

# PERSPECTIVE

## Transforming to Win



As a result of globalization, demographics, technology and regulation, the world is a flatter place. Banks are rethinking strategies for both business and technology. They are maximizing globalization, innovation, agility and diversity while minimizing costs and risks to compete and win in the new, flat world. To do so, banks are effectively leveraging technology to achieve a shift in their strategic and operational priorities in a level playing field.

However, banks must change their approach to upgrading technology – moving from core bank replacement to a core banking-led transformation strategy. This entails not just meeting technology needs but creating a technology ecosystem surrounding the business requirement, including strategies around process orchestration, process-reengineering, employee empowerment, customer empowerment and innovative products and services.

### Model Transformation

The mark of sound technology framework is one that goes beyond mere technology enablement to drive banks to make strategic shifts to win in the flat world. This empowers them with a prowess and agility to respond to changing business dynamics quickly and effectively, across multiple dimensions. Leveraging experience of having worked with banks across several technology-led transformation initiatives, the trusted transformation partner's framework must encompass all the activities, assets and chartered plans needed to transform the bank. The lifecycle must extend from concept envisioning and planning through implementation and long term sustainability.

This framework offers banks a process roadmap to move towards flat world-readiness through logically phased integration. It is typically composed of four lifecycle stages that provide a flexible approach to lead the transformation initiative, from visioning to deployment:

- ▶ **Envision** – to initiate the transformation programme and engage stakeholders
- ▶ **Plan** – Develop a concept of operations for the future state capabilities, a detailed requirements specification, and top-level solution architecture;

- ▶ **Implement** – Build and test the technology components, test new capabilities, assess the organizations readiness for change and deploy future state capabilities including people, process and physical infrastructure; and
- ▶ **Sustain** – Monitor and evaluate implementation activities and organizational performance with a view to identifying and executing improvements.

Across the various lifecycle stages of the transformation initiative, solutions must be offered that enable the banks to shift its strategic and operational priorities. Transformational services build around the solutions help banks to derive true value from their technology investments.

People, process and tools are the key enablers that a bank deploys to fulfill its business mission. The transformation model for banks must ensure that these assets are geared to meet the rigours of transformation. It must enable the bank to streamline its organization structure and management of human Capital. It must also enhance the efficiencies of the bank's business activities and effectively leverage applications, knowledge assets, data and both technical and physical infrastructure to maximum advantage.

### Project Goals

Banks need to focus on the key factors that ensure the success of a core banking transformation project. Firstly, alignment of transformation project goals with the bank's business goals. The relevance of the transformation project vis-à-vis the bank's business objective is the single most important factor that will determine the success of the implementation and the extent to which the bank leverage the new technology to achieve its stated objectives.

**Expectations Management.** It is critical that the technology solution provider has complete clarity about the outcomes desired from the transformation by the stakeholders in the bank's eco-system. Knowledge and understanding of local practices, regulations, cultural and lingual issues is also vital.

**Finalization of scope and timelines.** The scope of the technology transformation project must be driven purely by business imperatives. Based on the desired objectives, the bank can opt for the most advantageous approach. 'Big bang', where all the branches and lines of business transition to the new system simultaneously; 'phased pilot', where the solution is first implemented at a few pre-selected pilot locations and finally rolled out across the bank; 'line of business', where the bank identifies one or multiple lines of business (treasury, loans, etc) where the solution is first implemented; or 'component'; where the bank implements only a few service components of the product to begin with. Typical examples of component based implementation are single euro payment area-complaint payment gateway, and international financial reporting standards-compliant accounting modules.

**Change management and ownership issues.** It is important to ensure complete buy-in across all stakeholders. The technology partner needs to address the concerns that are raised by the bank, on account of re-organization, re-skilling needs, changes in operating practices and fear of redundancy.

**Changes midway through the project.** Working towards common goals and common objectives with unified strategies between the bank and the transformation partner is a sure-win strategy to counter the risk of unplanned changes. Inbuilt validations and milestone minimize the prospects of changes during the project.

### Vendor Dependence

Dependence on the vendor and impact on envisioned technology architecture are key.

**Data migration.** This entails completely understanding the data structures in the existing system, one-to-one mapping with the relevant fields in the new system, identifying gaps in the data, enriching the same, and finally migrating the complete data to the new system. This has considerable dependencies on the existing IT teams and the bank as well as the incumbent and new vendor to ensure a smooth cutover.

**Re-use of templates, plans, processes and building of knowledge repository.** The partner must empower the bank to leverage the transformation experience to gather enough learning to drive the bank's forthcoming transformation initiative for new or acquired

entities with ease and confidence. This is typically facilitated by the vendor, sharing best practices, knowledge repositories, templates and process for re-use.

Configuring the new architecture. The new architecture must be configured with the objective of eliminating functional redundancies through automation and achieving straight-through processing. It should provide banks with the flexibility to quickly devise new products and services.

### Transformation Partner

Transition of the vendor to 'trusted transformation partner' with end-to-end capabilities and credentials is vital. The key aspects that drive vendor selection include the vendor's ability for transition and its preparedness to play the role of a 'trusted transformation partner' for the bank.

**End-to-end solution and service offerings.** Banks must ascertain whether the transformation partner is capable of offering end-to-end solutions and services mandated through-out the transformation journey. Some of these include consulting and risks, system integration, business process management and outsourcing, IT security consulting and implementation.

**Financial stability.** The financial and business continuity strengths of the transformation partner are important attributes to evaluate a vendor. As a trusted transformation partner, at every stage, the partner has a pivotal role to play in the transformation journey. Hence, its long term viability assumes critical significance.

**Domain & technology competence.** Continuing with legacy technology and outdated banking process will sound the death-knell for most solution providers. This in turn, severely impacts the client bank's capability to survive in a dynamic business environment. A check for the vendor's investment in quality technology and experienced personnel to work on the technology platform will serve the bank well.

**Deployment capabilities.** From the vendor's perspective, developing and marketing the solution to banks is only part of the challenge. The other focus areas are: a proven and properly documented implementation methodology, with strategies for risk mitigation, designed to ensure proper training, documentation and user empowerment; the partner's contribution to the

whole business case with input and expertise from prior experience of having partnered similar initiatives; the partners understanding and appreciation of the bank's business objectives, budget constraints, and readiness to commit to adherence to budgets, timelines, and delivery schedules, and; a well thought through multi-layered support partner strategy with stipulated service level agreements to ensure best-in-class customer service standards.

## **New Challenges**

While the advent of state-of-the-art technologies and global best practices clearly offer improved agility, efficiency, customer relationship management capability and faster implementation cycles, banks must be mindful of the challenges associated with core banking led transformation. These challenges, when adequately mitigated, are perfectly manageable. All the same, banks must appreciate that while technology is an enabler, it is not panacea. A trusted partnership can prove invaluable when leveraging technology to achieve the set objectives. As history indicates, successful banks are those that have understood the potential of new technologies and aligned themselves with able partners to fully leverage its power. These banks have focused on adaptive changes that make the technology transformation process successful.

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