Banking
Transformation
in 2020:

Find Your Hidden
Force Multipliers

MX.

MX

Harmonizing the World's Financial Data.

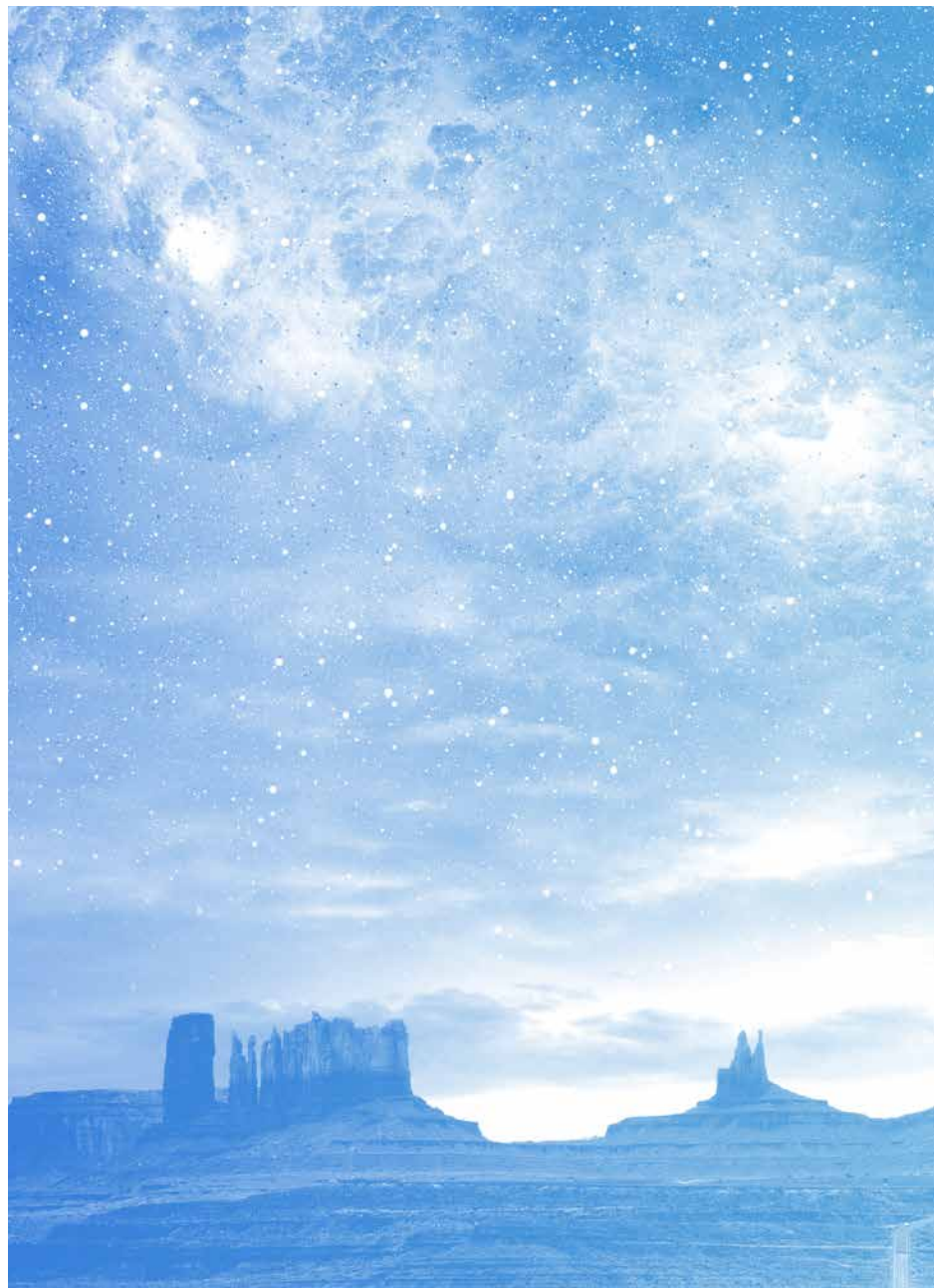**MX powers the digital transformation for more than 2,000 banks, credit unions, and fintechs.**

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Executive **Summary**

New technologies and innovations are transforming the banking industry at an accelerated rate. Digital-first experiences, from online to mobile banking, have disrupted the traditional business model in the financial services, requiring banks and credit unions to undergo a fundamental cultural shift in order to win in a hyper-competitive landscape with many tech-savvy entrants and innovators.

This report illustrates why financial institutions need to tap into a key force multiplier — engineering and development — in order to succeed in digital transformation. In this report, we discuss what it takes to create a culture of innovation, and how partnering with fintech innovators, like MX, can help financial institutions build the foundation required to be a leader in the future of banking.

