

Strategic Agility Planning for Banks

Banks need a robust, scalable and all-encompassing framework for imbining 'agility' into their processes.

Today, the banking industry needs greater agility to address challenges such as vulnerability to economic cycle vagaries, transient customer loyalties, increasing regulatory pressures, and heightened expectations from other stakeholders. Another agility driver is a need to harness new opportunities such as Mergers and Acquisitions (M&A), and new product segments. To address this imperative, banks must undertake a structured, well-defined, and strategic planning to assimilate agility into their 'Business-As-Usual' (BAU) philosophy.

An agile bank should be able to anticipate change driver, both internal and external, and respond faster to beat competition. Agility is a means to achieve and sustain high performance on all accounts such as:

- Growth / margins
- Customer base
- Employee satisfaction
- IT Infrastructure
- Regulatory Compliance
- Investor satisfaction

An Agility framework, if adopted effectively, is certain to achieve the above end state (Figure 1). The framework can provide banks with a structured, mutually exclusive, and exhaustive set of methodologies to initiate, measure, track, and monitor agility programs.

Components of the Agility Framework

Change Drivers

Change drivers are events or instigators that force a bank to wish for agility. For example, Mergers and Acquisitions (M&As) for quick inorganic growth may be a change driver for a bank that must diversify its market segments to remain competitive.

The change drivers can be 'external' or 'internal'. External change drivers arise out of factors on which banks have little control. They can range from an interest rate change to more disruptive changes such as m-commerce, and Net

banking. Internal change drivers, on the other hand, originate internally: need to rationalize workforce and improve margins.

In order to identify drivers relevant to the organization, the first step would be to identify the dimensions against which changes can be expected (environment change, M&A, compliance requirements, staff-related changes, changes related to IT rationalization and so on). Banks must analyze each of these dimensions both in terms of quality and quantity, to detect the emerging change drivers. Also critical will be a review analysis framework that will evaluate these change drivers for validation, and consequent prioritization.

The resultant change drivers will take the banks one step further on the agility track by pointing to different strategic directions in which banks must proceed.

Agility-Enabling Strategies For Change Drivers:

Once a set of validated and prioritized change drivers are identified, a strategy framework can be utilized to prepare a detailed strategy along each element. A detailed roadmap starting from the current state to the target state needs to be proposed against each change driver. This will also define the intermediate states and both qualitative and quantitative attributes pertaining to them. Following broad steps need to be performed to effect this:

Current State Analysis: With specific change driver as input, a high level 'As-Is' analysis must be made of the key SBUs of the bank to identify which of them would be impacted by the change driver.

Strategy Formulation: As a second step, the bank should identify the target states, end or intermediate, for the bank, paths to be traversed to achieve the target, models/ paradigms to be challenged in the transition, and risks and mitigation plans to achieve the path. An overall program management strategy and tailoring of organization standards are other areas to be looked at.

