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Organizational Systems and Change

Applied Final Project

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I have been out of the workforce for the last 8 years but prior to that my career was in retail banking. I have recently reentered on a part time basis while in school and I am surprised to learn how much has stayed the same. Retail banking was expected to make leaps in technology after the Covid-19 crisis but that seems to not be the case. Why did they miss this opportunity to change their workforce and move into better technology? Improved technology should enhance the customer experience and gain more satisfied customers.

The main issue I see in the retail banking industry is risk. The bank is taking on a risk by accepting checks from other banks, risk of fraud and theft are also primary concerns. The tellers are still hand counting cash which allows for human error and oversights. As cash is taken in the tellers are manually typing in account numbers, check totals and cash details. No matter how experienced an employee maybe this is something that can have errors not just from the employee but also the clients. Business and individuals are adept to errors in counting, transposing numbers, and addition. If banks were to become digital and have automated cash systems for every transaction, this would eliminate daily risks for retail banking associates. In an article by McKinsey and Company from 2020 they say, “Branches will increasingly feature self-service (including intelligent ATMs10 and in-branch kiosks), with limited cash availability at counters given dramatic recent usage declines.” (Asif et al., 2020). It has been nearly four years since this article was written, I can say that financial institutions are far from becoming fully digital.

Most banking branches have not been updated for a decade or longer, when you walk into a retail bank they tend to be outdated and lack of technology available for clients to utilize for self-service transactions. Some institutions are doing their best to keep up, but the advanced technology and modern branches sway towards metropolitan areas. The standard retail bank will be left behind and soon empty if they do not keep up with rapidly advancing technology. One bank is beginning to change the banking environment and it seems to be working well for them. Capital One has started what they call Capital One Cafes, which are a new take on the banking experience. “There's a lot to do at the Café. You can grab some food and a handcrafted coffee beverage, tea, or other drinks, connect to our free Wi-Fi and outlets to get work done solo or with a colleague, chat with a Café Ambassador or Money & Life Mentor, use our non-profit room or semi-private nooks, coworking spaces and much more!” (*Capital One Café - Where Banking Meets Living*, n.d.).

Employees in retail banking spend time processing paper transactions for customers. These transactions can be withdrawing cash, cashing checks, making money order and cashier’s checks, and performing deposits from businesses. Most of these transactions could be done via ATM (Automated Teller Machine) however most are not advanced enough to process same day transactions. Having an ATM with enhanced features like check cashing, printing cashier’s checks, money orders, debit cards would eliminate the risk of theft, teller outages and risk of fraudulent checks being deposited or cashed. There is more than $100 million dollars stolen annual from banks (Fuller, 2006). These advances would simultaneously be eliminating the risk from employees’ daily tasks while potentially be saving the industry millions of dollars. Most banks have FDIC insurance for robbery, but not other risks and we will not have time to get into that discussion in this analysis.

Checking accounts date back to the mid 19th century and have led to other products that are now available, but the basic system of a checking account has not changed (State of Connecticut, 2024). Some may think the system in place is working fine however, I know we need a change because, “In the case of banks and financial institutions, 65% of liberal Democrats and 60% of conservative Republicans say they have a negative impact. By comparison, 49% of conservative and moderate Democrats and 56% of moderate and liberal Republicans say the same.” (Dunn, 2022). This is not a political analysis however, we as a county with split political parties do not agree on much yet have a high percentage of unhappiness about a nationwide industry someone needs to pay attention and make changes. Banks are at the center of our economy, a primary source for consumer loans, bill payments, cash and wire transfers and consumer purchasing. “Banks compete with credit unions, financing companies, investment banks, insurance companies and many other financial services providers” (State of Connecticut, 2024). With competition growing and digital banking becoming more popular among young people the traditional banks are already behind.

With so many options what can banks do to keep up? I think they biggest step in the right direction would be improving technology with mobile banking, electronic payments, and deposits along with instant transactions. When I pay a bill online, deposit a check, cash a 3rd party check that money should be removed from the initiating account immediately. I know this is possible because it happens every time you swipe your debit card. So why is this not the normal? Why do we still have overnight processing?

The timeline on something like this would take years and be constantly evolving with customer demands and changed in tech. One article from 2020 states that, “Retail banks, like most companies, face an urgent imperative to reimagine themselves.” (Asif et al., 2020). This was in the face of the Covid-19 pandemic, and everyone expected the world to never be the same, but years went on and urgencies faded away and we are left with the same systems as before. The same article says, “In the next normal, the percentage of basic banking needs handled in-branch could be as low as 5 percent. This will have significant implications for the required mix of branch staff, with much more flexible job configurations.” (Asif et al., 2020). I think the focus should be pushing customers to digital applications, electronic payments and reconfiguring our workforce to move to the future.

For changes like this to be possible the banking industry would have to agree to move forward with equipment such as, facial recognition software, improved multifunctional ATMs, and better digital services. At a macro level the Federal Reserve would have to be the ones to support these changes since all financial transactions run through the Federal Reserve Bank and they regulate private banks. Banks would need to update compliance and regulations to move forward with new technology. Once the Federal Reserve initiates changes, banks would need to begin the changes at a national and regional level. This means the decision would be made to consolidate or close retail branches and begin to restructure employment and start consumer training on new skills. The departments that would work together on these issues would be human resources, compliance, technology, and retail management. This project would take years to complete and would require tremendous cross team collaboration.

Having community driven banks is not exciting to most people, but it would be a welcome change to the industry and its customers. Banking centers with tools for financial literacy, small business meeting places, and lending and credit education tools is the way of the future. The priority for these changes should be to improve the customer experience while eliminating risk for the institution and maintain compliance. A secondary benefit would be to recreate jobs for the retail positions and teach new skillsets that employees can use in their new roles. We have a long way to go but over time I do believe banks will move forward and it may look different from what we can even imagine.

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‌*Capital One Café - Where Banking Meets Living*. (n.d.). Capital One. https://www.capitalone.com/local/

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