Chris Skinner:

Traditional banks tend to push products through channels to get greater share of wallet and cross sell. Whereas, digital banks start with the customer journey and need, and then build the user experience to be part of a relationship interaction digitally, rather than trying to actually sell them anything.

James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to the 67th episode of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight series, and I'm excited to welcome Chris Skinner to the show. Chris is an author, speaker, and troublemaker, according to his LinkedIn profile. I like that. And Chris has written 14 books, most recently Doing Digital: Lessons from Leaders. He also writes a daily blog and consults about the future of banking. Hello, Chris, and welcome to the show.

Chris Skinner:

Hi, James. Thanks for inviting me. Great to be here.

James Robert Lay:

I've been following your work for over a decade now, and have to ask. You do a lot of writing, the writing has been very helpful for me personally, very inspiring, but have you always been a writer and what inspires you to write? Because you always have something good to share and I'm grateful for that.

Chris Skinner:

If I'm honest, I've always worked in technology and technology companies dealing with banks and financial institutions. In fact, when I started, I was dealing with technology and insurance way back when. And many, many, many, many years ago, I did a presentation about the state of the insurance industry. The feedback forms came in and someone said, "Tell me something that I don't know." And I realized I was talking about the great knowledge I had about the industry and I wasn't talking about something that was visionary or out there, and it changed my mind in thinking about things. I still remember to this day, as you can tell.

Chris Skinner:

And so back then I decided and determined that the view of how I will work would always be focused upon where are we going next, what's happening in the future in financial services. I've been doing that for three decades, and initially mainly presenting about it. I wasn't writing about it, but I got my redundant in 2002, and I got hired by a couple of companies to start writing white papers. That started the writing process. I had been writing a little bit before, but then I became suddenly a consummate writer on a regular basis and started blogging in 2008. Because I'm a real sado, I decided to blog every single day.

James Robert Lay:

You know, hearing that story, I connect with it a lot personally. In 2012, I had an advisor come in, David Baker, he wrote a great book called The Business of Expertise, and he had a great exercise called drop and give me 20. Pretty much just ramble off 20 insights that were unique, our own perspective, not someone else's perspective. It was a very challenging exercise at the time. He's like, "You need to start writing. You need to start writing a lot." And so started the writing process, myself, very cathartic.

James Robert Lay:

And then I had another advisor that I've worked with Blair Enns, who wrote a book called Win Without Pitching. One of the things he picked up, he goes, "You do a lot of thinking through your writing." So I probably write way more than what people know. Only a small percentage of it makes it out because for me, it's I think through my writing. That's really where I find my thoughts.

James Robert Lay:

So it's good. It's good to hear that backstory, because thinking about your writing, you wrote a recent piece on your blog. One of the most respected bankers in the world, Jamie Dimon is the chairman and chief executive of JP Morgan Chase, which is also one of the most highly valued banks. You noted that Jamie is scared shitless of FinTech. I had to chuckle at that and I have to ask, "Why is Jamie Dimon scared shitless of FinTech, and should other financial brand leaders feel the same way?"

Chris Skinner:

Well, first of all, we need to qualify that he said that. I didn't say it. He said it on an analyst call around what keeps him awake, and that was his reaction. And the reason why he reacted that way is for quite a while now, Jamie Dimon and several other bank leaders have been giving a rallying call to start waking up to the challenge of technology. And specifically the fact that a bank is very slow moving inflexible, not agile, and they have to change and pivot, which is very hard to do if you're not using the technology capabilities of today effectively. Specifically, for example, and I use this analogy quite often, is that most traditional banks are becoming cloud-based, but they're not cloud native. Most challenger banks were born on the internet and most traditional banks were born in the industrial revolution. And so there's a really difficult exercise to go through there.

