

P E R S P E C T I V E

Agile Banking – Managing the
Challenge of Change



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Business Agility

Business agility is the ability of a business to adapt rapidly and cost efficiently in response to changes in the business environment. Business agility can be attained by maintaining and adapting goods and services to meet customer demands, adjusting to the changes in a business environment and taking advantage of human resources.

Agility in Banking

Agility in the context of banking doesn't mean just speed in execution; it also means that the bank is nimble and flexible. Agility helps the bank to win a marathon, as opposed to a hundred meter dash.

A bank, which is agile, will be able to roll out new products at a much more rapid pace to meet the target of treating each customer as a segment of one. This rapid product development and rollout can be managed only if the bank is backed by a clear process strategy to handle product complexity and accompanying growth. This combination of product and process in an agile bank is expected to increase the quality of customer experience, which can be benchmarked using a metric of growth combined with stickiness. By growth, we mean that a bank is able to attract new customers as well as more business from existing customers. High stickiness means low customer attrition.

Hence, agility helps a bank to streamline its process such that it can roll out newer products at a rapid pace to increase the quality of customer experience, and thereby retain existing customers and attract new ones.

Types of Agility

Agility can be classified in two ways. A bank can be either Range Agile or Time Agile.

Range Agility defines the ability of the bank to broaden or shrink specific aspects of its capabilities. This also implies that the bank is able to increase or decrease the portfolio of its products and services. This can happen by simultaneously expanding or shrinking the bank's processes and the capabilities of its people. A range agile bank will also be able to

tap new and emerging platforms and channels like Social Media, which can be used to crowd source the development of products that can cater to the needs of a particular segment.

Time Agility defines the speed with which a bank can roll out new products and services to take care of the varying needs of customers. For a bank to be time agile, the processes and systems that underlie operations should be capable of handling the frequent changes in the bank's offerings. The use of state-of-the-art banking solutions will enable the bank to turn around newer products quickly and manage diverse products and services as time progresses.

Challenge of Change

Hence, an agile bank is one that is on the move and constantly undergoing change. An agile bank will also have a large number of alliances with partners who contribute to various parts of the product and service offering. The way the change is managed will determine whether the bank succeeds at increasing customer satisfaction and profitability or ends up with a large number of offerings that add to the chaos, but not to customer satisfaction.

Some of the key steps on the journey towards agility, which will help in managing the challenge of change, are as follows:

Identify the Change Driver

The need for agility in a bank can arise from a change driver. This change driver can be internal or external. External change drivers arise from factors over which the bank has almost no control, like a reduction in margin because of a hike in interest rates, or an increased regulatory compliance burden on account of heightened Central Bank norms. Internal change drivers can arise from factors such as merger and acquisition or a reduction in workforce. The driver of agility needs to be identified and communicated clearly within the bank and to all its stakeholders.

Identify the Agility Enablers

After identifying the change drivers, the bank needs to identify the agility enablers against each. The current and target states need to be

identified for each of these drivers as well as the enablers that will take the bank to its target. For instance, the loss of customers due to the unavailability of mobile banking, can be a change driver. The agility enabler in this case could be the adoption of a new technology solution for Mobile Banking. Another driver could be the need to reduce the waiting time at the teller window. The agility enabler in this case could be service automation through an ATM or kiosk, supported by IT infrastructure at the backend.

Strategy Formulation and People Management

The top management of the bank needs to identify the strategy for each of these enablers and communicate the same to the unit or department concerned. In each unit, a core team must be formed to manage the transition, as well as communicate with the people within. More often, the strategy formulated by the bank must encompass the change in its technology landscape. The bank might replace the legacy systems with the latest Banking system to cover its end to end operations. This might necessitate developing the skills of the bank's employees. Hence, every strategy formulated to reach the target state of an agility enabler must consider the people dimension, especially from the standpoint of minimizing chaos.

Effective Business Process Management

The business processes needs to be clearly documented; in the case of an agile bank, Business Process Management (BPM) needs to be constantly updated, preferably by the people who carry out the business processes. The business rules, constraints, processes and policies need to be documented as part of BPM. The generation of business process maps is not a one-time activity and will constantly undergo change as the bank changes its products and processes to become more range agile. Hence, it is prudent to identify the owners for each business process, who will be responsible for keeping the process documentation up to date. An enterprise BPM solution will help the bank in managing business processes and also making them accessible to all their respective stakeholders.

Effective Decision Making

An agile bank, working in a dynamic business environment, needs to respond to change to tap growth opportunities. The effectiveness of decision-making will determine the quality of the response. The performance metrics and data relevant to the bank need to be extracted and presented within the shortest possible lead time for agile decision making. The best-in-class IT solutions for banks come with their own analytics solutions, capable of generating the data required for analysis, at a click. If there are multiple enterprise systems and multiple subsidiaries operating within the bank, it is worth exploring an Enterprise Decision Dashboard (EDD). An EDD will have the data extraction and presentation capabilities to take the output from multiple systems and present it to the decision makers.

Review and Monitoring

A steering committee consisting of the CXOs of the bank needs to be formed, and charged with conducting periodic review and directing course correction if required, in the journey towards agility. Under the steering committee, a core team comprising members from each concerned SBU or department must be formed that will drive and monitor the progress made in their respective departments.

Conclusion

The journey towards making a bank agile involves changes, which affect its people, processes and products. This is accompanied by a change in its technology landscape to facilitate rapid innovation and transformation. These changes needs to be carefully calibrated and managed so that the bank's existing customers do not feel any adverse impact and the bank also attains a larger market share and higher customer satisfaction at the end of the journey.

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