Exclusive Interview with Chartered Banker, Datuk Nora A Manaf, Group Chief Human Capital Officer, Malayan Banking Berhad
Banking is about Expanding the Possibilities of Humanity

BANKING INSIGHT

IDEAS FOR LEADERS | **DECEMBER 2020**

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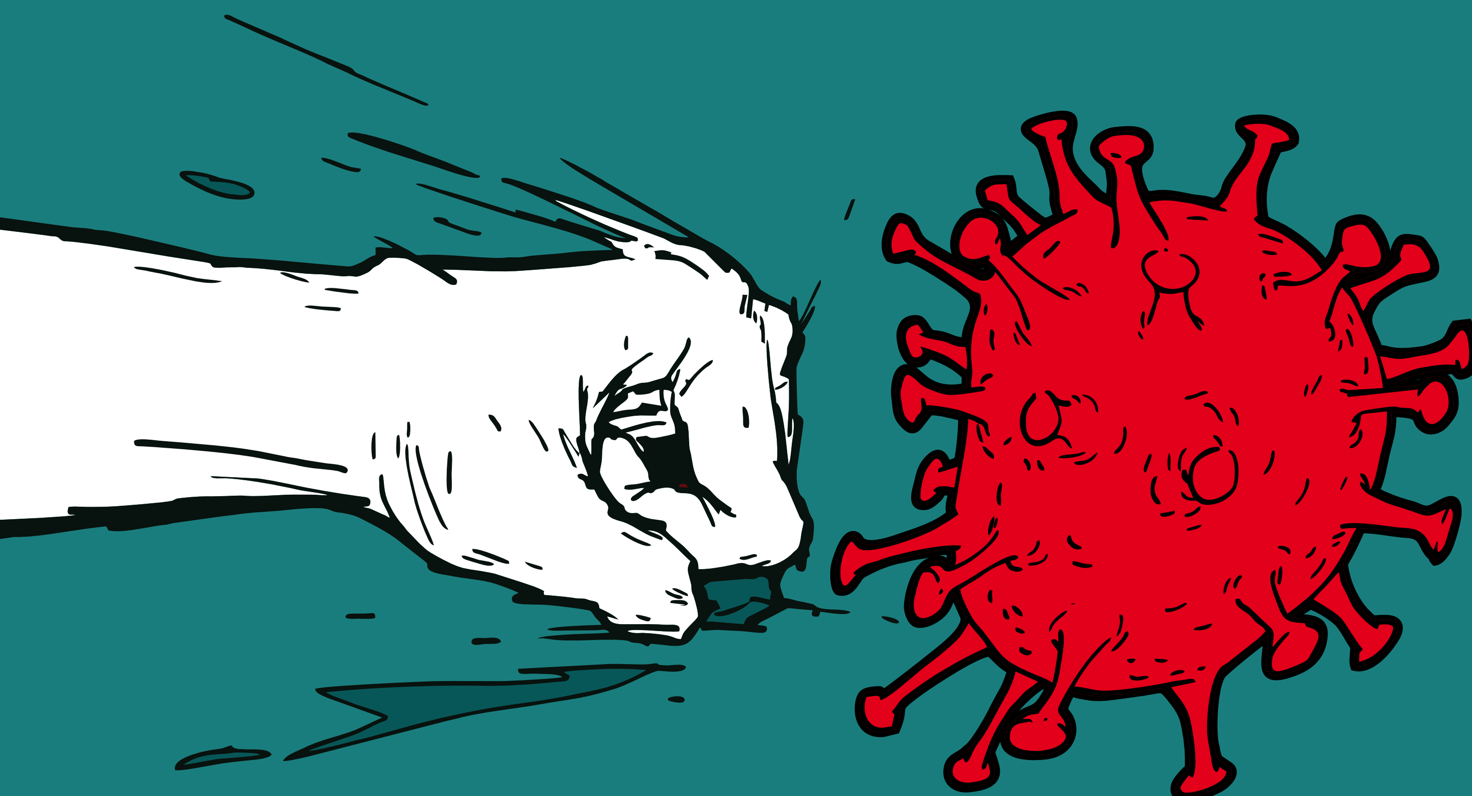