The Secret to
Successful Digital Transformation

As technological advancements and new innovations accelerate at a rapid rate, digital transformation continues to disrupt how organizations do business across every industry—and banking is no exception. Organizations that are the most successful in embracing the evolution of digital in their business models are widely led by developers that think big and are primarily focused on finding innovative ways to tackle age-old problems and new challenges.

Perhaps one of the biggest challenges facing financial institutions today is how to stay connected, and provide value to customers through digital channels. It's no secret that today's consumers expect nothing less than a seamless, relevant, and delightful digital experience across their devices, especially mobile. However, even though mobile banking has existed for more than a decade, it seems that most financial institutions aren't delivering on the experience customers have come to expect. Having low engagement and low ratings isn't sustainable given all the innovation in this space.

According to a study from J.D. Power, megabanks now get the highest ratings from customers under 40, and it's mainly due to the effort these banks have put in digital innovation.[1]

Our own findings show that when consumers were asked about their preferred method of banking, 70% chose mobile and only 3% chose branches. In fact, 84% of respondents said that they use their mobile banking app at least weekly and 26% use it daily. Similar findings by Citi show that 31% of consumers use their mobile banking app more than any other app on their phone.[2]

Simply put, the quality of mobile banking experiences will continue to gain importance, going well beyond making an app look appealing. It is now equally, if not more, important to have an app that's useful and engaging in every step of a consumer's interactions. And this is exactly where engineering comes in. Most applications that fail, simply don't meet the needs of consumers. A sleek mobile banking app might look nice, but unless it's functional and provides a seamless experience, it's likely that users will be left frustrated and disengaged.

As financial institutions continue to take on digital transformation, they will have to create customer-centric experiences by taking a holistic approach. This starts by connecting your vision and what customers need to the capability and aptitude of your organization to deliver on that vision. But, this isn't something that can be done overnight, or something that financial institutions need to do alone. Many large banks and credit unions lean on the expertise of the MX engineering team and platform to power their digital transformation efforts, rather than developing their own solutions.

"The same old way of doing things will no longer cut it."

How to Create **Digital Transformation at Scale**

How big of an impact can the right developer team have in an organization? According to a recent report by Gartner, 2020 Planning Guide for Software Development and UX, "developers are "force multipliers," with the potential to raise the global GDP by $3 trillion over the next 10 years." In other words, with the right development team at the helm, financial institutions can become a disruptive force in the banking industry by providing their customers with mobile banking experiences that rival even the best tech companies worldwide.

When it comes down to it, "architects and developers are the "point people" to enable… digital transformation, and strengthen the capacity of the company to participate in the broader digital ecosystem."[3]

But how can financial institutions fully tap into this force multiplier? And what will it take to build an engineering team that can move fast to create digital transformation at scale?

"Now, more than ever before, developers will have to...**embrace the role of innovators** within their organization."

4 Steps to Consider

1. Align Activities with Business Goals

Now, more than ever before, developers will have to align their own work with business priorities and goals, meaning they'll have to step out of their routine and task oriented day-to-day functions and embrace the role of innovators within their organization. To truly achieve this alignment, financial institutions will have to shift their outlook, which starts at the management and corporate leadership levels. These top leaders need to empower developers to think bigger and understand their role as a driver of innovation.

Simply put, the culture you create dictates the people you ultimately attract.

2. Focus on Narrowly Scoped Projects

Developers can drive digital transformation more efficiently by thinking in terms of "narrowly scoped projects — apps and microapps [because they] require less complexity, which in turn reduces the overhead of thorough testing and the possibility of defects. Such projects tend to require less time and budget, and IT projects with a lower budget are proven to succeed more often. Similarly, prototyping an application with sponsors may even prove whole use cases unnecessary — the ultimate "fail fast" strategy."[3] Additionally, the benefits of rapid innovation is increasing speed to market, fast iteration, and the ability to test user segments before going to market.

However, organizations with business models that aren't set up to move as fast, still rely on antiquated methods that are time consuming and leave more room for error, increasing the potential of risk and failure. In fact, the risk of error and "bad code" costs companies $85 billion annually."[3]

3. Foster a Founder's Mindset

One of the main reasons why developers prefer fast-moving companies, as opposed to more rigid structured business models, is because they have the flexibility to take ownership of issues and resolve challenges quickly. That kind of satisfaction becomes a motivating factor and drives developers to sharpen and engage their critical problem solving skills more frequently. Team Lead and Software Engineer at MX, Ryan Moore, echoes this message, "honestly, I couldn't go back to anything else. If I come to work in the morning and see a problem, just knowing that I can create a merge request, get it reviewed by my peers, queue it up for deployment, and get it into production by the end of the day... makes me ecstatic. It [also] protects you from burnout, which comes from working hard and not feeling like you're having an impact."[3]

"Financial institutions have to find ways to attract the right talent."