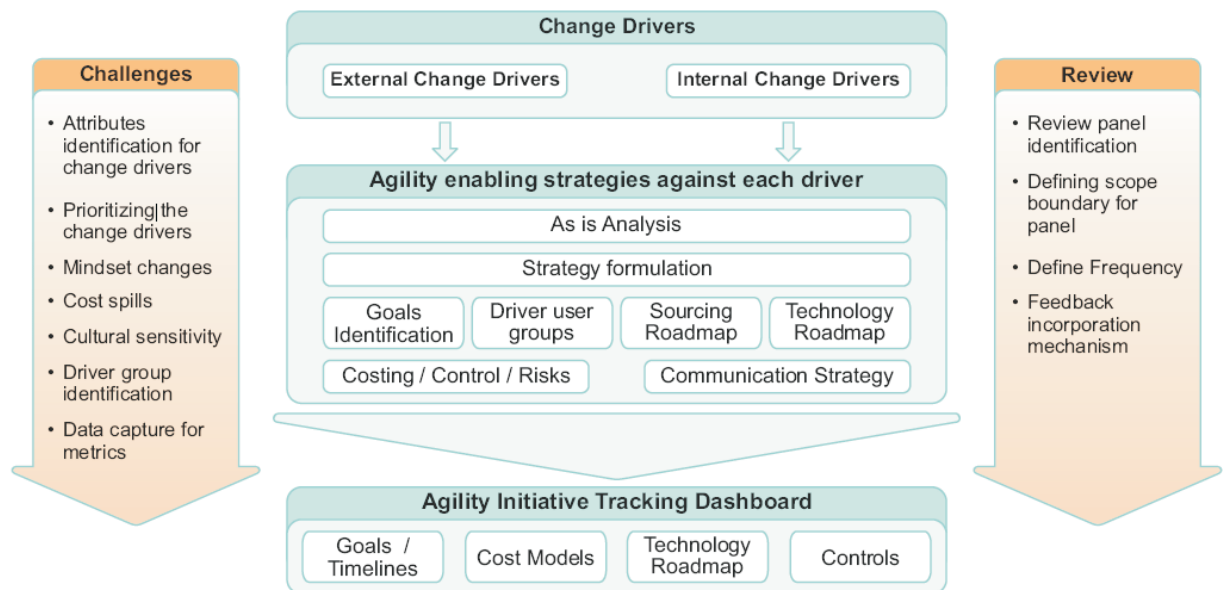


Figure 1: Agility Framework

Source: Infosys Research

Strategy formulation is a result of the following:

- Intermediate/ end goals for each driver/ strategy (could be process/ delivery/ financial goals) for each SBU and linkup with the different states defined within the organizational SBU
- Identify user group drivers that includes sponsors, owners, implementers, and impacted group. Banks must understand that proper buy-in from these groups is a critical success factor
- Identifying the sourcing areas, options, locations, models, costs, process realignment requirements and right monitoring framework
- Realigning the technology landscape are often necessitated by change drivers. This will enable banks to put together a long term technology roadmap with suitable products, tools, architecture, and solutions as a part of the roadmap. A complete technology roadmap will also cover the adaptations in terms of methodologies over a period of time. All this will need a mature transition model which is aligned with long term IT plan the organization to be put in place so that technological agility can be achieved
- Another important factor is costing and its control. It should involve identifying the qualitative and quantitative costing parameters, preparation of the costing models, and their

mapping against already identified roadmap/ states/ goals. Additionally, an exhaustive set of measurable parameters and their monitoring attributes, and their alignment with strategy as a whole, is a major activity which banks will need to perform towards better control on agility initiatives

- A detailed risk analysis by risk experts from different streams like PMO, and Finance is critical in this journey
- Communication strategy will be focused towards informing stakeholders and affected groups about the focus areas, impact areas, path traversed and change management. Frequency and delivery will be driven by individual bank's agility strategy preferences
- There is likely to be an overlap in strategies across different change drivers. Considering that different change drivers may act at different points in time, there is a need for constant realignment and consolidation in strategies over time in order to avoid conflicts and redundancy.

Agility Dashboard

Close monitoring of the program by key program stakeholders against key dimension determine the success of an agility initiative. A dashboard to focus on the following will keep the different stakeholders informed:

- Tracking strategies identified against each milestone goals/ timelines
- Getting progress reviewed periodically against milestone by appropriate forums
- Defining key contextual metrics/ controls to measure the progress against
- Raising proactive alerts to appropriate user group drivers, where needed
- Dynamic nature of organizations may necessitate re-aligning the programs at each milestone, if needed, on change drivers, strategies, goals and so on.

The bank should also review its strategy against the controls, and rationalize them as and when required.

Challenges and Mitigation

One of the challenges that the banks en route agility may face initially is to proactively track change drivers. More so if the banks do not have readily available systems, processes and data to identify change drivers. This is where an established Agility Framework can help.

A second challenge is likely to be identifying the right driver user groups that are open to changes, are mature and focused, and have adequate circle of influence in their respective areas of operations. Though a team built from the bank's internal resources is definitely helpful, lateral inductions can also be considered.

Agility initiatives involve changes, most importantly, of minds. There is a need for paradigm shift in the mind set of the bank in order to ensconce agility as a part of 'Business As Usual'.

Another challenge that must be tackled is to control the spill-over of program indicators such as time and cost. Close monitoring, efficient controls, and excellent program management skills and methodologies may help banks overcome this hurdle.

Absence of adequate data may make it difficult to analyze the (ROI for IT consolidation necessitated by Agility initiatives. Implementation glitches such as cost/ time overruns in consolidation phase are common.

In addition to these challenges, sourcing vendor realignment and rationalization is likely to throw up a new set of challenges: defining a criterion for realignment, evaluating vendors against that, defining a timeframe for realignment and instilling processes for avoiding cost/ time overruns.

Capturing Dashboard Data may pose a challenge because there might be many qualitative drivers for the dashboard.

A comprehensive framework will help banks overcome such challenges. Banks typically operate in more than one location and are likely to face cultural issues owing to different organizational ethos prevailing in different geographies. They must sensitize the overall governance model to this challenge.

