Embracing FinTech Disruption

Egon Zehnder

FinTech

Technology is reinventing the financial services industry by enabling a simpler, more effective way to solve financial and business problems and to connect with customers globally. Asia-Pacific, encompassing some of the fastest-growing economies in the world, including China, Singapore, Hong Kong and India, has pioneered several technologies which have transformed the way people work and live, not least of which has been the way they interact commercially. The FinTech industry, in particular, has been at the forefront of this change with more to happen in the future. Much of the disruption is being modeled around the financial needs associated with peculiarities of each of the specific markets.

India has had its own tryst with FinTech – pre-cash economies leading to wallets, cost of banking leading to virtual banking...Today in India, there are nearly 1,500 startups in the FinTech space. Three different forces are driving this upsurge:

- Opportunity to scale businesses (more than 500 million people in India have no association with any bank and a huge bulk of transactions still take place in cash)
- Young, ambitious, risk-taking entrepreneurs (average age 25)
- Availability of capital (USD 1 billion influx in 2017)

Against this backdrop, Egon Zehnder organised an engaging and lively breakfast earlier this year in New Delhi with FinTech influencers and digital leaders in India. The objective was to discuss technology-enabled disruption as witnessed through FinTech, emerging leadership challenges and goals, and barriers to building a culture of innovation. Here are some key themes that were brought to the fore:

"Speed is an overrated concept in the context of the Indian economy, here we need to first figure out how to do ground-level execution more efficiently."

While startups in the past have focused on execution speed as a differentiator, and venture capitalists have rewarded businesses which scale with speed, not everybody believes this is the cornerstone of success. Unlike consumer technology platforms, credibility in financial services is built around trust. Despite formal regulations in place, people in India are still cautious about trusting the FinTechs with their money. Therefore, credibility and honesty is paramount. Successful FinTech businesses must have the ability to win over consumers by handling their finances with integrity and getting things right every time.

"People overestimate what happened in the last decade, and underestimate what will happen in the next one."

The FinTech industry is expected to continue its rapid growth, with the global software and services sector predicted to reach USD 45 billion by 2020. Asia markets are expected to grow between 14 percent and 22 percent, creating investment opportunities, especially in India, where an infrastructure for pioneering technologies is already established and eagerly engaged.

In this dynamic era, organisations and leaders must have the agility and courage to continuously reinvent their own business models.

FinTech organisations have bred insecurity among bankers by eliminating traditional banking patterns and providing customers with functionalities that previously were unavailable. FinTechs' threat to banks has caused them to rethink their models of service delivery. A few leaders around the table expressed concern about how FinTech disruption would impact the very core of banks and other financial institutions. FinTech provides a dynamic payment system, and technology increases transparency. "Banks are no longer custodians for control," one participant said, "regulators are asking for transparency and access."

> **"Gap between knowing the technology and implementing it is the arbitrage which the FinTech companies are playing on, and partnering with larger financial institutions."**

Business happens where there is information asymmetry, but in today's world, the same information is available to everyone. Large financial institutions and banks know that they need novel technologies in order to survive in the marketplace. However, they are grappling with the implementation of such technology. As a result, banks have started partnering with FinTechs to stay ahead of the curve.

While some banks are looking at third-parties to guide them through the process of innovation, adoption, and implementation of new technologies, others are setting up units for digital innovation. It is not always cost-effective for banks to develop and implement emerging technologies in-house. "Banks are targeting an OpEx as opposed to a CapEx model to show quick wins."

For example, a private bank in India has partnered with 50 merchants in lending, e-commerce, and mobile payments to provide full usage for consumers of the Universal Payment Interface (UPI) via their digital wallet. This format simplifies P2P transactions. It also eliminates waiting times or failed transactions associated with online payments and gateways. Another leading private bank in India has acquired a digital payments company to get access to the payments company's large customer base, leverage its strong brand, use its technology platform, and also integrate its high-quality team.

> **"Data will form the basis of the future of FinTech."**

The volume of data that is created everyday could fill 10 million blu-ray discs. Assembled vertically, it would be the height of four Eiffel Towers on top of one another. Stacking, modeling, and analysing this data to understand customer needs and create business and delivery models is still at a nascent stage. Most organisations have only begun exploring Artificial Intelligence, Robotics, and Machine Learning to improve the customer experience. FinTechs are not any different, and they need to keep data at the heart of their operations. "Data is going to be a large part of the whole payments business, and maybe that is what is going to monetise the next set of variants," said the founder of an Indian payments company.

> **"Innovation has to come from within the organisation."**

Innovation seems to be suffering from the problem of "Everybody, Somebody, Anybody, and Nobody." So, who exactly is responsible for Innovation? The participants suggested it should be led by

people already in the organisation. They said it is difficult to hire talent from outside to create a new innovation architecture. However, the group acknowledged that teams driving innovation have a hard time establishing their presence within an organisation. While buy-in at the top level is good, the support erodes as you go down the ranks. Companies need to give such talent some quick-wins, a platform to experiment and create, recognise their contribution, and make them see their real impact on the organisation. "Make them see the light at the end of a very short tunnel," very aptly described a digital leader of a large bank.

> **"Core is experience-driven, whereas periphery is skills-driven."**

When tapping talent, banks, financial institutions, and other organisations are seeking more malleable people to join their teams. For example, technologists are traditionally seen as problem-solvers – the underlying skill in this case is fungible, and today technologists are playing the role of executors. The core here is experience-based problem solver but with a focus on potential.

The key is to think outside the FinTech box when it comes to talent. Large financial institutions are welcoming non-traditional banking talent with open arms. For example, a large private Indian bank that has a web store will hire non-bankers with e-commerce experience to run this business.

> **"It is important to assess what success means for the individual."**

Even after hiring the right people with the desired experience and skills and providing them with adequate infrastructure and support, large banks are losing top talent that they are bringing on board to spearhead their digital innovation initiatives. This is because success has a different meaning for everyone. While some people may be satisfied by just managing two large projects annually, others may consider climbing the corporate ladder to be a measure of success. Still, others may want to feel as if they made a tangible difference to the organisation. One of the digital leaders from a large private bank at the meeting said, "the key is to know what motivates the individual."

> **"Making mistakes with people means wasting a lot of valuable time, mentioned a senior executive of a global payments company who was present at the meeting."**

The FinTech wave is here to stay; if you think it has not hit your organisation yet, you are already behind in the race. To stay relevant in the financial services industry, it is imperative to embrace the technology-driven disruption, and to do so, the key is to have the right people who have the resilience to take the organisation through the innovation journey.

While looking for talent, focus on accomplished, capable, high potential individuals who can bring a wide range of experiences and viewpoints to the table rather than seeking narrow, industry-specific personnel who check the boxes. Assess the individual's level of curiosity, ability to ask the right questions while engaging with external and internal stakeholders, and determination to push the organisation to greater heights. Once you find the right people, continuously work to motivate and challenge them so that they bring their best selves to work every day.

Moderators

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Axelle, *based in London, leads Egon Zehnder's activities around tech-enabled services and FinTech in Europe. She works with publicly traded and privately owned companies, helping them to meet talent management needs related to technology, digital transformation, and innovation. Axelle's work as a key member of the firm's Financial Services and Information Technology practices includes executive and board searches as well as management appraisals and leadership development consulting at the C-suite and board levels. She also advises startups.*

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