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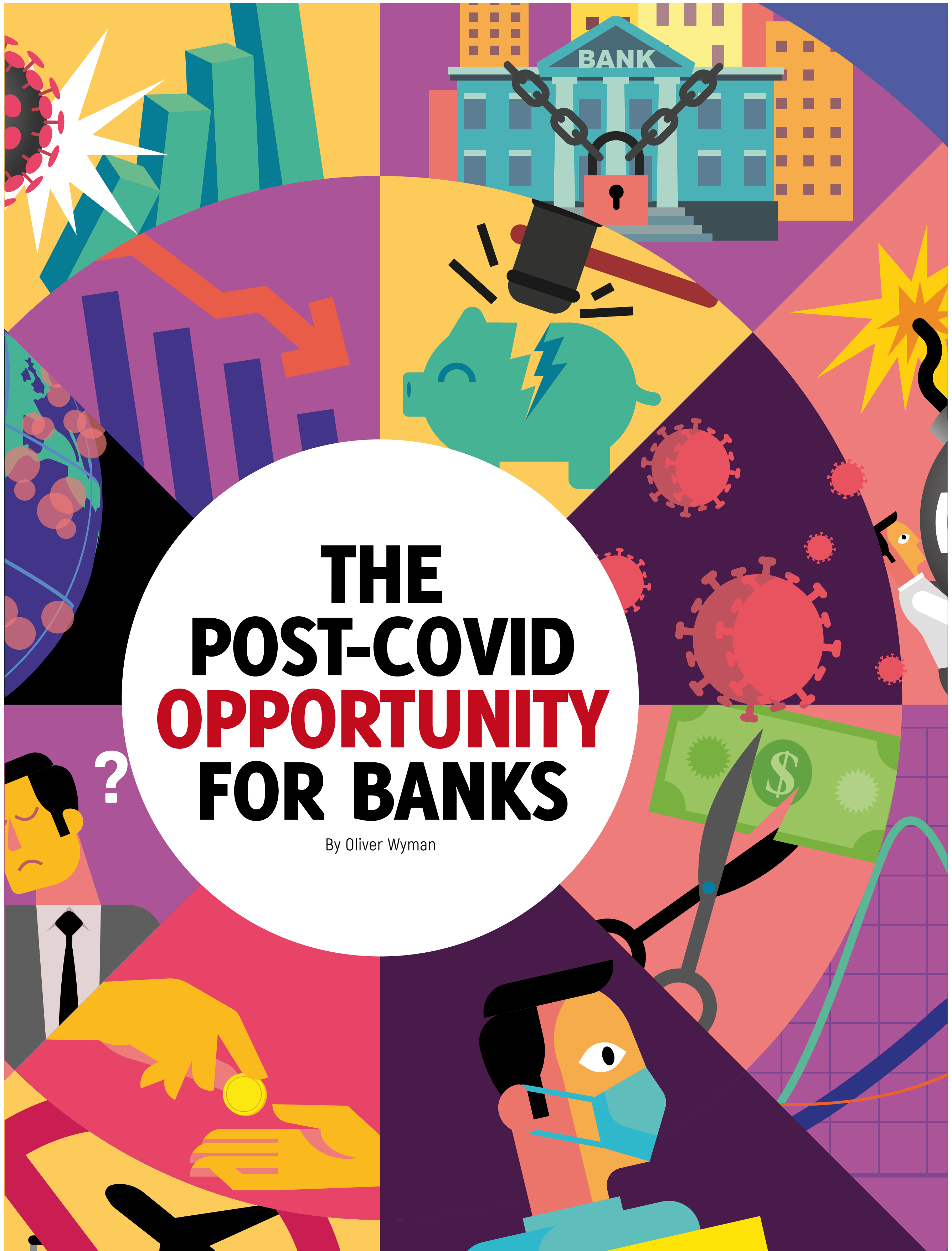

THE POST-COVID OPPORTUNITY FOR BANKS

By Oliver Wyman

Leaders must take a proactive stance to ensure proven technologies and approaches that work during the crisis are made permanent.