Chris Skinner:

And so when I wrote the most recent book Doing Digital, what I aimed to do in that book is to say, "Look, there's some banks trying hard here to change and pivot, of which JP Morgan Chase is one." I'm surprised that they allowed me to step into their offices and joined in the book in terms of being interviewed and giving me the lessons they were learning and trying to pivot. The other banks involved were BBS in Singapore, China Merchants bank in China, obviously BBVA and ING.

Chris Skinner:

I picked those five mainly because they're all respected in trying to do digital well and specifically through difficult transformation well. But I think that the crux of the matter is FinTech firms are born on the internet, cloud native, fully platform based with APIs and the ability to interact using open financial services. And the traditional banks are way, way, way, way, way off that ability.

Chris Skinner:

I used a photo in that blog in fact, which many people have been picking up on of the racing truck that has all of these bags and bikes and chairs on the truck falling over the sides and people sitting on the top. And my reason for using that picture was to say what most traditional banks are involved in is that they have all their workers and management riding on a speeding truck, and they've got to unload and reload the truck. And that's really difficult to do.

James Robert Lay:

Yeah. And I think you mentioned before you do a lot of thinking about the future and when we think about the future, particularly through the lens of financial services, it can be hard to let go of the past. This idea of being built on the cloud natively, it's operational, it's mindset. And you share in your book Doing Digital, that banks must create a burning platform to ignite change for transformation, to spark change of transformation. Can you expand on this thinking about creating a burning platform? Is this really about first principles thinking, starting over instead of duct taping something that's really falling apart, or just trying to hold things together for the old world?

Chris Skinner:

Well, there's over 30 lessons in the book that I sort of outlined from the interviews I made over six months with these five big banks. But you start with obviously working out what to do and how to do it and getting a vision around how to digitally transform. And then you have to disturb people and make the organization uncomfortable. This is what Jamie's doing with this "I'm scared shitless about FinTech." He's been doing it for a number of years in fact. I think his first time was about 2014, "Silicon Valley's coming to eat our lunch." And there's been regular mantra from Jamie around effecting change and disturbing people. That's quite funny, because when you look and track what he's been saying about Bitcoin, for example, it's turned around from, "Bitcoin is just a Ponzi scheme for criminals" to, "It's worth $146,000 by the end of this year and we should invest in it."

ris Skinner:

So it's interesting how things change. And I think the critical thing is it's great to have a burning platform and say, "We're all going to die unless we change," which actually is another thing I heard from two of the banks. You know, if we don't transform, we die. But you have to then say, "What are we transforming to?" And I use the quote often of Charles Darwin, which is "It's not the fittest, the fastest, the most intelligent or the strongest who survive. It's the ones who are most adaptable to change."

Chris Skinner:

But the thing is, and my challenge to most banks, is are you adapting to change in the right way? If you're delegating digital transformation to a CFO or CTO, CIO, CDO, giving them a budget and a project to implement in a line of business that's fragmented, you're really not going to survive. Because you have to digitally transform as a company with a leadership team who are passionate about making the whole company change. And you really have to adapt, not necessarily in a way that's rigid. In a way that says, "Well, we have to have a vision of the way forward, so this is where we need to try and get." It's not a fixed destination. It's a continuum of change to make this organization fit the 21st century based on the internet and born on the internet. And that's the huge challenge for any bank leadership team, because most banks are led by bankers who don't understand technological requirements.

James Robert Lay:

Yeah. And it's that lack of clarity that keeps people trapped into what I call the cave of complacency. The cave of complacency, it creates a false sense, a pseudo security. You can look around the cave floor and see all the other brands that thought it was going to be a safe in the cave. But nah, not really much so.

James Robert Lay:

When you talk about this idea of getting a clear vision about where they need to go next. And I like making people uncomfortable, because the desire to change has to be greater than the desire to stay the same. And the idea of even a burning platform, I even think of the old military strategy of burn the ships. Like, "That's it. We're burning the ships. We're either going to survive or we're going to die, and we have to keep moving forward." But what's holding bank leadership teams back the most, or maybe a better question is about specifically vision, is what's blinding them to begin with in the first place?

