Turning Technology Towards Tomorrow: Undoing Dotcom Damage

There is no shortage of commentary and analysis on the subject of the technology bubble, its causes and effects on the technology sector, capital markets and the economy at large. Very little however, has been written about the lingering impact on sectors that were fated to mature concurrently with the dotcom era.

Unquestionably, the relocation industry has been around longer than twenty years. However, it could be reasonably asserted that the industry began to establish global organisational momentum, professionalise, diversify and spawn a new class of specialised vendors at a time consistent with the emergence of the technology bubble phenomenon.

For the international relocation industry, these legacy factors are in abundant evidence. The driving forces behind many of today's financial service offerings to the relocation market were defined in a very unique time and place, and upon inspection are revealed to have little or no bearing or relevance relative to today's challenges.

Oddly, despite the highly visible and spectacularly inglorious end of the dotcom era, and its attendant dashed hopes, broken dreams and lost fortunes, an alarming number of the niche financial services shops that emerged during that unparalleled era have clung stubbornly and inexplicably to their originating operational configuration and strategic reasoning.

A characteristic and indelible imprint marks the organisations that were forged in the dying embers of the technology bubble. The boutique financial services players born into the chaos of the tech meltdown bear common hallmarks that demand radical operational and strategic rethinks, and that do not reconcile easily with New Normal dynamics.

Unhealthy Obsessions

The international relocation industry's metaphorical coming of age coincided with the financial services sector's descent into a series of unseemly figurative mid-life crises. In a cruel twist of ironic fate rivaled only by daytime television drama, the two industries were set on an irreversible collision course during times of great timult and instability.

The financial services sector, beginning to show its age but newly liberated into cyberspace following a divorce from paper-based, manual processes, became hopelessly enamoured with the relocation industry, a dazzling beauty with uncontested markets, blue chip employers, affluent assignees and the promise of globalisation-fuelled double digit growth.

Bullish outlooks with respect to the number of global transfers (and by extension household goods cargo shipments to be insured), attracted the attentions of opportunistic brokers and insurance carriers. International marine cargo insurance for expatriates had been the exclusive domain of a handful of faithful, old school brokers and select removers, where wandering eyes had been kept in check by a burdensome administrative processes. Now there was a surge of handsome new market entrants armed to the gills with highly efficient online capabilities.

The relocation industry meanwhile, had designs of its own with respect to financial services in general, and insurance in particular. Soaring real estate markets and the stable mortgage environment of the eighties and nineties compelled opportunistic relocation management companies to introduce ever more comprehensive and sophisticated spinoff offerings in order to harness and multiply related revenue streams. This very era saw the advent of escrow programmes, mortgage buy-down provisions, and home purchase plans, each of which had complex insurance implications. Collectively these initiatives gave rise to garish inventories of vacant homes deliberately eschewed by general domestic carriers and begging boutique provider attention.

'… a good time, not a long time.'

An enduring legacy of the dotcom period on financial boutique players was the *zeitgeist* of the era that determined the nature of participants and magnitude of initial capitalisation.

The dotcom phenomenon hit its stride in the mid-nineties. Early entrants into online business models were new age tech startups, innovative bio-pharm labs and pioneering online retailers. Not surprisingly, latecomers to the party were financial services players, famously slow to embrace change or modify course.

But it was still pre-bust and optimism remained high among those who didn't - or refused to - see the writing on the wall. Ready-to-serve business plans drafted by alpha-house consulting firms envisioned multi-million dollar investments and returns consistent with those that had been generated by the early arrivals, fuelled in part by the seemingly endless spring of rags-to-riches tales emanating daily from Silicon Valley.

But it was not the multinational behemoths, brand name global financial institutions that flung themselves into the dotcom fray. Rather, it was baby boomers; 'forty-somethings' that had cut their teeth and toiled for decades within the large multinational firms who jumped or were pushed into entrepreneurial ventures at the turn of the millennium. The values, skillsets and perspectives ingrained during the early careers of this influential demographic group would, to a great extent shape the organisations they formed.

Perhaps most influentially, investors and management alike envisioned substantial returns over a short period, and were predicated on five-year exit strategies. Which is to say that the boutique shops born during the tech bubble were never meant to still be around today.

The technology that was developed in this environment suffered from many fundamental strategic and tactical flaws.

Blind Adherence to Technology

When a highly capitalised start up's primary differentiated value proposition is technology, it runs the risk of promoting technical solutions purely for the for the sake of technology. Certain companies of the era became hopelessly wed to the relentless pursuit of automation irrespective of whether efficacy was improved or value was being created, or whether the outcome was even commercially viable.

Hurried Development
A favourite and irrefutable axiom of technology developers goes as follows “Good. Fast. Cheap. Pick any two.” Highly capitalised dotcom startups scrambling to establish first mover advantage and to throw revenue numbers at restless investors were by necessity bound to the latter pair.

Undisciplined Development
In the over-hyped atmosphere of the late nineties, everyone was an expert, quite ironically, as regards something relatively novel and unproven.

When it comes to technology development there are few things more dangerous than an unstructured gathering of generally intelligent and otherwise well-intentioned business people spewing forth with a veritable compendium of navigation features, application functionality and other web goodies from their favourite video game or website.

