Banking and Financial Services

Digital: More About Business Than IT Change
For global financial services firm UBS, digital is driving a business transformation that puts the client front and center and equips all employees, from advisors through back-office operations teams, with the tools and skills to advance that objective.

Having spent 30 years in IT, I’ve had a ringside view of the waves of innovation sweeping across the banking industry. While there’s a tendency to think of digital as an offshoot or natural progression of the last big wave, e-banking, that’s not entirely accurate. Digital is so much more, and it’s not confined to IT innovation; in fact, it impacts our entire business.

As a global bank focused on providing the best service for our clients, we were one of the first to embark on a digital journey. We’ve learned a lot along the way and continue to refine our strategy.

The early days of digital unleashed e-banking, which was essentially an additional channel for us and our customers, but it had minimal impact on how we operated. Today’s digital, on the other hand, symbolizes a fundamental change in approach – a transformation in how we operate. We’re building on our existing infrastructure and the experience gained with e-banking.

Today’s digital is about how banks serve their clients by allowing them to better serve themselves. It’s about putting clients in the driver’s seat and relinquishing control over clients’ decision-making.

An example that perfectly captures our digital journey is a mobile app that we developed for high net worth individuals (HNWI) in Asia. The app evolved from an e-banking solution to one that empowers HNWI customers to manage their investments themselves and still turn to UBS advisors when they feel the need for expert advice.

An Outside-in Innovation

For us and our financial services counterparts, perhaps the most interesting development with digital is the fact that it’s been driven by external forces. Fintechs, mostly start-ups, are leading the charge on digital
innovation, and so far, banks are happy to let them lead the way. Given their lean and nimble nature, start-ups are ideally suited for fast innovation, and banks can take more time assessing which products suit the longer term needs of their customers. Start-ups lack the brand recall and customer trust that banks have built over the years. Thus, partnerships between the two work to the advantage of both fintechs and banks.

Evidence of how much we value this collaboration is our sponsorship of the annual “Future of Finance Challenge.” This event is an opportunity for us to take in new ideas to test emerging products and services. For start-ups, it provides insight and feedback to help them further develop their products and services, which helps us progress on our digital journey.

I’ve also noted the business side’s keen awareness of what’s happening in the start-up arena. Unlike previous IT-driven innovation cycles, today’s digital is not driven by and confined to IT. People have approached me saying, “Oh, Spotify is doing this – do you think we can do it as well?” As a result, we are profiting from our collaboration with fintechs and other product-centric start-ups, and often view them more as partners than competitors.

**Customer Focus Drives Digital**

What strikes me as the most unique thing about digital is its focus on customers. If you think about it, digital really is about transforming the way a bank operates by placing the customer at the front and center of all we do.

It’s about learning all we can about our customers, even from before they sign on with us. It’s about anticipating their needs almost before they’ve felt them. Beyond traditional e-banking, today’s digital is all about empowering customers to make decisions on their own, if they choose, and enabling them to also turn to us when they need or want. It’s about making their association with us as seamless as possible right from their first contact with the bank.

Focusing on the customer illuminates the digital transformation journey and clarifies what we need to do. For example, it helped us realize we needed to improve our CRM systems so we could focus on prospects even before they became our clients. We needed to be able to reach out to them on the web, whether it was through mobile or a browser.
Capturing the attention of potential clients, introducing the benefits we offer, learning more about clients and prospects through the way they operate, onboarding clients quickly and smoothly, making all of this a more digital experience – all of these are our goals.

**Overcoming Obstacles**

I’m now responsible for channel, CRM and distribution applications across all business groups. We support, develop and maintain the bank’s client- and advisor-facing technologies across the investment bank, the Americas’ wealth management business, the retail business in Switzerland, international wealth management and asset management.

While this is a wide array of businesses, I notice the challenges are pretty much the same across the board. For IT, it’s about how we can get software faster and more efficiently using state-of-the-art tools and methodologies with less client disruption.

**Getting Past ‘Legacy’ Technology & Thinking**

The first and possibly the biggest hurdle we encounter in this quest are legacy applications. I realized this when I moved to Hong Kong a few years ago with the mandate to shape the APAC organization to deliver on the digital agenda.

We had to change the focus from spending time on legacy applications and maintenance, to creating an organization that uses state-of-the-art methodologies and technologies, such as Agile, applications prototyping, continuous integration, Angular JavaScript, etc. It wasn’t easy, but not because of the technology – people working in IT adopt new technology relatively fast. The challenge was in changing mindsets. Convincing people to do things differently requires a bit of fancy footwork, and it’s a challenge I’ve continued to encounter in the past four years of our digitization journey.

The adoption of Agile has brought about a change in mindset in our technology organization, while also providing results to internal clients every two weeks.

For instance, our embrace of Agile facilitated intense interaction with the business on the look and feel of the mobile app for HNWIs. This style of work demanded results every two weeks. The business folks weren’t going to wait around to see the results of a change they had suggested.

**The Right People with the Right Skills**

One of the reasons we struggled to shift our focus from legacy applications was our over-reliance on external partners to stay current with new technologies. We’ve been fixing that by hiring and promoting talent from within our ranks, training them and getting them to work with our partners in the same room. We’re looking to achieve a more sustainable balance between trained in-house staff and our external partners, who provide a knowledge buffer and help facilitate the introduction of the newer methodologies and technologies.
The first step was to identify which technologies, applications and functionality is or should be in our own hands, or driven by us. The next step is ensuring we get the people on the ground to build up that knowledge internally. This involves a combination of training and on-the-job experience for existing staff and recruiting to upskill our teams.

One specific way we do this is by hiring graduate trainees, who then complete a two-year program, including training and “secondments” (i.e., the temporary transfer of a person from her normal duty to another assignment) to supplement their immersion in an existing team.

Finding the right talent to achieve this has proved trickier than we’d anticipated. This is because much of our work is still about maintenance of legacy applications – they aren’t going to disappear overnight. So we’ve had to figure out how to motivate our staff to think in terms of new technologies and their potential while keeping the engines humming, so to speak.

We look to hire people with a background in technology and an interest in learning about the banking business. I’ve also learned you don’t need only technology students. A commercially-oriented graduate who is not IT-averse can be a great extension to a technical team to enhance its understanding of the business impact and benefits.

Managing Change

Possibly the biggest challenge we’ve encountered in our digital journey is managing change. It’s definitely been tougher than the technology journey. People need to be convinced about why they should do things differently. It helps to present the benefits of digital to them personally in how they get work done.

For example, in developing the HNWI mobile app, one of our key considerations was finding ways to preserve the valuable client-advisor relationship. We therefore presented the advantages of the app: the reduced administrative burden, the ability to monitor clients’ moves and step in at opportune moments, the ability to help their clients in a more intuitive and less prescriptive manner. This approach worked, and the advisors came on board with the digital initiative.

Advice from the Trenches

If I had to sum up what we’ve learned on our digital journey, I’d say:

- **It’s crucial to articulate a clear message about digital and stick to it.** Explain the benefits, the path you intend to take and what is expected of stakeholders, and then stick to the plan.

- **A close partnership between business and IT is a must.** The real changes (e.g., future interaction with clients) significantly impact and need to be driven by business. IT brings ideas (the potential of technology) and provides technology solutions.
Agile adoption requires a major mindset change but introduces significant benefits for delivering best-fit digital solutions. Agile gets all stakeholders to buy into the end product. It provides the exhilaration of positive feedback every two weeks, which is a great antidote for inertia and resistance to change.

Fintechs are helping the banking industry drive innovation and should be viewed more as partners than competitors. Banks should keep thinking of ways they can support fintech innovation.

Author
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