To compete with fintechs, banks need talent

Julien Rozet – CEO Alexander Hughes
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Been to a bank lately?

If not, that's not odd. Increasingly, people are managing their money online as banks digitalize their services. In fact, new banks are launching without physical locations at all, such as Chime in the U.S. and Revolut in the U.K.

More of these so-called fintech companies are emerging as well. Global financing for the fintech industry more than doubled to a record $39.6 billion in 2018 on the year, according to CB Insights, a research firm(1). This is helping fintechs expand, led by huge growth in China's mobile payment platforms Alipay and WeChat Pay, and the services are attracting customers. Indeed, millennials are loyal users thanks to their "faith in the power of technology to solve their problems," according to a recent article in Harvard Business Review (2).

What does this mean for the legacy banks? The short of it is that if they want to survive the fintech wave, they must take digital transformation seriously.

A talent deficit

A big problem, however, is a shortage of talent to drive their push into the artificial intelligence, blockchain and other technologies needed to create what customers increasingly want: mobile wallets, wealth management apps, point-of-sale financing, short-term cash loans, peer-to-peer payments platforms and so on.

To develop these services, banks need not only technology experts — designers, developers and systems architects, but also talent that understands how to use their skills to solve problems specific to financial services. And they must retain these experts at a time when a host of banking and fintech competitors are trying to sign the same talent in both programming and in high-middle and top management.

The talent deficit is a major concern for the financial sector. In its latest global survey of 235 banking and capital markets CEOs, the professional services firm PricewaterhouseCoopers found that nearly 80% of them see "skills shortages as a threat to their growth prospects," and this is hampering "their ability to innovate effectively and provide a winning customer experience(3). "

How to overcome the talent shortage

In a 2017 report, Ryerson University in Toronto, Canada recommended that banks and fintech companies collaborate with academia, incubators and policymakers to encourage more people to study for the skills needed to fill a growing number of spots in the financial industry — today and in the future (4).

(1) https://www.cbinsights.com/research/top-fintech-investors-2018/
(2) https://digital.hbs.edu/fintech-digital-currencies/millennials-flock-fintech-personal-investing/
(3) https://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2019/themes/banking-capital-markets-trends.html
(4)https://www.ryerson.ca/content/dam/science/documents/Investigating%20the%20Global%20FinTech%20Talent%20Shortage%20-%20July%202017%20-%20Web%20Singles.pdf

In the U.S., a handful of banks including Bank of America, Wells Fargo, Ally, BB&T have created the Carolina Fintech Hub to teach disadvantaged people in North and South Carolina to code, helping to build up a crop of programmers. That's just one example. Other programs have been launched, such as Code First: Girls in Ireland and the U.K. to teach women how to code.

The aim is to bring more people into the industry, helping banks and fintechs expand their reaches and their use of emerging technologies like AI, blockchain and robotic process automation (RPA), as well as open banking, an open-source system that allows third parties to create apps and services for banks' payment networks. The system makes it possible for customers to see a wide array of services on one platform, helping to improve their experience.

More banks are investing in technology. Take JPMorgan Chase, for example. The U.S.-based banking giant is spending around $10.8 billion a year on technology in a bid to become a "disruptor," not a disrupted. The bank has amassed 50,000 technologists — more than Facebook and Twitter combined, a corp that it says are not only "pushing the limits in tech applications" but building "a critical mass of loyal customers" for its personalized services that it wants to be faster, smarter and easier to use.

"Because technology changes so quickly we are not only developing technology for today, but we are also anticipating the technology needs of our consumers five to 10 years down the road," Larry Feinsmith, JPMorgan Chase's head of global tech strategy, innovation and partnerships, said in a press statement.

To handle any bank's expansion into technology, a new type of leadership is needed as well. PwC says these new leaders should be "tech-savvy humanists" who understand the potential of emerging technologies and "know how they knit together and how they align with strategic objectives," all with acknowledgment that their companies are "run by people for people."

To find this talent in programming and management, banks must cast the net wide so they can put together a team that can create technology to improve customer experience. Otherwise, they run the risk of getting disrupted.

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(5)https://www.jpmorganchase.com/corporate/news/stories/tech-investment-could-disrupt-banking.htm

Global Corporate Governance Review

It is a study conducted by Alexander Hughes teams worldwide on the structure of boards and executive committees of large listed Corporations.

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(3) https://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2019/themes/banking-capital-markets-trends.html
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