Chris Skinner:

Well, I think, and again, going back to Jamie Dimon's comments. He points at Square, Pay Pal, but also Ant Group and Amazon and says, "You know, these guys are going to be taking all of our business." And that's the disturbance, but then you have to then say, "So how are we going to change? And what do we have to change into?" And it's a metamorphosis. It's not a re-engineering. It's a complete reinvention, renewal. And I think what blinds them and holds them back is the challenge of doing that is humongous. It's really not easy.

Chris Skinner:

There's a couple of great books that I've used through my years of talking about this. One is How Do You Make the Elephant Dance? by Lou Gerstner, talking about turning around IBM in the 1990s. But more recently Satya Nadella's book about Microsoft. When you look at Microsoft and the turn around there, you go, "That's amazing that you can take a company that's stubborn, saturated, sinking, and suddenly make it nimble and quick and turn around."

Chris Skinner:

How did they do that? It's really about recognizing the cultural needs. Digital transformation has nothing to do with technology. It's about people. It's about making people understand that they have a voice, and they have an ability to enable change. They're not just being told what to do, but they can tell us what to do.

James Robert Lay:

Yeah. I agree with your perspective on that. I say technology is just the tool that brings people together, and this is still a people business, whether that be internally or externally. And you even wrote, specifically thinking about AI, you shared that AI, you can not replace humans with machines. So how does this idea of AI play into the bigger conversation because that's where, AI, machine learning, is it hype? Is it help? What's the path forward of adding that? Because really it's adding additional confusion and complexity to an already challenging situation that we're coming out of, COVID. Where do we gain the clarity with that?

Chris Skinner:

It's a really lengthy question to answer in terms of, or rather a lengthy answer to your question, but I'll try and keep it neat. So when you look at AI's best practice uses, most of it is automating the mundane. It's looking at fraud, risk analytic metrics. It's looking at chatbots and automating mundane questions of customers online or on mobile apps.

Chris Skinner:

It's dealing with the things that are stupid. My favorite example is a headline from three years ago, which is, again, JP Morgan Chase saving over $300,000 of lawyers' time by using AI. And what they're actually doing is saying instead of a lawyer manually checking the wordings in contracts, you can automate that using a machine. And absolutely that's what we should be doing. We should be automating the things that are stupid for people to do. And then you say, "So if we've automated all the things that are stupid for people to do, what are people doing?"

Chris Skinner:

And the end of the day is that it augments what they can do. It should be enabling them to do better things rather than replacing them. I've met so many banks Sparebank in Russia, or JP Morgan who I've mentioned, and a number of others who are saying, the core of what we're trying to do is to say to people, this is going to make you work better. I mean, UBS is a good example, in that UBS, private banking, wealth management, high net worth individuals have automated nearly all the mundane tasks like when a customer sends a message saying, "Can you change my portfolio risk metrics to medium aggressive and Asia oriented?"

Chris Skinner:

Why should a wealth manager who is a highly paid relationship manager spend the whole of a day dealing with the admin of that when the machine can do it? And then you leave the relationship manager to go back to the client and say, "So this is what we've done. This is what you can do, and this is what I recommend to you next based on the machines recommendations. And by the way, let's look for that dinner next week, when we're back post pandemic and talk about where you go next."

James Robert Lay:

Hearing what you're, you're speaking through automate the mundane and the things that are stupid for people to do, it reminds me of one of the great lessons that I've learned from the reading of Issy Sharp founder of the Four Seasons Hotel, where he had shared, "Systemize the predictable so that we can humanize the exceptional."

James Robert Lay:

I was just having a conversation with Sue Woodard, who's the Chief Customer Officer for Total Expert in episode 66. We were talking about the need to create space and time for these relationship managers to ask good questions, and AI machine learning is such a tremendous way to do that. You write a lot about this, because this is about, I think, the humanization of digital because so much conversation has been about the technology. But once again, technology is a tool that brings people together, and I... Go ahead.

