

P E R S P E C T I V E

A Framework for Business  
Transformation for Mid-sized  
Retail Banks



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Delivering banking services profitably is a significant challenge in a bank's quest to flourish in an intensely competitive banking landscape, especially for mid-sized retail banks. The flat world dynamics increasingly enable large global competitors that are nimbler, innovative and more cost effective to play in any market regardless of size or location. To top it all, customer expectations are wide ranging and changing rapidly—from innovative products to service levels and the demand for speedy error-free transaction processing is unrelenting.

In the face of these challenges, there are some key drivers for business transformation that have assumed considerable significance for contemporary banks. These include higher operational efficiency, the ability to tap into new sources of income, scalability, innovation, agility and rapid time-to-market, harmonization of enterprise-wide processes, a proactive approach to risk management and regulatory reporting, and most importantly, a lower total cost of ownership (TCO) of their IT infrastructure.

These requirements can be effectively and profitably met with a high level of automation in both the front and back office delivered by a robust technology platform. Implementing technology solutions for transformation on this scale, however, entails detailed requirement analysis and identified business parameterization phases that add significant lead time to the implementation period and build up costs for the bank.

### Traditional Approaches to Technology-led Transformation and the Pitfalls for Mid-sized retail Banks

- **Prolonged Implementation Time** - The traditional approach typically involves detailed requirement analysis and separate business parameterization phases that lead to longer implementation time and much higher costs. This approach is generally not suitable for mid or small size banks as they look for rapid implementation time frames at much reduced costs
- **Eleventh-hour Handover** - With the actual solution deployment deferred to the final stages of the implementation cycle, the bank's users get hands-on with the final solution at the last stage of the implementation life cycle

This often results in mismatched expectations, staff backlash or customer dissatisfaction during the implementation process or soon after the solution goes live. Customization challenges serve to compound the issue

- **In Search of Strategic Alignment** - With the latest mandate to expand rapidly across regions, banks are not just looking for IT providers, but partners who will provide knowledge of best banking practices to suit their specific requirements and advice on regional regulations for new markets to help banks gain business advantage over competitors
- **Unjustifiable High Cost** - With insufficient volumes of international operations to justify the cost of large investments in technology infrastructure, along with the related implementation expense and delay, mid-sized banks are often left grappling with a dilemma they are unable to solve
- **Product is Only Part of the Solution** - It is not uncommon for mid-sized banks to feel shortchanged when IT vendors provide new age IT products to the bank, but leave the latter unequipped to consummate the business transformation. The problem with this approach is that the bank is still saddled with the baggage of old work flows, processes and operational practices

There is no contention that mid-sized and smaller banks would benefit immensely from technology solutions that come with an integrated implementation framework, comprising essentials like pre-configured banking products, processes, templates and detailed documentation. Such a model would enable faster technology transformation, substantial cost savings and centralize a repository of globally accepted banking parameters for the bank. The need of the hour is a new technology implementation framework that empowers mid-sized banks to expand rapidly as they aggressively globalize operations.

### What is in the Box

Bank-in-a-Box is a comprehensive, new age technology solution and process framework for banking transformation. When developed on a powerful architectural foundation, it offers a

full - function application coupled with a process stack in a ready-to-deploy state for the bank. Empowering this concept significantly is the consolidated implementation experience of a vast pool of professionals in the form of the process framework, further enriched by cross fertilization from best practices sourced from central banks the world over.

The implementation methodology would optimize activities such as requirement study, training and application parameterization to single-block or parallel processes as the project logic demands, dramatically reducing effort and slashing implementation lead time.

