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THE STUDY OF TECHNOLOGY AS ICARUS PARADOX IN BANKING INDUSTRY

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I. INTRODUCTION

When Danny Miller introduced the term Icarus paradox in his book in 1990, even he would not have thought that the term will find relevance almost in every industry. The paradox refers to the phenomenon of sudden failure of businesses after the tenure of apparent success, where the failure is brought about by the notion that led to their initial success.

The name Icarus paradox was derived from the Greek mythology. Icarus along his father Daedalus was held prison in a labyrinth. Seeing the birds fly through the labyrinth Daedalus who was an architect, an inventor and sculptor had a bright idea. He combined feathers of birds with twigs using beeswax and made two pairs of wings. He told his son to fly out of the prison using those feathers. Icarus with his father flew out of the prison. He started cautiously but soon started enjoying the flight. In spite of Daedalus' warning He went higher and higher. Soon he got close to the sun, the beeswax melted and Icarus fell down to earth, dead.

This tale forms the Icarus Paradox: The same thing that had made Icarus successful is what led to his downfall. In his overconfidence he had become blind to the dangers of flying too close to the sun.

According to Miller, "success seduces companies into failure through fostering overconfidence, complacency, specialisation, exaggeration, dogma and ritual." Most of the firms owe their success to a unique competitive formula. As the Organization continues to grow, the confidence in this success formula is elevated. Consequently, the firm ends up focusing only on refining and extending the strategies, products and values that propelled their success. Any other activities are ignored or even discouraged. However it was proven that over a period this attitude is unsustainable. Some of the popular Instances are:

1. **Celebrities** like Wayne Rooney, Tiger Woods, Lance Armstrong, Irfan Pathan etc. enjoyed success over a period of time but then following the same strategy did not reap same rewards.
2. **Mobile Phone stalwarts Nokia** because of their overconfidence and complacency to adapt to Android operating system led to their downfall.
3. **Kodak** inadaptability to digitise the product led to their exit from the market.
4. **Bajaj Scooters** do not find relevant customers in the modern day market.
5. **Failures in business** projects happen all too often. Firms tend to invest too much and too long in activities that are elementally inoperative in its design or concept. Some examples are Merrill Lynch, RBS, AIG, Citibank, Lehman Brothers and Fresh & Easy

The primary objective of this research is to study the relevance of Icarus Paradox in Indian Banking Scenario. By doing that Banks can develop an improved strategy to avoid the ‘situations’ and successfully strengthen their business.

The outline of the Research Paper is as follows:

Section I presents the Introduction and background of the research.

Section II deals with the Literature Review to peep into the Research gap.

Section III discusses the objectives of the study.

Section IV is a briefing about the Research Methodology used for the study.

Section V is all about the analysis with a detailed framework.

Section VI is devoted to the concluding remarks. The study is concluded with the References.

II. LITERATURE REVIEW

ICARUS PARADOX

(Miller 1990, p.3) The fabled Icarus of Greek mythology once said to have flown so high, so close to the sun, that his artificial wings melted and he plunged to his death in the Aegean

Sea. The power of Icarus' wings gave rise to the abandon that so doomed him. The paradox is that *his greatest asset led to his demise* and that same paradox applies to many outstanding companies today: their victories and their strengths often seduce them into the excesses that cause their downfall.

Freek Vermulen discovered that the comparison of list of Fortune 100 companies in 1966 and the Fortune 100 in 2006, 66 of those companies didn’t exist anymore? Another 15 were in existence but weren’t on the list any longer, while only 19 of them were still there. Similarly, ample research and statistics showed that for a variety of industries very successful firms had trouble in staying successful.

Danny Miller (2010) stated that paradoxically, the power of a tool increases bothits potential benefits and its dangers. Icarus could have flown without the wings so deftly crafted by his loving father Daedalus but at the same time the wings placed a terrible onus upon Icarus’s mastery and his discipline. Similarly, focuses cultures and strategies contribute mightily to outstanding performance. But they carry with them daunting risks of rigidity and isolation.

BANK’S SITUATION

William W. Streeter (2007) in his article in ABA Banking Journal claimed that Unprofitability is not the customer’s fault but the Bank’s fault. Banker’s observation was “All Customers are potentially profitable.”