Chris Skinner:

I think the AI machine learning is actually there to augment human interaction. It's not meant to replace it. I think that this is one of the things that we get fundamentally wrong, that a lot of digitalization, particularly in financial services is just being cost-reduction and getting rid of staff instead of being augmenting service and giving better customer relationships and customer advice.

Chris Skinner:

And when you turn it around to the customer focus, which is actually where we should always start. It shouldn't start with a cost focus. We should start with what does the customer need, and how are they behaving, and how can we be more predictive in servicing them, and better at servicing them? Then we can augment our people with much better tools to deal with customers rather than trying to get rid of our people.

James Robert Lay:

That's a great point. We should start to be customer focused as opposed to, I guess, traditionally it would be cost focused. What can we do to reduce costs? Is that a fair statement?

Chris Skinner:

I use the line regularly, again, going back to traditional banks versus digital banks, which is traditional banks tend to push products through channels to get greater share of wallet and cross sell, whereas digital banks start with the customer journey and need, and then build the user experience to be part of a relationship interaction digitally rather than trying to actually sell them anything.

James Robert Lay:

Yeah. So put the transformation of people over the commoditized transaction of dollars and cents, if you will. And that's one of the things I really appreciate about your writing, is you're always looking to inject humanity into banking. That's something that you touched on it in an article you wrote, The World is Good, Bad, and Mad. The same as echoed in an article about the money jars and the pots. So what are the opportunities here as we continue to journey through this world that we're all navigating right now? Not necessarily a playbook, but what are the opportunities for banks to bring their focus to solving people's real problems that they're facing right now?

Chris Skinner:

I mean, that's again, open question, which could lead to a very lengthy answer, but I'll try and keep it short. I think there's two angles to this. Well, three, but one is too many of the companies, both FinTech, challenger, neobank, and traditional bank are just creating the traditional products and services in a better way. I've always said it's [inaudible 00:20:43] faster horses rather than thinking about there's new vehicles out there that we could create from start and afresh. And again, from Steve Jobs to Henry Ford, ask the customer what they want. They don't know, present them with something that they need and they go, "Okay, I'll buy that." So what we should be doing is challenging all the traditional products and services of financial institutions and saying, "Can we reinvent these?" And I don't think we do enough of that well, including all of the new neobanks and challenger banks. I think that they're just automating with cloud and platforms and APIs what was done before.

Chris Skinner:

When we look at what then comes, the most interesting companies right now are companies that are breaking down traditional finance into real time finance. And there's an insurance company called Trov, which is West Coast, that's one of the first that was on my radar doing this. And then Ant Group in China do this and others, which is, I really want to have a product that I can use for the next 60 seconds, not for the next 12 months. And the only reason why we have 12 months annuity products is because in the traditional industrial model, it was too expensive to do something more often than on a yearly basis. This is particularly in insurance, but it is also in loans and credit.

Chris Skinner:

Whereas what we should be doing is saying, because digital tools allow us to do it this way, we could actually give people the ability to move within seconds or minutes instead of years and months. The best way to illustrate that is when the payday loans companies came into prominence. And one of the banks here, InBank, who I've been quite close to for the last decade, took the view of saying, they're going to steal all the credit from our business. How do we respond to that? They had a big workshop brainstorming, and the credit manager head of risk, had a huge argument with the digital bank lead project manager because the digital bank lead project manager was saying, "We have to give loans in seconds to compete with payday loans." And the credit risk manager was saying, "There's no way you can do that."

Chris Skinner:

And then they ended up working out, you know what? We've got these customers. If we adjust our credit risk profiles of our existing customers on a real-time basis, second-by-second, then whenever the customer says, I need a loan, you can see exactly at that split second of time, what they're good for and over how long a period. And that's what they did. And in fact, they ended up raising a product that's literally if you open the app and said, "I need 3000 euros over the next 12 months," you've got the money in your account within 60 seconds. You can literally see it moving it within 60 seconds. And that's what real-time credit and real-time insurance is all about, is working in seconds, not in months or years.

