Keeping Pace with Technology Innovation in Financial Services

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Are you a revolutionary?

When you think of the Industrial Revolution, I imagine your mind conjures images of 19th century railroads stretching to the horizon and factories belching out steam and smoke. So would it surprise you to know that we're in the middle of an Industrial Revolution right now?

Every hundred years or so, we go through a period of massive and transformative disruption which affects the way we live and work. One of the earliest moments we might think of when we consider these transitional periods is the first Industrial Revolution. In the second Industrial Revolution, we saw the rise of electrification, the combustion engine, the automobile, and mass production. Now we're witnessing what author Jeremy Rifkin has termed the Third Industrial Revolution, spurred by advances in computing, communications technology and the Internet.

Although these revolutions generate huge changes, they take time. Think about electricity. Ben Franklin proved the link between static electricity and lightning in the 1750s, but Edison didn't invent the lightbulb until 1879. And it wasn't until the early 1920s that electricity became pervasive in households.

So we're still fairly close to the beginning of this third revolution, but it's clear that it's already having a profound effect on the way we live and work. For starters, there's the massive and unstoppable rise of what is called the Shared (or Collaborative) Economy. Imagine you're heading to Singapore on a business trip (lucky you!). In this new world

you'd never need to set foot in a hotel, taxi or office, opting instead to use AirBnB, Uber, oDesk or any number of similar services. The access that they offer to share resources through the Internet is creating a new paradigm where access trumps ownership. And it's not just a fad: AirBnB now has a valuation of $13 billion and offers over 500,000 rooms worldwide, which puts it in the same market place as established hotel brands. Indeed, it's set to be the second most valuable private company in Silicon Valley according a recent Wall Street Journal article.

With this new model piling on the competitive pressure, established companies need to up their pace of change to stay relevant. Easier said than done, right? There may be any number of barriers to change, such as a lack of an 'innovation' culture, or restrictive hierarchies and processes. To be more innovative, you need to align HR, culture, IT and facilities, and have a financial model in place to drive workplace transformation. In order to attract and retain the Generation Y employees that will form 75% of the workforce by 2025, this is essential.

So what's the underlying force driving both the Shared Economy and the demand for workplace transformation? It's the SMAC stack. SMAC stands for Social, Mobile, Analytics and Cloud – the four technologies that are combining to drive business transformation and productivity. This stack simply didn't exist five years ago the way that it does today, and it's enabling innovation and scale at a phenomenal pace.

In my role at Intel, I work closely with our customers in the financial services industry, many of whom are experiencing the power of the SMAC stack first-hand. It's transforming the landscape in which they operate but also helping banks address some of their key challenges, as recently outlined in a report by the banking software company Temenos.

These include:

- Complying with regulations like Basel III, Dodd-Frank (in the US) and MiFID (in Europe) in the wake of the global financial crisis
- The emergence of new competitors who may not have the same compliance obligations as traditional financial organizations, such as technology and information companies (Google, Apple, PayPal, Alibaba), retailers (Tesco, Walmart), or players from the fringes of banking (AMEX, Simple, GoBank, Ally).
- Changing customer behaviour, driven by mobility and the ubiquity of information access. Banks must merge their channels across digital banking and transform their branches to create an efficient, secure omni-channel experience for their customers.

The bottom line is that banks must comply with regulations and keep the system safe while innovating like a start-up. In this blog series, I'll be exploring four business imperatives that financial organizations need to embrace in order to turn their technology assets into a powerful differentiator and driver of innovation – and how this will help them to succeed as revolutionaries in the third industrial age.

Let's continue the conversation on Twitter: @blalockm

Mike Blalock

Global Sales Director

Financial Services Industry, Intel

This is the first installment of a five part series on Tech & Finance. Click here to read blog 2, blog 3 and blog 4

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