Review Strategy

An ongoing review by key participants in the program, and proactive alerting mechanism is essential for the success of an agility initiative. This can be achieved by:

- Identifying a panel for review against dashboard items. The review panel must have CIOs and CEOs as its members. Additionally, the review panels should be distinct from the driver groups, although, one driver group could form a part of the review panel for another driver group.
- Identifying scope for each review panel. The review panel should review the overall strategy against each change driver. It should review the alignment of the tasks against goals. The review panel should also continuously monitor the costing and timelines against those projected earlier.
- Identifying review frequency against each strategy.
- Defining a proactive alerting framework.

Case Studies

Three case studies are detailed below to illustrate initiatives taken by three banks to scale the next level of agility. The case studies cover three key geographies (US, Europe and India) thereby illustrating different focus areas in developed vs developing countries.

UK-Based large high-street bank imbues agility in compliance programs context:

The bank had different programs under way for different regulatory compliance initiatives (Basel, SOX, and AML). Initially, all the programs were working in silos and were not exploiting any cost efficiencies arising out of leveraging synergies across them. As a consequence, even a common compliance requirement was implemented separately by each program, thereby reducing the banks' ability to manage changes arising thereof and at the same time increasing costs.

Change Driver: Possible reduction of cost by leveraging synergies across the compliance programs.

Strategies: The bank noticed the gap early and created a PMO-driven organization that took a holistic view of all the programs and identified, and consequently leveraged, synergies among them. A focus group was created that identified high level common areas based on a two-month study (areas such as business and IT requirements gathering, IT infrastructure components, testing strategies, and deployment strategies). The organization also defined the realignment modes.

Tracking: A focused group was identified to monitor the progress against each common areas identified. A Review model was established to take care of realignments required, if any. The program created metrics around monitoring cost savings against each common area and closely monitored against them.

Benefits: This management approach of the programs enabled the bank to reduce its overall cost, consolidate its IT stack, be more proactive in carrying out future changes in the evolving compliance needs, and gain the confidence of regulators. As a corollary, the bank now has good systems, processes and people in place to take a holistic view of any new compliance requirements before embarking on implementing them across different programs.

US-based large bank consolidates vendor portfolio

Context: The bank had a large IT organization that was sourced both internally and through multiple external vendors. Applications were not clearly aligned along the bank's business/ IT infrastructure, effort, and consequent risks, and cost escalation.

Change Driver: Cost reduction by portfolio realignment and consolidation.

Strategies: In order to improve margins, reduce risks and consolidate its IT infrastructure, the bank is consolidating its vendor base. As a result, outsourcing portfolios are being rearranged based vendor capabilities, service offerings, and technologies. The vendors are being short listed from the existing portfolio by analyzing the key strengths demonstrated over the past few years.

Monitoring: The bank created a monitoring center of excellence, which is responsible for conceiving interventions and their execution framework. The center monitors the progress of initiatives through predefined metrics that are aligned along business objectives.

Benefits: Vendor consolidation has enabled the bank to reduce vendor management bandwidth, improve costs, and reduce risks. In the long run, the initiative is likely to achieve higher service and process maturity.

India-Based Private Sector Bank

Context: The bank is the largest private sector bank with branches across India and wished to take the services and operational efficiencies to a higher level through IT-focused interventions.

Change Driver: Increased revenue/ margins triggered by enhanced IT effectiveness.

Strategies: The bank adopted a proactive strategy to undertake a massive computerization drive a very early by purchasing state-of-the-art products in its lines of business, connecting all branches electronically, and proactively identifying, and providing latest features to cater to the changing customer preferences and creating an information base for existing and prospective customers.

Monitoring: The bank, monitored the progress of its initiatives against cost, branches, and customer preference changes. It adopted an organization-wide policy of time-bound implementation leading to faster time to market.

Benefits: The increased agility arising out of the high-level of automation has enabled the bank to demonstrate above-average growth rates, loyal customers, increased margins, and ever improving product portfolio as compared to its Indian competitors.

Benefits	EU Bank	US Bank	Indian Bank
Sustained High growth			✓
Sustained High Margins	✓	✓	✓
Loyal and increasing customer base			✓
Sustained High employee satisfaction			
Scalable, Robust and state-of-art IT infrastructure		✓	✓
Sustained High Regulatory compliance	✓		✓
Sustained High investor satisfaction	✓	✓	✓
Agile business process	✓	✓	✓

Table1: Summary of benefits achieved by the above banks (internal research)

Source: Infosys Research

As the cases illustrate, agility can be instilled in any given initiative by identifying the change drivers early in the project lifecycle, to derive defines business benefits (Table1).

Conclusion

Banks across the world are striving hard to become more agile than they were earlier. A change in mindset is as essential as structured approach for instilling agility in the bank's processes and take it to higher levels. The in their pursuit of Agility.

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