

Gartner Research

Responding to the Banking Failures of 2023

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Initiatives: [Executive Leadership: Strategic Risk Management](#); [Financial Services Business Leadership and Strategy](#); [Financial Services Digital Business Strategy and Innovation](#)

The recent banking failures expose the loss of control that leaders have over the environment they operate in. This foundational collection of Gartner insights and quick answers serves as a guide to help executives better prepare and navigate through this new time of uncertainty.

Analysis

Recent U.S. banking failures and the resulting turmoil exposed vulnerabilities in the U.S. banking system and will likely forever alter how executive leaders prepare for and operate in moments of crisis, inside and outside of the financial services industry. It may be tempting to compare this moment to recent events in financial history, including bank runs or the 2008 global financial meltdown. However, it is critical to treat this event as what it is: an uncovering of the interconnected nature of the global financial system and the ability to shift momentum at a speed never witnessed before.

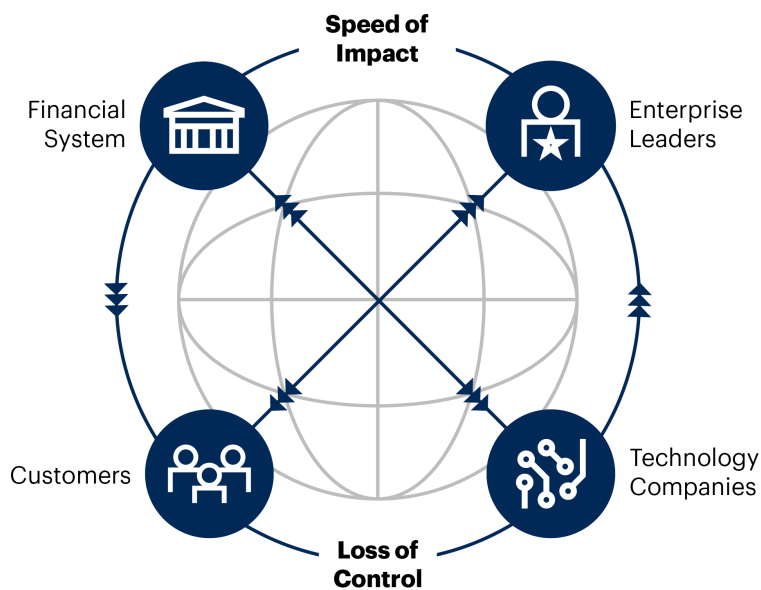
The insolvency of Silicon Valley Bank (SVB) and its ripple effects uncovered the way that financial services systems, customers, tech companies and industry leaders are deeply interconnected, with one destabilization throwing a system out of balance (see Figure 1). What started as a monetary policy response to reign in inflationary pressures turned into a liquidity risk. This soon cascaded into tech companies and consumers reassessing and diversifying their choice of financial providers, demonstrating how decisions made by one, very soon affected everyone.

What further compounded the effect of living in a connected world was the speed at which these ripple effects were felt and the collective sway of a highly empowered customer and client base. Customers now have the ability to organize and shift perceptions at scale. The shutdown of SVB came against the backdrop of investors and depositors trying to pull deposits worth \$42 billion “in a single day,” leaving the bank with a negative cash balance.

Social media, advancements in real-time payments and digital banking capabilities have empowered consumers today. They can now access and act on information with speed. All of this together makes it harder for enterprise leaders to react at the right time or respond and control how the new events impact their firms. Recognizing this shift, enterprise leaders must take a proactive stance to risk management, communications and long-term organizational resilience, as both information and perception can shift in minutes.

Figure 1: Network Breakdown Due to Speed of Information and Loss of Control

Network Breakdown Due to Speed of Information and Loss of Control



Source: Gartner
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This research includes insights and advice to help enterprise leaders better navigate and prepare for the new challenges of the current environment. The resources included are deliberately curated to provide a small set of starter materials. We will update these as more Gartner research is published over time and as the impact of the failures plays out pragmatically and in real time.

We have made all of the research referenced within this document available to all Gartner clients, so feel free to share links and materials with your teams and peers. We will routinely refresh this page with the most timely insight as it is developed.

