt operations or the customer experience, calculated risks are necessary if you want to innovate. The good news is that modern technologies can reduce these risks — and minimise the damage if safeguards fail — without slowing things down to a crawl.

Global cloud providers, PaaS, automation, and advanced DevOps techniques enable a fast but safe pace. They make it possible for the focus to be placed on business logic that brings value to customers, increases their satisfaction, and drives operational efficiency, without introducing — perhaps even reducing — the risks around security, business continuity, data, and scalability.

But this doesn't mean technology is a silver bullet. Far from it. Using these modern tools requires a culture of innovation and expertise which banks are often impeded from participating in by design. And here's why.

## Leveraging modern tech and tools requires specialization

Imagine you're a top investment banker who wants to drive from Paris to Lyon.

You have three options: buy a car, rent a car, or use a driving service.

Ultimately, all three options will get you from Paris to Lyon. But there are major differences in the specialization level required and the time and costs involved.

With option one, you'll need to:

- Find a car
- Buy it, insure it, and keep it serviced
- Drive yourself there

All this also assumes you know how to drive and have a driving license in the first place.

Option two eliminates some needs. But it still assumes you know how to drive and requires you to sit behind the wheel, concentrating on nothing else for hours.

In comparison, option three is the simplest and most cost-effective. Not only do you not have to worry about getting a car, it doesn't even matter whether you know how to drive. Someone else will take care of that. Someone for whom getting people from A to B is their core business. Which means they can focus on doing it as best they can. All you need to do is select your destination.

For banks, the existing legacy on-premise infrastructure is the equivalent of buying and driving their own car. Leaving aside the space requirements, power, and maintenance costs, it may take years of trial and error to learn and specialize in the right tools.

The problem is that, by the time you've learned enough, these tools are already outdated. Plus, some new tech simply doesn't work with legacy banking infrastructure.

Of course, banking and finance are also complex, continually evolving domains. And that's exactly the point. If specializing in banking and finance requires lifelong effort, study, and dedication, how can banks spare the time to specialize in another extremely complex and fast-moving industry like tech?

Looking at it this way, it's not at all surprising that so many banks will admit (behind closed doors), that for them technology is a necessary evil and not an enabler. So, being in a position to leverage tech experts' offerings is a game-changer.

## To move fast safely, banks must switch to new distribution channels

In a world where everything is a service, financial enterprise platforms are now also available over modern distribution channels like Azure PaaS. This means banks can also use them as a *service*.

Modern channels make it possible to move fast and take risks more safely. Banks can focus on *business innovation*, while service providers can focus on developing the tech in a way that enables business innovation to happen faster.

At additiv, we offer our DFS® system of intelligence platform as a fully managed service, applying the best tech and tools to help you move fast with low risk. It sits between your customers and your core system, allowing you to make the transition easier. Just sit in our car, enjoy the ride, and focus on growing your business.

## Bringing it all together: from competition to inclusion and collaboration

Advanced tech on modern distribution channels allows banks to innovate in ways that play to their strengths. But, on their own, they're not enough. There's one final missing ingredient.

As we move towards an era in which we understand tech less and less — and, so, breaking things can have severe consequences — perhaps it's time to do what was previously unthinkable: ditch competition for inclusion and collaboration.

This holds not just for banks, but also for service providers.

Many organizations are now specialized and excel at doing one thing. So, innovating successfully and fast is no longer about mastering all the nuances. Rather, it's about sourcing and onboarding the best players for a particular job and orchestrating them so the project can come together.

As an API-first company, at **additiv** we embrace both the culture and tech that enables inclusion of such players as partners.

Involving multiple service providers and leveraging the knowledge they bring to the table, allows both banks and the service providers they work with to free themselves up and focus on what they do best. They can develop innovative, compliant and secure financial products that serve customers better, without having to worry about how they'll be implemented, secured, deployed, and improved.

And that's a good thing.

——————————————————————

*At **additiv**, we've built a market-leading **DFS®** (Digital Finance Suite) that lets financial institutions quickly launch new propositions and get access to data that enables them to maximize customer engagement.*

*Let's chat about how we can help you move faster and keep all your systems in one piece.*

API-first Digitalization

Share