James Robert Lay:

There's a quote from the movie Moneyball with Brad Pitt. I think there's so many great applications and learnings from that movie because they're having to compete with the New York Giants. They're the Oakland A's having to compete with the New York Giants, and Brad Pitt challenges the table. He says, "We have to think different. We're not looking at the problem the right way." And hearing this story, you talked about Henry Ford. You talked about Steve jobs. I even think about like Elon Musk, right?, with everything that he's done with Tesla and then with Space X.

James Robert Lay:

And it really comes back to this idea of principles, first thinking. You've seen inside a lot of different organizations over the years when it comes to technology, adopting technology, transformation. How can financial brand leaders overcome, and I think it's this. It's overcome the past to deal with change in the present, to then eliminate some of the fears that they have about the future?

Chris Skinner:

Again, it's in the Doing Digital book. There's a couple of key things. But I just remember distinctly this one interview I had with a CFO of one of the big five banks. And he said to me, "The previous chairmanship actually knew that we had to do digital, but they didn't know what to do or how to do it." Because they weren't equipped with, not just the tools, but with the actual ability to create that leadership. And so a new championship came in and the first thing they did is work out what to do. They had a CIO who was also new, who had friends in Silicon Valley and they'd started doing study tours of who they thought was doing digital the best. And obviously there's the usual suspects, Amazon and Facebook, but then there was also Spotify and Netflix and others. And they did the same in China with Ant Group and [inaudible 00:25:39].

Chris Skinner:

And they ended up learning the lessons of those people about how they structure and how they manage the people and how they do technology. And the key thing is it's not rocket science or magic. It's just creating organizations that embrace the 21st century digital age and implement it well. And when you think about, for example, Netflix. You know, originally they were a Blockbuster competitor and where's Blockbuster now? So they learned the lessons of the digital leaders that they respect in other industries, and then try to internalize that in the how to do it within their own company.

James Robert Lay:

I like that lesson right there. They took study tours. They learned from others. They looked outside the industry, because I think so often we get stuck looking inside. We talk about this idea of R & D, and that's not research and development. That's rip off and duplicate. What are others doing? And then it's the false fallacy. It's the blind leading the blind.

Chris Skinner:

I'll tell you a great story on that one, James.

James Robert Lay:

Sure.

Chris Skinner:

Sorry to interrupt. But I was chairing a panel in Africa and M-Pesa was on the panel, which is the famous Safaricom payment network in Kenya. And I said, "How do banks compete with you?" And the CEO said, "They don't. They copy what we do, and we just focus on what the customer needs."

James Robert Lay:

Yeah. There it is. You put people at the center of all of your thinking and all of your doing. You referenced Netflix. I think the interesting thing about the Netflix story is they were a Blockbuster competitor. They were making it faster, simpler, more simple and easier for people. But then Netflix, they had the courage to disrupt and transform their own business model. They upset some people when they went from the delivery subscription to the streaming platform, but they were so far ahead of their time to where even then they took it a step further to where it went from streaming to now they're really a content production house, and creating and owning some of their own content.

Chris Skinner:

Again, I use it quite often in terms of their transformation. I'm not saying Netflix is the best because I's actually quite frustrated with the Netflix user experience interface. But there was a very interesting Andreessen Horowitz a16z podcast, where they interviewed the head of cloud for Netflix, Richard Morecroft I think his name was, and this is a few years ago. He was talking about microservices architecture, which is the secret sauce of how Netflix transformed streaming. And he made a quote in the middle of it, which said, "Well, I talked to financial institutions about microservices architecture, and basically this is proven that if people owning their little bit of code and having the ability to do things day by day without affecting the rest of the company, which gives you fleet of foot mobility.

