Need to foster a culture of openness from top down

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EDITOR's Note
When I entered into the CEO suit of the CityBank I saw Mr. Arfanat

The question has been raised in the Bankers Dialogue: Are you looking for a partner or a vendor? Where are the biggest opportunity in the market?

I think, banks are starting to consider fintechs as their partner not just a vendor. Because, banks didn't invent innovations, it is fintech who created innovations that help banks to keep customers who are demanding innovative services that fintechs like Google and Amazons offer.Financial services have undergone a huge technological shift in a relatively short time.Banks have to learn to move and rotate around customers. They need to reinvent themselves to be platforms where customers are empowered again.

And the ultimate solution for them is partnership with fintech.Collaboration is a key growth area for the future. Those who do not work together will be left out of new ecosystems forming for financial services, and will find it harder and harder to

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maintain their competitive market position.Not too long ago the prevailing mindset among banking industry pundits was that fintech startups would disrupt and displace incumbent banks. That view has evolved to "bank and fintech" will be partner.The right fintech partnership should offer banks the opportunity to gain a better understanding of their customers in order to improve the customer experience. According to 75% of financial services the most important impact fintechs will have is an increased focus on the customer.

The harsh reality is that banks do not invent technology, fintechs create technology that delivers services quickly. Banks offer too many commoditized services that often aren't unique enough to stand out on their own, whereas fintechs can take one of these services, produce it better through deep customization and a seamless experience, and win customer.Realising the new reality, regulators across the globe are drafting new rules to enable banks and fintechs work together with new business models for a better future under a win-win situation for both banks and fintechs. And all rules are made to ensure customers rights protection and fostering technology innovations to meet customers' expectations.

Collaboration between two businesses of different cultures is requires a broad and deep understanding of the processes.So big banks are taking fintechs as their partner- not a vendor. Huge global banks like Goldman Sachs, JP Morgan, and CitiGroup are now the biggest fintech investors on the planet. They seek to secure their future through innovations in crypto and blockchain technologies, along with future artificial intelligence and machine learning solutions.Goldman Sachs estimates the worldwide fintech pie to be worth $4.7 trillion and approximately 24% of people around the globe are already familiar with blockchain technology.

Partnering up is the new conventional wisdom. Banks can do very well when they bring their strengths to the table to be joined to the strengths of a fintech player or other specialist. Many companies, wise to the trend, have started to talk the partnership line. For years now, global finance leaders have regarded fintech as the great disruptor, a digital force that threatened to bring unprecedented changes to the industry. Time has proved their fears justified, as the last decade has seen more progress in finance technology than the past hundred years.There are more than 12,000 startups worldwide now.

Why fintechs are moving fast than others? The short answer is the changing customers' expectation and changing business environment developed by technology innovations. The average Briton still interacts with it ten times every day, for example - using an ATM machine, waiting for a green traffic light, or shopping online. In the past, technology supported the business, but now technology is the business. So, a recent PWC report concludes that 88% of legacy banking organizations fear losing revenue to financial technology companies in areas such as payments, money transfers, and personal loans.

But the question is, why are levels of collaboration not far greater?For FinTechs, it can be a struggle to negotiate the long procurement cycles of big banks. For banks, it's a challenge to successfully implement cutting edge technology in large organizations based on IT from the 1970s.

Banks are becoming increasingly concerned that their market position is being undermined by tech-companies and pure-play vendors enabled by technology and regulations to enter the marketplace. Mid-tier financial enterprises – especially socially-driven institutions focused on serving low-income segments – are lagging in terms of exploring partnerships with fintechs. Their problems are familiar to anyone seeking greater success in their personal relationships: They don't know what makes for a perfect partner, they're not sure where to find them and they tend to go too fast without giving the new relationship a little time first.

Another reason is that banks and financial institutions are prohibited from collaborating effectively due to their historical operational models. Business lines and branches are often commercially competitive and as a result operate within Chinese walls. In developed markets, widespread merger and acquisition activity results in the infrastructures of the different banks being moulded together creating a Frankenstein effect on processes and data management.Techno-phobia among some bankers is a big barrier in the way of bank-fintech partnership while banks carry a huge amount of legacy systems and busy IT teams. Hundreds of legacy systems have accumulated over the years. These systems are heterogamous and even sometimes redundant.

I have seen banks undertaking consolidation projects reducing legacy systems by a few hundreds but still managing redundant systems as some are business-critical systems built using technologies no longer supported. Banks really are all about silos; you need to secure the green light from each silo to get a deal done.As a consequence, IT teams spend more time and efforts in maintenance work rather than in customer experience projects.In order to overcome these road blocks, retail and investment banks still have strong cards to play beyond financial assets, market position or regulatory compliance in order to fight the FinTech battle.

One thing that drives fintech people crazy about working with banks is that the relationship gets turned over to the bank's procurement function. Inside banks, there is also no single decision maker. No one can decide by themselves to move the partnership forward.You need to convince multiple stakeholders that the partnership makes senseBanks' procurement departments treat fintechslike mini IBMs and harass them with requests that could destroy fintechs in some cases.By fostering a culture of openness from the top down and realising the value of a centralised data strategy,banks can begin to dissolve political and operational silos. Banks must shift employees' mindsets not only towards growth but also towards becoming more customer-led and open to innovation externally.

In an era where millennials are the largest generation in the workforce, banks need to take into consideration that most of them would be more interested in a mobile financial product from Amazon or Google than a traditional bank.So, time for banks is to focus mobile banking area where effective partnership can help them to explore more opportunities. There is a need to go beyond simply buying new technology or deploying new solutions.Partnership with fintech is the best solution, as it will save huge capital investment, risks of operations and management.

However, modern banks now realisethat their customers are more mobile than ever, accessing their accounts via smartphone and tablet devices while on the go. If they cannot deliver their core services in a secure and simple-to-use app, they risk losing that customer to the competition. As a result, i-Pay, a new generationa fintech companythat cater money transfer services to both people individually and for their businesses at affordable costs.