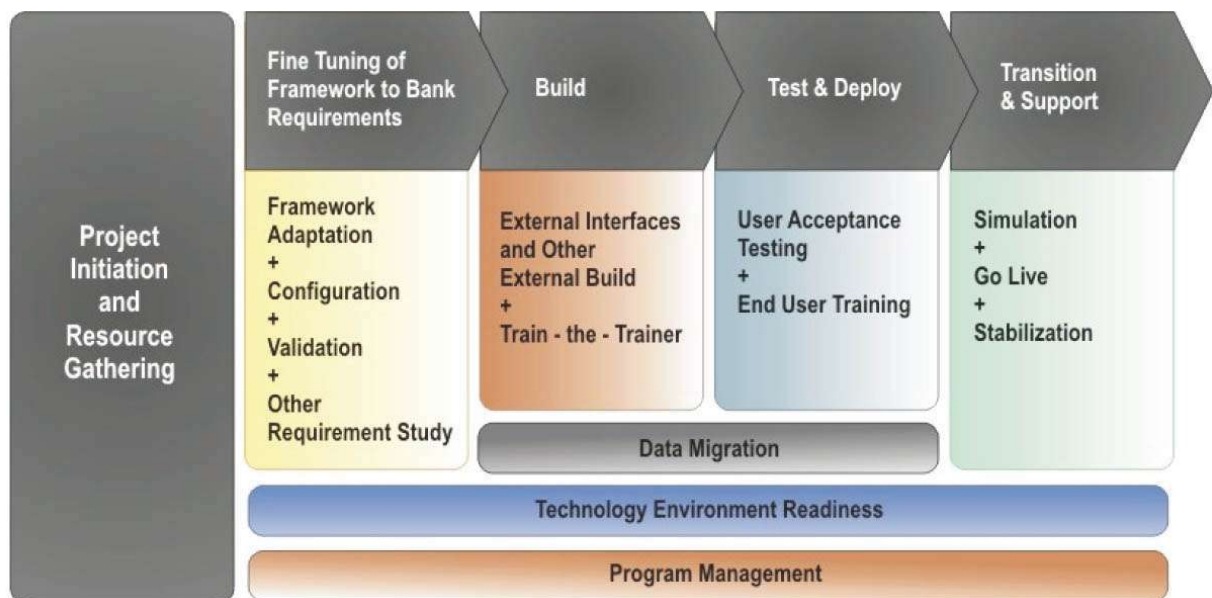
The framework should be completed with user assistance that enables the bank's IT team to truly assimilate the full functionality of the solution and leverage it for maximum advantage.

For instance, the pre-configured parameter set would cover all aspects of setting up the banking enterprise that includes, but is not limited to static

data, standard products and also include security and control standards, and accounting rules and chart of accounts.

The implementation team may then need to 'tailor the box' as per the bank's specific requirements without compromising the intrinsic flexibility of the model itself.

Updated periodically to incorporate latest feedback and for compliance with changing regulations and best practices, the Bank-in-a-Box framework in its optimal form would be a dynamic solution that evolves with the changing needs of the bank's business.



An Approach to a Process Framework for Bank-in-a-Box based Business Transformation

## Windfall for Mid-sized Banks

### Reduced Time-to-Market for Greenfield Operations

Greenfield implementation for banks can be hastened by Bank-in-a-Box. The automated tools and standard templates contribute significantly to the agility of implementation, without compromising quality standards.

### Ease of Transition from Regional to Global Players

The Bank-in-a-Box's globally accepted banking processes and parameters suite would help regional banks successfully initiate operations in diverse geographies, even where the bank's knowledge of banking practices is limited.

### Mitigation of Risk of Technology Transformation

The Bank-in-a-Box implementation can serve as a means to establish a proof point for a pilot technology investment, enabling banks to rapidly evaluate the efficacy of the solution, before deploying it as a centrally integrated technology platform.

## A Tale of Two Banks

One of the top ten banks in Ukraine is powering its business transformation initiative using Bank-in-a-Box.

In 2006 a Ukrainian bank completed a new IT strategy, which aimed at realigning its high business growth with its IT capabilities. As a strategic premise, the bank decided to switch from in-house development to procuring a first-class international banking solution. The selection process focused on client-centricity, service-oriented architecture, implementation lead-time and integration across the banking services. Full real-time capabilities, 24x7x365 operation, as well as time-to-market for business related changes were seen as critical to the bank's ability to serve its increasingly demanding market.

The new solution implemented using the Bank-in-a-Box framework replaced the bank's incumbent in-house decentralized system. This played a pivotal role in helping the bank streamline operational efficiencies, upgrade customer service, and adopt banking best practices, to position itself as the

bank-of-choice in Ukraine for customers, employees and investors.

Then there is the story of the start up bank in Oman. The bank's IPO was more than 5 times oversubscribed, revealing the expectations of the Oman market. The bank wanted to get its operations up and quickly running while using best practices from around the world as well as keeping to regional regulations.

Using the Bank-in-a-Box framework, the bank successfully implemented its technology solutions. The rapid implementation framework ensured that phase one of the project went live in a record 56 days. The speed of deployment has become a cornerstone for the bank on its path to achieving ambitious growth plans.

## In Conclusion

In this flattening world, mid-sized retail banks must rapidly respond to changing consumer demands and the competitive landscape. The Bank-in-a-Box framework presents banks with a rapidly deployable solution that arms them with the knowledge of best banking practices, processes and standards.

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