

Tom Shen: On Working 40 Years in Fintech



CURRENTLY

- ▶ Board Member at CSI, Tyfone, ZSuite, Shastic and Axiom Bank
- ▶ Investor at Larky
- ▶ Limited Partner at Information Venture Partners

PRIOR

- ▶ Board Chair at Sensibill (acquired by Q2)
- ▶ Founder at Malauzai (acquired by Finastra) & Software Dynamics (SDI, acquired by S1)
- ▶ Board Member at Bankers Toolbox (PE acquired, now Abrigo), Q2, and Association for Financial Technology (AFT)
- ▶ Senior Executive at Digital Insight (acquired by Intuit, later NCR)

Entrepreneur. Board Member. CEO.

When Tom Shen co-founded Malauzai Software with Robb Gaynor and Danny Piangerelli in 2010, the entrepreneurs took a bold position. They only offered mobile banking at a time when financial institutions still favored desktop banking.

“We felt that mobile would be at the center of all digital interactions,” Shen tells GonzoBanker™, a Cornerstone blog.

The founding Malauzai team saw the mobile phone as the centerpiece of banking so much so that the team would create customized t-shirts that read: “Internet banking is dead.” While partly an exaggeration, Shen recalls the point was to showcase mobile’s significance.

“The idea at the time was mobile was tethered to the desktop,” Shen says. “And our notion was, no, no, no, no. The desktop is second to mobile.”

The options evolved when customers asked the company for desktop banking. The team abided their wishes and built the product.

Nowadays, Shen not only sees mobile as part of the banking story, but as the means to glean information to elevate the in-person branch experience. “Everything goes in cycles,” he says. “It goes forward and backward.”

Shen has a perspective that most in fintech don’t. He’s been in the industry for 40 years, including creating branch banking software that he sold to S1 Corp. In 2018, Finastra acquired Malauzai. He’s also worked at Digital Insight and served as a Board Member at Q2. Now, he sits on six boards, advising companies on their products and business plans, investing in early-stage fintech companies and attending fintech events with an important friend: a striking pup.

“A leader’s role can be the loneliest. They serve customers, they serve teammates, they serve shareholders. I subscribe to a school of leadership called servant leadership, and it’s simply defined this way: The best leaders are servants at heart. The starting point of my mentorship is humility.”

— Tom Shen

Cornerstone's GonzoBanker™ recently sat down with Shen. Here's a snippet from the interview exploring his career, leadership advice and views of the industry.

Gonzo: Is there a comparable technology today to mobile banking in the 2010s—something bankers aren't yet widely embracing but that has the potential to have mass appeal?

Shen: The AI revolution is in fact a revolution. It's a disruptive force with huge promise, but currently with little impact. It's early stage and it's causing many companies to rethink their strategy. So, broadly speaking, when I think about the AI revolution, I think of two pieces. The first piece is GenAI, which is content creation. There are banks like ING Bank and NuBank that are doing some innovative things with GenAI.

But the second part is Applied AI, and there's quite a bit to that. The two pieces in Applied AI that I think are very relevant are machine learning and deep reinforcement learning.

Gonzo: Why is that?

Shen: I believe the time is here for hyper-personalization. We've talked about it for a decade, but the tech wasn't quite there. While we've talked about personalization before, what we're really talking about is segmentation. We're talking about consumers' and members' applications. You can have a small-business application, a commercial banking application and maybe a private wealth application. But these are large segments. Why does your digital app look the same as my digital app from the same bank?

Here's an example. There's a certain time of day I do certain things. Well, your banking app should know that. They should know that if they send me a message in the morning most of my boards are on the East Coast or in Europe. So in the morning I'm busy sitting in meetings. But in the afternoon, that's when I have time to do other things. So that message becomes relevant if I have a propensity to buy at that point in time. And this is the promise that Applied AI could deliver.

I believe the time is here for hyper-personalization. I'll put the caveat on it. As in all things, to explore, to push forward, there are cyber security concerns. There are privacy concerns. There are regulatory concerns. There are ethical concerns, and there's operational risk.

We can't forget all that, but that's built in. We know it's there. We must deal with it.

Gonzo: What other technologies are capturing your imagination right now?

Shen: Your readers will laugh knowing my background is from Software Dynamics, where I built out branch software, back-office software, for 19 years. I have this tendency to gravitate back toward that, but in a recent Accenture Global Banking Consumer Study, the research shows that 3% of customers' interactions with financial institutions happen in person. Just 3%. However, the study found that in the past 12 months, consumers used branches more than any other channel to open accounts, get advice, and acquire new products. That's really important.

Now there are those financial institutions without branches. But if you are to have branches to win and differentiate yourself in the marketplace, you've got to put in a service culture. And the service culture isn't just training your people better, right? It's like staying in the Four Seasons and you ask where's the men's room and they walk you down the hallway until you see [it]. For branch service that involves knowing their digital interactions so when the customer comes in and has a problem, you say, 'Hey, I've looked, in the last four days you've tried to do these things and you were not successful. Let me help you do that.' To ask a customer or a small-business owner to repeat back the frustration they had in the last few days just makes them angrier.

So, that's the melding of physical and digital. How we bridge that is important.

Gonzo: So that's an opportunity. Let's switch gears to challenges. What's one of the biggest obstacles the industry is up against right now?

Shen: One of the important battlegrounds is simply the talent war—to attract and retain the right talent.

Gonzo: As someone who's worked in fintech for 40 years as a CEO, entrepreneur and board member, what's your advice there?

Shen: Everything I know, I learned, borrowed, or sometimes stole from some wiser person. So, when we talk about talent and mentorship, this subject is so near and dear to my heart, and it starts with Jim Collins' book, "Good to Great." Right people, right seat.