

# Service and Solution Design: A True Game Changer in the Banking Industry

Industrialization of the banking industry is a must in order to keep pace in a changing banking world. Increased informatization and open innovation are also essential for future success.



Prof. Dr. oec. publ. Bernhard Koye, Managing Director, Swiss Institute for Financial Education (SIF)

Although other industries have already undergone fundamental restructuring, the banking industry is currently in the midst of radical transformation. Profit margins are lower, regulation costs and income ratios are rising; underlying forces behind the transformation include information technology, deregulation and new regulatory standards as well as a better-informed client base. These changes have led to

heightened competition among service providers, faster-paced product and process innovation and globalization of the market. Services and Solution Design are crucial for future success.

## Industrialization

Value chains will continue to disintegrate over time. Multiple cooperation models can already be observed in all areas of the market. The expected consolidation process will not consist primarily of mergers of entire bank institutes, but come instead through the outsourcing or the sale of single links in the value chain, ultimately making scaled economies essential. The key will be defining who controls the distribution of the margin among network partners in the future. While larger providers prefer to be the main provider in a network, smaller providers must

search for their unique market niche using their own outsourcing partners in order to maintain independence while keeping a long-term perspective on their established goals.

## Informatization and open Innovation

With increased availability of information, clients are becoming more and more savvy, expecting tailor-made solutions for their needs. At the same time, advances in technology are opening up new horizons for potential differentiation. Today's private banking clients have a clear understanding of the relationship between income, risk and costs, and they are only willing to pay for integrated solutions. Against the backdrop of saturated markets, the pressure to innovate service solutions and business models is key. Business models should focus on designing the optimal service solution for the client and at the same time offer high efficiency in all other areas. Open innovation, the capability to strategically internalize external know-how when appropriate, has become an essential member of the strategic toolkit. Whether a customer, supplier, partner or even competitor, all roles need to become idea providers in the innovation process. The advantages for organizations include being able to maximize employee creativity and gaining access to ideas from the public forum. Open innovation can make banks more successful in their informatization process; however, it is not a "fountain of youth" or a universal remedy for organizations lacking in creativity or innovation skills; such organizations will not improve with open innovation. An extension of an insufficient innovation culture or strategy

by means of open innovation will rarely be successful. The willingness to participate depends greatly on the attractiveness of the task and the organization. Attractiveness is being redefined in the creative economy; it exists wherever creative minds find an inspiring environment and other creative minds; creative people attract other creative individuals. Specific tasks and the organizational setting also play an integral role; boring tasks and uninspiring organizations only produce boring ideas. Organizations need to think about their own network and innovation strategies, processes, cultures and capacity. Only when knowledge and information are professionally managed and implemented can creative tasks can be successfully delegated to external agents.



Axel Liebetrau, expert in Innovation and Future Management, lecturer at the SIF.

## "Gnothi seauton" – "Know thyself"

Visitors to the ancient Greek oracle of Delphi, history's first think tank, were greeted with the inscription "Know Thyself" in the entrance hall. This still holds true today; the future depends to a great extent on our knowledge of our abilities. Therefore, in order to utilize the potential of informatization, clarity with regard to personal or organizational strengths and abilities is key. Only then can open innovation pave the way to successful service and solution design.

## Live at Finance Forum Zurich

Learn more about Service & Solution Design in the Banking Industry and meet Prof. Dr. oec. publ. Bernhard Koye and Axel Liebetrau live at Finance Forum on 9 November 2011.

They will present their theories about the future of banking in the conference track "Sales & CRM" at 2:45pm.

Program and Registration at:  
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