

MARK CARRINGTON, PHILIP LANGGUTH AND THOMAS STEINER: THE BANKING REVOLUTION: SALVATION OR SLAUGHTER

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First published in Great Britain in 1997, the book is co-authored by the founding partners of Mitchell Madison Group of Management Consultants. Mark Carrington is a qualified management accountant and has served a range of international banking clients in wholesale and leasing finance, banking, treasury, investment banking, retail banking, credit cards and investment management. Philip Langguth has had extensive experience through a wide range of engagements in strategy developments, risk management and organizational and operational effectiveness that gives him the unique ability to bridge the gap between the business and I.T. worlds. Thomas Steiner has similar experience of working with executives of leading banks and technology providers on a wide range of management issues in more than 100 countries. He is also the lead author of two books, Technology in Banking: Creating Value and Profits (1990) and Systems Technology and the United States Commercial Banking Industry (1987).

As the title indicates, the book deals with the impact of information technology on the banking industry. It shows that banking is itself undergoing a radical transformation due to introduction of new products, entry of new players and new channels at a revolutionary pace. This transformation is taking place across all sectors of the banking industry but the retail sector, with its sheer size and competitive intensity, is the main arena of change and the main focus of the book. The situation has been further complicated by the continued improvement in technology. Focusing on the experience of the U.K. retail banking industry with I.T., the authors have attempted to provide a framework within which bank managers and technologists could jointly identify new business opportunities created by technology and decide upon technology choices. They have further examined the future role of technology in the banking sector and the challenges it creates for banks, also suggesting various options for deploying I.T. in

banks for lasting share holder value. The authors are of the view that only those banks that use their technology resources effectively will have the opportunity to secure real competitive advantage through product and service differentiation.

The book is divided into three parts. The first part focuses on the transformation of banking in U.K since 1980, highlighting the surge in banking activity, changes in rules governing banking business and the uncertainties created due to increased competitiveness. It also discusses the technology investment drive by banking industry and explains in greater detail as to how the technology transforms banking and also gives an insight into the challenges faced by banks in successfully managing this change process.

The second part of the book describes the specific methods that were used by banks in U.K. for transformation of various lines of banking operation from the traditional to modern I.T. based operations. Specifically, the changes in the payments systems towards its shift to a paperless and cashless environment are discussed with reference to the computerization of current account business, increasing use of electronic debits and credits, automated clearing services, electronic funds transfer and the introduction of stored value smart cards, electronic data interchange and electronic commerce. The authors have devoted a full chapter to explain the evolution of credit cards, their growth in the U.K. and future prospects. Another chapter focuses on the changing role of bank branches and near elimination of personal contacts between bank customer and branch manager owing to growing use of ATMs.

The third part of the book relates to the challenges created for bank management in successfully transforming the banking business into a fully automated and computerized operation. It concludes that technology investments by banks in the U.K., are actually creating value for bank customers and eroding bank profit potential. Also, the technology impact varies by line of business and by institutions. It is greatest in traditional banking products and allows those institutions that are not overburdened with paperless structures to thrive. It warns that radical innovations in I.T. and its application for the conduct of banking business could undermine the traditional role of banks in the future.

Looking ahead, the authors have, therefore, suggested various options for banks to meet the challenges posed by the fast changing environment consequent to I.T.

developments. According to them the best chance of any effective response to the technological transformation may lie in exploitation of the customers' traditional reliance on banks for the accurate, secure, rapid and guaranteed transfers of value.

In a nutshell the book under review has successfully drawn attention to the impact of innovation on financial information technology highlighting both the challenges and opportunities for banks to increase services and revenues and decrease costs. At the same time the authors have warned that the unforeseeable changes in consumer behaviors

could also unleash a new wave of aggressive competition. Hence the real challenge will be to out-innovate the innovators and use the power of technology to reinforce the value given to customers without giving away profits. Those banks will be able to meet the challenges and survive who succeed in deploying I.T. to boost profitability while others will face elimination as competition intensifies with new entrants and further innovations.

First published almost nine years ago, the book still provides a quite comprehensive guide to the key issues faced by the retail banking during the initial phase of their computerization and banks in countries like Pakistan can benefit from this experience while embarking upon a program of automation of their banking operations. It will make useful reading for bankers and technology providers to the banking institutions, helping them to formulate effective strategic plans for smooth transformation of their services in line with future developments in the field of information technology and its use in the banking industry.