4. Form Strategic Partnerships

The pressure to deliver on better customer experiences set by the big tech companies and a much faster pace of innovation, will mean that developer teams at financial institutions will have to be agile and work faster, while maintaining a high level of accuracy and consistency in performance. With that said, it might not always make sense to build everything in-house. The good news is, financial institutions can form strategic partnerships with top developers and third parties to accelerate their growth without the need to add headcount and spend resources on training. Ultimately, this helps financial institutions move faster while gaining the benefits of top-tier teams.

Accelerate Growth **with Speed, Efficiency, and Innovation**

Generally, bank executives are great at banking, monetary regulation, and fiscal policy. But the financial industry as a whole has been late in implementing new technologies. A large part of this is because the financial industry is a complex space full of regulations. Financial institutions work with very sensitive consumer data, so they have to be careful with everything they do—every step of the way.

However, this lack in technological innovation has encouraged new entrants to win over customers by delivering on their expectations faster, chipping away at the financial institutions' customer base. Part of this is due to the fact that financial institutions have a lot of legacy systems in place, and they can't always move as fast as fintech companies or top banks who tout $9 billion dollar development budgets and large teams. This translates to developer teams that aren't able to keep up with the pace required to stay relevant in the financial space as it rapidly evolves.

With the right team of developers in place, speed, efficiency, and innovation should accelerate organizational growth. The developers that are most capable of propelling an organization forward are the ones with the capacity to work in team settings and have the aptitude to take on big challenges.

In the report by Gartner, Brandon Dewitt, Co-founder and CTO at MX states that at MX, "all developers pick the things they work on, and work closely with product teams on the product features and direction. This model works for MX because developers have embraced characteristics to become "trusted consultants."[3]
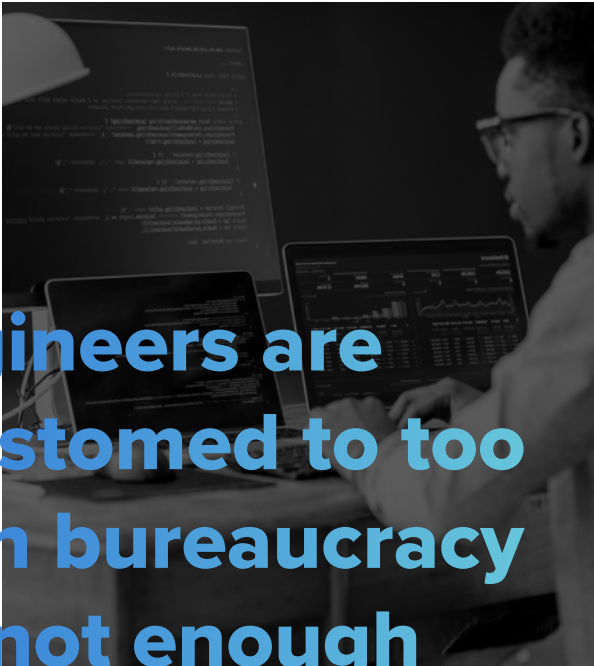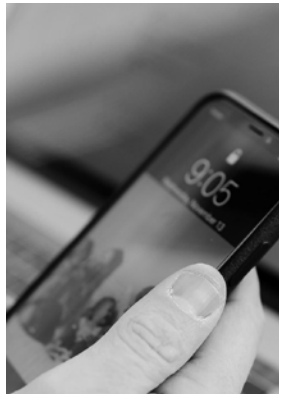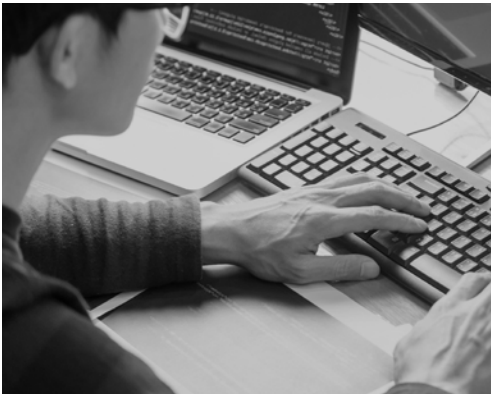
Putting trust in developers and allowing them to take on a more critical role within the organization allows for innovative ways of thinking, alternative solutions, increased efficiency, and deeper dedication. Developers now go from task-oriented to becoming a critical part of the execution and success of new initiatives. Ownership also gives developers a broader understanding of the issues, challenges, and opportunities at hand, so they can think more creatively about how to approach solutions. And perhaps most importantly, feeling empowered gives developers a chance to speak up more directly if they spot a problem or identify something that needs to be fixed.

