

Don't Build Your Tech Stack in a Bubble

There's no denying that technology is essential to our industry. It creates efficiencies, streamlining operations and services.

In fact, a recent KPMG survey of financial institutions indicated that 57% of respondents believe that emerging fintech is the greatest source of disruption in the financial services industry.ⁱ That's more than increasing regulation, cyber threats, and data security breaches. Additionally, big tech, retailers, and other companies are trying to build the financial services customers want, increasing competition at both institutional and retail levels.

Financial institutions tend to spend a significant amount of money on technology. The UBS Evidence Lab collected financial spending data from 175 banks and found that more than half of respondents spend less than \$100 million on technology annually. However, 88% of respondents with over \$100 billion in assets, who already have a larger tech budget than smaller institutions, expect their technology spend to increase significantly over the next three years. To put it in perspective, JP Morgan Chase planned to spend \$11.4 billion on technology development in 2019ⁱⁱ.

Technology is a critical component of modern business operation, but it is not without risk. How do you ensure that you're building the tools, programs, and APIs you and your clients actually need?

Technology risks

Historically, technology development projects have been unpredictable. According to the Project Management Institute (PMI), project success rates are steadily improvingⁱⁱⁱ, but there is still an element of risk, including:

Not having clear objectives

Unclear or inaccurate objectives can undermine even the most efficient and talented development team. In some cases, the objectives might be developed in a silo, without input from key stakeholders. Some organizations set objectives related to the delivery of the product or service. While this approach is measurable, you might be better off focusing on solving a problem for your business or your clients.

Delays

Just under half of projects are finished within their initially scheduled times^{iv}. Extra time means more hours. A common solution is to increase the people working on the project to get it done, adding more costs, but not necessarily increasing the efficiency of the project.

High costs

Ultimately, unmanaged risks result in increased costs. You might end up needing to pay for more of the developers' time for a project than anticipated. You might need to spend money on post-launch fixes and adjustments to make the product fit for purpose.

Fortunately, you can take steps to mitigate your risk of going over budget or wasting time and effort on failed technology.

Manage your risk

Talk with your clients

Almost all businesses collect customer feedback, but what happens with that data? Don't just pay lip service to suggestions from clients and the vast amount of available customer behavior data^Y. Actively seek out their opinions with surveys, open forums, and roundtable discussions. Maintain active relationships with your clients, creating an open communication channel. Use customer relationship management (CRM) systems to track problems, feedback, and actions taken to resolve issues.

Identify a clear end goal

Your projects should solve problems, either for your business or your clients. A recent project here at Axos Clearing focused on **making the new client onboarding process more efficient**. Our development team worked with key stakeholders to create and launch an enrollment platform that you can white label. The platform allows you and your clients to enter information electronically into an easy-to-use dashboard.

As a result of the collaborative approach and focus on the needs of our clients, the enrollment platform increases:

- Accuracy – clients can review their data before submitting it
- Security – our program adheres to federal regulations and includes safeguards to protect private information
- Efficiency – advisors save time by eliminating unnecessary steps, and the automated connection to the investment platform ensures a seamless experience

Set specific measurement metrics

You should know what you want your new product or service to deliver, but how can you prove that it does what it says on the tin? Your success measurement metrics need to relate specifically to the project objective. The specific goals vary between projects but keep them in mind from day one.

Enlist experts to develop your tech stack

Technology development isn't going away, so building an incredible development team is essential to individual projects and long-term success. You need outstanding engineers who can collaborate with peers from other business units to design and create programs that meet the needs of your business and your clients. But even the best developers and engineers don't necessarily know what challenges your clients face on a daily basis.

The combination of feedback, industry knowledge, and technical expertise is the recipe for a truly useful product that enables efficiency, accuracy, and outstanding service. While you can undoubtedly develop innovative tech on your own, understanding your clients' needs, and integrating service with technological expertise provides the valuable products and services.

The moral of the story

Cultivating relationships with your clients is the first step in meeting their unique needs. Like many of you, I have years of experience as a technology leader under my belt. I've built outstanding technology development teams from the ground up. But without input from stakeholders, those amazing teams

would still operate in a silo, leading to increased risks of projects that are late, over budget, and fail to meet your needs and the needs of your clients.

Four hundred years ago, John Donne told us that "no man is an island," and this is still true today, both for individuals and businesses. Collaborating and cooperating with your peers, partners, and clients are critical to your success.

ⁱ <https://assets.kpmg/content/dam/kpmg/ke/pdf/thought-leaderships/Forging-with%20bleeds.pdf>

ⁱⁱ <https://finadium.com/ubs-survey-analysis-of-us-bank-tech-spend-finds-growing-gap/>

ⁱⁱⁱ https://www.pmi.org/-/media/pmi/documents/public/pdf/learning/thought-leadership/pulse/pulse-of-the-profession-2017.pdf?sc_lang_temp=en

^{iv} https://www.pmi.org/-/media/pmi/documents/public/pdf/learning/thought-leadership/pulse/pulse-of-the-profession-2017.pdf?sc_lang_temp=en

^v <https://www.pwc.com/gx/en/industries/financial-services/publications/financial-services-technology-2020-and-beyond-embracing-disruption.html>