In the book, The 48 Laws of Power, Law 47 is "Do not go past the mark you aimed for, in victory, learn when to stop". While introducing the literature on Law 47, Robert Greene states that: "The moment of victory is often the moment of greatest peril. In the heat of victory, arrogance and overconfidence can push you past the goal you had aimed for, and by going too far, you make more enemies than you defeat. Do not allow success to go to your head. There is no substitute for strategy and careful planning. Set a goal, and when you reach it, stop". Some Nigerian banks had become victims of their own success. That was especially true following the last bank consolidation exercise undertook by the Central Bank of Nigeria.

ICELAND AS ICARUS

Robert Wade (2009) further stressed on the Icarus Paradox in the context of Iceland. According to him Icelanders were happiest in the world in 2007, according to an international study in 2006, just ahead of Australians. Shops brimmed with Luxury goods, sport-utility vehicles (SUVs) choked the narrow streets, and restaurant prices made London look cheap. Their public administration was least corrupt in the world. By the end of 2007 it all fell haywire. Then at the end of September 2008, reality bit. Within a week the three big banks had collapsed and were taken into public ownership. Since then Iceland has been pioneering an uncontrolled experiment in how a modern economy can function without an international banking system. The currency collapsed. The IMF was called in and, among other things, approved tight foreign exchange controls. GDP in 2009 will probably contract by at least 10 percent. Unemployment had shot up to 8 percent by February 2009 and continues to climb (from 1.5 percent in September 2008).

According to IMF Report (July 13, 2006), International markets are concerned that this pace of growth [of bank balance sheets] has exposed the Icelandic financial system to vulnerabilities that could undermine its health as the economy adjusts to restore balance. Potential vulnerabilities include considerable near-term refinancing needs, credit quality, the long-term sustainability of the banks' presence in the domestic mortgage market, and the crossholdings of equity.

III. Objectives of the study

1. To understand the Icarus Paradox and its importance.
2. To find the reasons behind the closure of successful banks.
3. To analyze the past years performance and achievements of the Banks towards reaching out to the unbanked areas in order to sustain their position of strength.
4. To trace the journey from Icarus Paradox to Productivity Paradox.

IV. Research Methodology

The Research Methodology used is purely Analytical in nature. The Researcher used facts or information already available, and analyzed these to make a critical evaluation of the material. It is purely based on the Secondary data from various reputed sources. The study circles around the Icarus Paradox that trapped so many outstanding firms: Over confident, complacent executives extended the very factors that contributed to success to the point where they caused decline. The paradoxical fact is that "Success can lead to failure." The old story of Icarus can still teach us new lessons in the dynamics of Corporate success, decline and renewal.

V. REPORTS AND DATA

a) Bank failures since 2009

Year	Bank failure cost to DIF	Number of bank failures Total: 491
2016 (estimated)	$9.6 million	1
2015 (estimated)	$894 million	8
2014 (estimated)	$398.8 million	18
2013 (estimated)	$1.165 billion	24
2012 (estimated)	$2.785 billion	51
2011 (official)	$7.945 billion	92
2010 (official)	$22.904 billion	157
2009 (official)	$38.732 billion	140

Source: Federal Deposit Insurance Corp. **DIF-Deposit Insurance Fund*

b) 2017-List of Failed Banks

Bank Name	City	Acquiring Institution	Closing Date
Fayette County Bank	Saint Elmo	United Fidelity Bank, fsb	May 26, 2017
Guaranty Bank, (d/b/a BestBank in Georgia & Michigan)	Milwaukee	First-Citizens Bank & Trust Company	May 5, 2017
First NBC Bank	New Orleans	Whitney Bank	April 28, 2017
Proficio Bank	Cottonwood Heights	Cache Valley Bank	March 3, 2017
Seaway Bank and Trust Company	Chicago	State Bank of Texas	January 27, 2017
Harvest Community Bank	Pennsville	First-Citizens Bank & Trust Company	January 13, 2017

c) 2016-List of Failed Banks

Failed banks	Date closed	Estimated cost to DIF ($ millions)
North Milwaukee State Bank, Milwaukee	03/11/2016	9.6

d) 2015-List of Failed Banks

Failed banks	Date closed	Estimated cost to DIF ($ millions)
Hometown National Bank, Longview, WA	10/02/2015	1.6
The Bank of Georgia, Peachtree City, GA	10/02/2015	23.2
Premier Bank, Denver	07/10/2015	4.4
Republic Bank of Chicago, Chicago	05/08/2015	16.8
Doral Bank En Espanol, San Juan, Puerto Rico	02/27/2015	748.9
Capitol City Bank & Trust Company, Atlanta	02/13/2015	88.9
Highland Community Bank, Chicago	01/23/2015	5.8
First National Bank of Crestview, Crestview, FL	01/16/2015	4.4

