

## Going Global: Customers and Markets Won't Wait

While venturing into foreign markets can be lucrative for banks, they need to keep in mind five key myths about global banking, according to consultants Bill Stuart and Brian Evetts. "The globalization trend will continue for many years, but right now there's a land grab going on," they say. "Customers can't wait; emerging markets won't wait."

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By Bill Stuart and Brian Evetts

It is not exactly news that the globalizing economy holds vast opportunity for U.S. banks. Every bank we work with, no matter what the size, is being pressured by customers (and as a result, by shareholders) to enter new countries in one way or another. But as they pursue their overseas interests, many are finding that they have to re-think some presuppositions – and myths – about going global.

Myth No. 1: Global banking is all about financial services.

Actually, going global means taking a broad view of banking. Just as the customer at the hardware store doesn't want a drill – he wants to drill a hole in something – customers don't necessarily want a rand account in Johannesburg; they want to pay South African vendors fast so their goods can be expedited to the next link in their global supply chain. Or they want to navigate Customs with all the right papers in the right place every time. Or understand the tax advantage of their business structure options and the legal ramifications of each. Or meet the people who can get business done efficiently in different countries and who can lead them to prospective customers. They want relationships, advice, partnerships and business.

They can, of course, hire customs lawyers for one purpose, tax accountants for another, in-country sales experts for another, and charge their U.S.-born ex-pat executives with learning the ropes, the rules and the culture. Or they can turn to a U.S. bank that has already run all those traps on its own behalf – a bank that has already created a branch presence, dealt with the tax issues, retained in-country experts, established high-level business, government and correspondent bank relationships and all the other things it takes to become a bank in a new country.

Global banking is about facilitating commerce, whatever it takes. Who better than banks, already in that trusted relationship, to usher their customers into international commerce by broadening their offerings well beyond traditional financial services?

Myth No. 2: Finance is king.

There was a time when a U.S. bank could establish a foreign presence with the chief financial officer making most decisions. Soon, however, technology challenges became daunting. There was the need to understand the systems in the new countries, for those systems to be tightly integrated with those at home, and for all of the systems to be in perfect compliance everywhere, not just with banking laws but also customer privacy, copyright, and employment laws that cut across industries.

Next, the operational issues became paramount: What do we need in this next country that we did not need at home or in the last country we entered? How do we size the need and fill it? Where do we partner with correspondents vs.

create our own presence? What best practices do we bring with us vs. those we need to invent for this new market? Ford built a whole new car in India for Indians. That level of operational specificity and expertise, market by market, is now just par for the global course.

Finally, product management is vital every step of the way. Where mobile banking might be an attractive add-on for Americans, for entrepreneurs in Africa it might be a survival product. A customer in the U.S. might be all about credit but in another part of the world interested mainly in cash management or letters of credit.

Today, no CFO wants to take the bank across borders without top executives in IT, Operations, Risk, and Product Management as part of the travelling team. Finance is still the main business of the bank, but without technology, operations, risk, and product expertise as part of the package, deployed on behalf of customers' business, globalizing courts great risks.

Myth No. 3: First stop, London.

Over the years, U.S. companies, when it came time to stretch beyond familiar shores, tested their global chops in the UK and other Western European countries before moving on to less familiar venues. They had good reason: familiar language and laws. London particularly had a deserved reputation as a world financial capital with centuries of friendly business relationships across the Atlantic. For U.S. banks especially, the foreign exchange dominance of the British pound and euro made Europe an obvious priority.

But today's global growth trends call for a new map. Rapid growth is now found in Asian and African countries. India will continue to profit from demography and the effects of the outsourcing experience. China has vaulted past Japan as the second largest economy in the world and Brazil appears poised to surpass France, Britain and Russia soon. From a foreign exchange standpoint, international partners are demanding to trade directly in local currencies, not just dollars, pounds and euros.

"Ten years ago my company was all California," says the customer of one of our large-bank clients. "Now I have vendors and customers in thirty countries and I wouldn't know the alphabet in most of them."

A globalizing bank should not overlook European markets, but emerging markets are today's high stakes proving ground. As a reward for being willing to desert tradition and familiarity, U.S. banks will be reminded that globalization is not a one-way street when they are rewarded with business from companies in emerging markets who find them attractive partners for tapping the U.S. market.

Myth No. 4: U.S. banks open with a weak hand.

Certainly the last couple of years have been bruising for U.S. banks, but no country's banks went unscathed. U.S. banks are widely recognized for their expertise in Internet banking, logistics, operations, product management and payments evolution and migration. When they can add in-country expertise to that list, they can be formidable partners for globalizing customers and other banks.

Emerging markets are starved for know-how that U.S. banks possess. Or rather, they are starved for foreign investment and realize that one fast path to getting it is to demonstrate banking excellence in their countries. The door is wide open for partnerships with U.S. banks whose efforts and advice will be generously compensated with

new business where competition is light and cost-of-entry fairly low.

Globalizing banks can lead with these strengths while they gain other strengths such as in-country expertise. These strengths can be powerful bargaining points. They enable U.S. bank leaders to share management expertise, provide access to market-leading technology or offer other expertise to make themselves attractive partners in competitive situations.

Myth No. 5: Go big or stay home.

No doubt the global economy needs some vast, truly global institutions, but that is not the only way – and probably the wrong way – for most institutions.

If an initial banking foray into a new country is being made on behalf of current customers who have pressing business interests in that country, turning the quest into a market-share strategy dilutes the customer focus. Better for the bank to gain the local knowledge it needs to meet customers' local needs, establish local credibility and cultivate local correspondent bank relationships where appropriate. If the decision is to pursue a strategy of all-out competition with truly global players, there will be time for that later, after the bank has secured its customers' interests and established its own commitment, in-country expertise and relationships.

The U.S. banks that are today making the most surefooted global progress are those that start with a lean presence in a targeted country, learn what their customers need to succeed there, establish the right lines of business there, tightly integrate them, then take stock of their learning, document it in the form of a repeatable framework and processes – and only then seek to expand their presence.

The truth is U.S. customers can't go global without good banks. The globalization trend will continue for many years, but right now there's a land grab going on. Customers can't wait; emerging markets won't wait.

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