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Research Highlights

Enterprise CEOs



As a CEO, you must be able to provide a state of business readiness resulting from the recent bank failures and ensure your board is in a position to perform its governance duties appropriately. As you assess the impact of recent banking failures on your business, you must consider your options. The following checklists will help you formulate your responses, including:

- Whom to call
- What decisions you can/must make

- Activities you must undertake
 - Crisis stages and what you can do at each stage
- ▶ [Checklist for Executive and Board Response in the Wake of Recent Bank Failures](#)
- ▶ [Crisis Communication Cheat Sheet](#)

Technology and Service Provider CEOs



Investors, stakeholders and customers will take immediate steps to scrutinize their positions and relationships with tech providers and assess risk. Vendor risk will be a heightened consideration across buying decisions, including renewals. Employee trust and perceptions of individuals' welfare will be challenged. As a technology services CEO, you will be expected to communicate urgently and effectively with customers, partners, suppliers, investors and employees – and to the market in general terms – your ability to continue operations and meet ongoing commitments. You should also ensure that your sales and customer success staff knows the official company position on the impact of the recent banking failures and your ability to continue operations and meet ongoing commitments. And while we realize that tech CEOs often lack corporate communications resources, you must be proactive and communicate effectively to lead through this disruption.

- ▶ [Silicon Valley Bank's Insolvency Will Require Tech CEOs to Answer These Critical Questions](#)

Banking Business Unit Executives



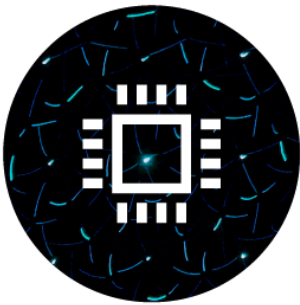
Business unit executives' greatest potential area of impact in times of uncertainty centers on their ability to mitigate customer concerns and reinforce trust with timely communication through their channels, and to double down on continuity plans if a crisis persists. To do this, you should work directly with the C-suite and other functional leaders to get critical data that can ease customer

concerns during uncertainty or enable them to make crucial intervention decisions that could save their business.

In addition, you must create a top-level information hub to keep the CEO, CFO, chief risk officer (CRO) and other functions accurately, rapidly and consistently informed. And while business unit executives are generally not responsible for orchestrating the flow of information across the enterprise, you are in a position to request and analyze important data that will drive their decisions during this crisis.

- ▶ [How Should Banking Leaders Respond to the Recent Bank Failures?](#)
- ▶ [Work With Risk and Compliance Partners Faster and Better in Financial Services](#)

CIOs and Technology Executives



In the wake of the recent banking failures and resulting turmoil, IT lacks direct levers with which to affect the response. However, now is a good time for you, as a CIO or technology executive, to reassess your production environment's resilience, which Gartner defines as being reliable, tolerable and recoverable. Having a solid, adaptable production readiness process is a key

component for averting potential reliability-impacting issues and is central to enabling swift incident response.

- ▶ [Quick Answer: How Should Bank CIOs Respond to Recent Bank Failures?](#)
- ▶ [IT Resilience – 7 Tips for Improving Reliability, Tolerability and Disaster Recovery](#)

Enterprise Risk Management Leaders



The recent banking failures sparked by SVB gives heads of ERM in financial services an opportunity to take a leadership role in helping prevent a similar outcome at their institutions. They can do this by building consensus around a response strategy, conducting stress testing and amplifying risk's voice across the business. As an ERM leader, you can lead the way at your organization in establishing prudent risk management activities.

Regulators' and boards' recognition of the positive relationship between a strong risk culture and effective risk management should help you as you encourage your organization to focus on this area.

▶ [ERM in Financial Services: Turn the Banking Crisis Into an Opportunity to Strengthen Risk Management](#)

▶ [Risk and Control Resources for Enterprise Risk Management](#)

CFOs/Finance Leaders



Following the recent failure of financial institutions such as SVB and Signature Bank, CFOs are communicating with the board about exposure, assessing the viability of funding sources and taking stock of third-party risks, including supplier risk. To help ensure these conversations are productive for both sides, you as a CFO/finance leader should particularly emphasize delivering the information at

the right altitude and in a way that primes the conversation for a constructive dialogue.

▶ [Top CFO Actions in Response to Recent Bank Failures](#)

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Actionable, objective insight

Position your IT organization for success. Explore these additional complimentary resources and tools for CIOs:

Research



Digital-Outcome-Driven Metrics for Insurance

Use a framework to identify and measure your objectives and outcomes.

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Infographic



2023 CIO Agenda Insights for the Banking and Investment Industry

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Research



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Research



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