Equally dangerous are techno-geeks left to their own devices with vague or drifting specifications and requirements.

Dotcom startups simply didn't have either the inclination or the luxury of applying project management rigour and discipline to the development process and in certain cases delivered bloated and overcomplicated systems often requiring frequent manual intervention and workarounds.

Artificial Technology
Robust, database-supported technology with underlying coded logic, automated functions and comprehensive reports is one thing. An online form that sends an email to a person who subsequently prints it and reverts to manual processes is another thing altogether.

In the distorted lens of the bubble, with an eye catching flash intro, streaming videos and some snappy tunes thrown in for good measure, some boutique firms represented that they were a lot more automated than they actually were.

Like technological toupées, these distractions maintained the illusion for a short while before the jig was up. The problems became evident when costs ran amok and spiralling numbers of human resources were needed to maintain an increasingly complex array of spreadsheets and manual reports.

Misdeployed Technology
Some financial service technologies were zealously developed with a stated goal of maximum automation and “touchless” processes. Such initiatives at times failed to appreciate the negative impact on user experience during planning stages. In certain cases reworked workflows served only to shift data entry burden and other onerous and time consuming tasks from within the service providers operations to the end user. Not surprisingly, they were not well received.

‘The boutique shops born during the tech bubble were never meant to still be around today. They were built for speed and not endurance.’

Moving On
As is often the case with ill-advised, unfortunate and short-lived romances, not one party is entirely at fault and not everything that transpired is contemptible.

Consumers, both corporate and individual dazzled by novel e-commerce workflows pressed providers for user experiences that fundamentally mimicked a vending machine. The ultimate result was a system built back-to-front. In delivering what the consumer wanted at a torrid pace in search of revenue, boutique financial services providers often developed rigid and inflexible systems on the consumer side supported by highly flexible and adaptive human systems in the back office. In 2014, it is glaringly obvious that an entirely opposite configuration is the more workable mechanism.

Niche financial services dotcom startups also played a timely and critical role in bridging the information and communications gap between corporate employers and remote assignees during early days of the internet. In the frenzied scramble to stake claims on the frontier of the added-value offering, alliances were forged at record pace. HR and Mobility departments starved of funding and with little or no access to development resources welcomed the proliferation of content, access programmes, online tools, and hyperlinks with open arms at a time when comprehensive corporate extranets were the stuff of dreams.

Years later, and in the wake of substantial market consolidation, the further emergence of specialised niche players, the net result is a confusing and inefficient muddle of overlapping and redundant services from which clients can not easily or cost effectively extract themselves.

‘Dotcom financial service providers developed rigid and inflexible systems on the consumer side supported by flexible and adaptive human systems in the back office. In 2014 it is glaringly obvious that an entirely opposite configuration is the more workable mechanism.’

Ludwig Mies van der Rohe put it best: “Less is more.”
Financial Service providers, and to an extent corporate sponsors as well, remain a little bit delusional about the extent to which their technology and web presence is actually utilised; especially as regards insurance. Suffice

to say, most people don't stagger down stairs in their jammies each morning and stare bleary-eyed at an international insurance website, whether they are on a foreign assignment or not. At the end of the day claims service is what matters above all and getting that right requires a very human touch.

In the capital markets, as banks and brokerages stumbled over themselves to win the race to fully 'web-enable' their offerings in a deregulatory stupor, they ran roughshod over the sector's wisdom of the ages. Client advocacy, familiarity and sage counsel was the baby that went out with the bath water.

The pendulum finally swung the other way when the credit crisis followed quickly on the heels of the burst bubble, and all financial services sectors were swept up in the ensuing dragnet, insurance included. Compliance and best practices were the buzz words of the day and the frenzy of online trading, self-managed portfolios that saw lifetime savings evaporate for want of professional guidance, receded to normal levels.

International mobility however, was different. Online transactions to this day remain a crucial component of financial services delivery for the simple fact that the market is geographically scattered.

Thankfully niche providers dedicated to the mobility marketplace that have come into existence in the past handful of years have the benefit of hindsight and can draw lessons from what can only be described as a very interesting phase in the evolution of two sectors. The debutant is a little wiser. The toupées have been put away.

Cloud technology, SAS business models, smartphone apps, and whatever comes next, will be investigated a little more sensibly and weighed on their merits, and a general absence of *irrational exuberance* will serve all parties favourably.

Paul Coleman, President and CEO, TERN Financial Group Inc.
Paul has spent his entire career working within the global finance and insurance industry accumulating experience and expertise both from the perspective of service provider/intermediary as well as that of client/buyer.

In 2002 he embarked on a innovative start-up project that grew into a multimillion dollar enterprise. As Executive Vice President he provided strategic and tactical guidance and direction for the organisation that included oversight and development of the Canadian, European and UK markets.

TERN Financial Group Inc. has developed an array of novel solutions, innovative products and improved processes that respond to the unique needs of expatriates, relocation industry vendors and their corporate clients to the ultimate benefit of transferees and their dependents.
Email paul@terngrp.com www.terngrp.com