With more than 50% of the world in lockdown of various forms, a nosedive in global trade, and a forecast 3.8% decline in GDP, the Covid-19 pandemic has brought an unprecedented halt to normal life. This has led to fundamental changes in behaviour both externally in terms of customer activity, and internally in how firms are able to engage and operate. These changes are here to stay across three dimensions of activity, and firms need to thoughtfully adapt in order to thrive.

1 CUSTOMER BEHAVIOUR

While the trend is not new, the pandemic has acted as an accelerator for digital adoption.

A large spike in digital channel utilisation during the Covid-19 pandemic has been observed across banks and markets and many expect increased usage to persist. Following lockdown announcements, one of the leading Southeast Asian (SEA) banks saw 10,000 new customer account applications through the mobile banking app in a period of three days. Another saw more than 100 million more digital banking transactions as compared to the same period in 2019, and a third saw a more than a 200% growth in online investment accounts. There has also been a sharp growth in digital payments. In mature Asian markets, over 100% growth in digital payment usage has been observed, with e-commerce transaction value rising 40%. In emerging Asia, there was 260% growth across two real-time electronic payment systems in the Philippines. Conversely cash usage has declined, with ATM transactions falling as much as 60% in some markets.

2 WAYS OF ENGAGING

Engagement between banks and their customers has also changed fundamentally. Previously suggestions of video-conference relationship manager meetings would have been met with strong resistance on both sides. However, forced to move to digital modes of communication by lockdowns in many markets, outcomes have been largely positive. Many banks have found that engagement between relationship managers, sales teams and clients have increased as compared to pre-Covid with coverage teams' client servicing load also increasing for some banks. Without lengthy commutes, particularly in some Asian markets, relationship manager efficiency has increased by up to 30%–40%. There have also been a couple of instances of investor events hosted virtually with more than 5,000 attendees, almost double the attendance of a standard in-person event, with even more positive feedback received when compared to prior events. Of course, the challenge is whether the higher levels of engagement would work in a 'virtual for longer' environment, with fewer 'organic' conversations, and how relationships can be built with new customers through virtual modes.

3 WAYS OF WORKING

Pre-crisis, the banking world had a general perception that remote working would lead to lower productivity, be unable to hold workers to account using the traditional 'clocking in/out' mechanisms. With 40%–80% of bank employees working from home during lockdowns, these strongly held notions have been put to the test. What has emerged is a demonstration that remote working is just as productive, if not more productive, given other savings (time spent commuting, for example) than working from an office. However, a high asymmetry of productivity has been observed. Many are reporting skews where up to 70% of the output is coming from as few as 20% or 30% of the employees. This may be partially a result of the shift to remote, however it is more likely that the current environment is just exposing the large productivity skews that already existed in the system. Whilst highly dependent on the country and therefore the typical size of homes, many are also valuing the flexibility. A leading Australian bank found, in surveying its employees that had been working from home, that 80% of them wanted to maintain the greater flexibility it affords. Many of the leading banks in Southeast Asia are also now in the process of surveying their employees.

Another important efficiency gain has come from the decentralisation and often short-circuiting of decision-making. Many banks have found that the new ways of organising and managing teams have enabled them to better manage spans of control and layers to improve efficiencies during Covid-19. Others have reported a huge increase in speed of transformations, "tasks that would take six months to do are now getting done in two weeks." This is a result of several factors, but one key component is the short-circuiting of decision-making. For example, a large global bank had 72 different approval gates and committees to sign off on a new product pre-Covid and this has now been reduced to seven.

Many institutions are seeing these shifts as an opportunity for lasting and profound change.

A significant change in the balance of activities necessary to survive and differentiate is expected to ensue, providing opportunity to re-establish the survival and strategic minimum. In some sense the real 'survival minimum' has been practically tested during lockdowns with initiation of business continuity measures, for example, shutting offices and branches, trimming service hours, reducing products and features, and technology constraints such as virtual private network outages. In other words, a real-life zero-basing exercise has been carried out. A new 'strategic minimum' is also emerging, challenging many aspects of the organisation that were previously considered essential, such as