Chris Skinner:

He said, "The key thing is that when you talk to financial institutions, they kind of give a strait jacket around that whole process because they want a sign off process that goes through the organization hierarchy to the head of risk and back down again, before it's allowed out into the wild, which takes three to six, 12 months. And by the time it's out there you've actually killed 2000 of the developers.

James Robert Lay:

Yeah. It's too late. And then you bring back to the point of agile. 80%, Seth Goden speaks a lot. You just ship it, get it into the marketplace, learn from it, iterate on it, optimize it, and it's a very different operational model, coming back full conversation now.

Chris Skinner:

The worry in banking is that if you do that, you're going to create instability and potential hacking and exposures. But DBS, they said to me, and this is interesting, that they created this agile organization doing all the things that the likes of Netflix do. In fact, that was one of their key organizational structures they were trying to emulate. And they got to the stage that they're actually creating app updates faster than Apple's store can keep up with.

James Robert Lay:

Wow. Wow. Yeah. And it's keeping people, their problems, their challenges, at the center of all of the thinking and doing, so that they're not getting frustrated with a negative digital experience because it can take months, weeks, years to create enough goodwill deposits in a person's trust bank that sits between their ears. And it can take minutes to deplete that and lead to that frustration. If there's one thing, one thing, that you could recommend for a financial brand leadership team to think about, to commit to moving forward in this world, what would that one thing be?

Chris Skinner:

Well apart from reading Christian's blog and buying his book, I would say that it's really committing. The age old joke around the chicken participates in breakfast, the pig is committed. It's really saying that you want to believe in making this happen and changing the company. The toughest thing, and I've had this for decades because I've been dealing with transformation for decades, ever since business process re-engineering appeared on the scene back in the early 1990s.

Chris Skinner:

And every time I run workshops or discussions around transformation, everybody wants just wanted to do incremental improvement because that's actually much easier. And specifically, every time I run a workshop, I get some senior or middle managers say, "How can I persuade my CEO and C-level team to understand this, because I need them to commit to make the change?" And typically, and this is the real issue they had, is that the CEO and many of the team probably had a window in front of them of staying in that job for another two or three years before retirement. Why the hell would they take that risk, change the company and do something radical?

Chris Skinner:

So my recommendation would be, you have to do a radical reinvention for the digital age, and if you don't make that happen, most banks, they're not going to die, but they're going to get acquired by people who do this well. And so if you want to survive as an independent bank, that maybe is the acquirer rather than the acquired, and is the disruptor rather than the disrupted, you have to have a leadership team that really wants to make this happen and is committed not to [inaudible 00:32:16].

James Robert Lay:

Yeah. The idea of incremental change versus exponential change, two X thinking versus 10 X thinking. Two X, you can work a little bit harder, invest a little bit more into whatever it is, but really if you're going on that exponential 10 X thinking route, it's whole reinvention of looking at the problem through a completely different lens, coming back to putting people, customers, at the center of all of that thinking and all of that doing.

Chris Skinner:

I like what you just said, James. Two X thinking is the comfort zone. 10 X thinking is uncomfort zone. And there's not many people who want to be uncomfortable. They're happy to just do the job.

James Robert Lay:

But if we think back, if we think back to all the growth that we've ever made personally, it's always been in that uncomfortable zone. That's where growth happens, and so we got to lean into that.

James Robert Lay:

Chris, this has been great. This has been a great conversation. Thank you for your insights to your point. Thank you for your writing. Definitely pick up Chris's book, read his blog. If someone wants to continue the conversation with you, what is the best way for them to reach out, say hello and connect with you?

Chris Skinner:

I'm very active on all social media, but specifically on Twitter. On Twitter I'm Chris underscore Skinner.

James Robert Lay:

Connect with Chris. Read Chris. Learn from Chris. Thanks for joining me, Chris, on another episode of Banking on Digital Growth.

Chris Skinner:

Thank you, James.

James Robert Lay:

As always, and until next time be well, do good, and wash your hands.