**Source: Compiled from various reports of Commercial Banks and RBI.*

VI. ANALYSIS AND INTERPRETATION

Since the early 2000's Banks are harvesting the profits of using the technology in their day to day operations. ICICI bank was the first bank who changed the face of retail banking using technology. Thus there is a consensus that technology is one tool that enhances the profitability in a big way. But globally there are instances where the lack of public contact is affecting the businesses of the Bank. So the thing that led to the rise of banking industry is now leading to their downfall. That's what the Icarus Paradox is. Here the research is listing some of the factors that are contributing to the cause.

1. **Too much Technology**

   Several banks in Europe have dumped millions of pounds on building various channels. The investment is astonishingly figure of £300m in IT over five years without seeing their impact on transaction costs. Since the mid-1990s, banks have been investing in new banking channels, such as the internet, Wap and call centres, in a bid to capture and retain increasingly fickle customers. But there was a lack of coordination between IT people and Business Departments. As a result Banks were unable to synchronize the channels, software and hardware. Only eight of 25 banks built an interface to support all channels. Remaining banks are either struggling or closed in that tenure.

2. **Increased Complexity**

   The increased focus on IT infrastructure development led to the lack of customer contact. The main problem is that the processes used in the multi-channel banking lack communication in terms of exchanging customer data timely. Many a times a customer has to fill out a form online and when he reaches the agent, the agent will not have the details filled online. Along with that Banks also have to face the Financial regulations like anti-money laundering controls, which require IT systems to sync the data. IT managers have to continuously focus on developing efficient systems which eats up the budget without reducing the transaction costs. This complexity forced various banks to close their operations.

3. **Data Oriented not Customer Oriented**

   Although the whole idea of IT infrastructure development in Banks is to become customer focused but too often the orientation is towards data, analysis and self-service. These data analysis become way too complex for what should be fairly intuitive. While channelization is the main issue, Banks somehow blindfold itself to the question “What delights Customers?” In our Research we found that the customers look for three things with the Banks: Friendly interaction with staff member, Service beyond expectations and Information about new opportunity than new product. Clearly there are some procedural and technical issues with the Banks. Due to which various banks in Nigeria, Ireland and Europe shut down their operations.

4. **Narrow focus on Profitability**

   The technological progress enhanced the capabilities of Customer Relationship management and the software enabled the bankers to get a better picture of their customers. But one of its limitations is the narrow focus on profitability.

Unprofitability is not the customer's fault, but the Bank's fault. All customer's are potentially profitable. With some banks need 20% of the revenue while with others they need 80% of their revenue. These unprofitable single product customers have the potential to surprise banks by bringing not only more of the business but that of their family and friends. The inability of banks to tap the segment and running out of the competition in the existing business forced banks to close their branches and finally their business.

5. **Productivity Paradox to Icarus Paradox**

Several Banks across the globe are investing heavily in information technology (IT) with the objective of increasing overall profitability and the productivity of their knowledge workers. Yet, it is often claimed that the actual benefits of IT are disappointing at best, and that IT spending has failed to yield significant productivity gains—hence the productivity paradox. The Research indicates that the relationship between the level of IT usage and the nature of managerial work was stronger in the Banks to align their strategies. It was also found that in the Bank, the level of IT usage was associated with the amount of time spent by managers on information-related activities (e.g., reading reports, gathering information) and on disturbance handling activities (e.g., resolving conflicts, managing crises). This finding suggests that heavy IT users paid greater attention to and spent more time on the roles they performed best with the technology (information-related activities).

VII. CONCLUSION AND RECOMMENDATIONS

This paper enhances the importance of understanding 'Icarus Paradox' in Banking Sector. The factors contributing to the success most of the times lead to the demise of the Company/Industry. Thus Banks need to understand "when to stop" while developing and using technology for day to day operations. The reasons mentioned above all in the context of technology must be kept in mind to deliver improved services to the customers. The Bankers must devote their valuable time to the activities that increase their productivity rather than just making the process too complex for the customers. The Bank's focus should be on enhancing the profitability (specially from unprofitable customers) rather than spending lot of time on data analysis. A well developed coordinated system between the banker, data and customer should be developed to enhance the business. In the end the Researcher conclude that the 'Icarus Paradox' an old story can still teach us new lessons in developing strategies and mechanism that help us to sustain on our position of strength.

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