One way that we do it here at MX, as mentioned by Gartner, is through Continuous Testing, Continuous Integration and Continuous Delivery Strategies. Ryan Moore had this to say about Continuous Development at MX: "the great thing about [it] is that we're generally able to stay far ahead of the commitments we have contractually to our clients. When we decide we're going to make something, we just start immediately running and shipping pieces of it to production. Weeks or sometimes months ahead of delivery, we're basically done." [3]

Furthermore, in an article by Software Business Growth, Brandon Dewitt adds that, in general, "engineers are accustomed to too much bureaucracy and not enough engineering." He goes on to say, "At MX a developer might work on 200 or 300 releases each year... and all leaders on team[s] spend a minimum of 50 percent of their time contributing code." [4]

"Engineers are accustomed to too much bureaucracy and not enough engineering."

However, achieving a quick iterative approach requires a fundamental shift within the organization. Financial institutions must move past traditional business models and adopt a new mindset, which includes driving a culture of innovation and aligning with partners who can empower this new vision and focus.

Cultural Shift:
Moving Past Traditional Business Models

Talking about innovation and agile development processes is of little use for financial institutions that are still using traditional business models. To create a cultural shift and attract the best talent, financial institutions should promote an environment where their development teams are encouraged to continually grow and sharpen their skillset.

This could look like hosting or attending hackathons and lunch-and-learns to meetups. In order to create and foster an innovative environment, managers can encourage developers to take an active role in continually improving their skills and staying on top of latest trends, then foster and support their initiatives to do so. These are critical steps to changing culture, which requires time and consistent effort—particularly for financial institutions that may not have placed emphasis on this type of innovation and development in the past.

Developers flock to companies that already offer an innovative environment and have top developers onboard. They want to be in a place where they can work with, and learn from, the best. This forms a cycle where the best of the best developers come together, making it harder for a lot of companies to recruit top talent. According to a report by Stripe, Stripe, "access to developers is a bigger threat to success than access to capital."[5]

In order to compete effectively and succeed with digital transformation, financial institutions will have to find ways to attract the right talent. However, they might find this task harder than it initially might seem, because developers that are in high-demand also look to organizations that can give them the flexibility, autonomy, ownership, and challenge that the traditional business models of most financial institutions simply don't provide.

# "FIs must be ready to move past traditional business models."

Partnering for
Mutual Success

Having the right people onboard is arguably the most important part to achieving a successful digital transformation and staying relevant in today's digital world. And the engineering team is perhaps one of the most fundamental components to that equation. But, the undertaking of the extensive cultural shift required to get the right people in place is not something that can happen overnight. It's also not something that needs to necessarily be done exclusively in-house.

It might seem like moving and iterating fast is risky business for a financial institution. Things move slow in these organizations for a reason—security. However, at MX, the unique success of our developer team is founded on this framework. Gartner's report points out that "MX is a company that is causing serious digital disruption with its platform. Many large banks and financial institutions use MX's platform — which includes analysis of financial data, budgeting tools, web and white-labeled mobile apps — instead of developing their own."[3]

"MX is a company that is causing **serious digital disruption** with its platform."
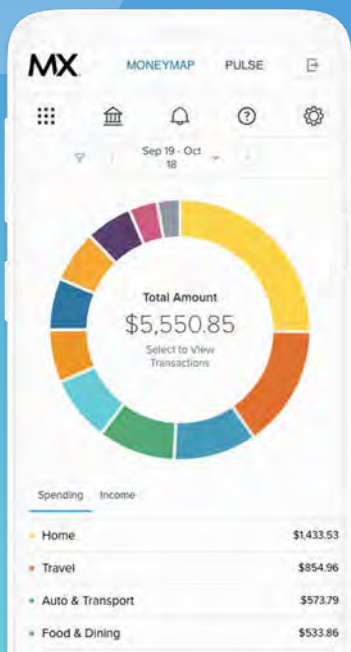
The Gartner report goes on to say, "the exact culture and practices that are enabling MX to cause the disruption are the same things that are causing traditional financial services organizations to buy the MX solutions instead of building their own." [3]

An added benefit to having a third-party partnership is the shared learning and education that can be passed on. MX partnerships go well beyond out-of-the-box solutions. We like to roll up our sleeves and build alongside our clients, helping them level-up every part of their organization so they can achieve optimal results and success.

So what is your force multiplier? In an industry where the largest participants spend more than $9B on IT annually, how do you compete? The democratization of technology allows every institution to buy rather than build their own technology to deliver exceptional customer experiences. As one of our customers stated "when we partnered with MX, we didn't just get their software, we got the people and culture as well."

See what it's like to have the power of an award-winning engineering team on your side with MX.

Visit **mx.com**
or call us at **801-669-5500.**

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