An Information Architecture for Client Profitability

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1. Complex Environment and Requirement for Information Architecture

2. The Business Opportunity for Information Architecture

3. The Link to Information Architecture Effort

4. Expected Value / Business Benefit
Complex Environment and Requirement for Information Architecture
Complex Environments demands a Structured Approach and an Information Architecture

Architecting the Information Environment is crucial when the organization is large and complex, change is constant and far reaching, there is a huge potential for economies of scope and scale, and a high degree of coordination and collaboration is necessary.

When there is a combination of some of the following characteristics, an Information Architecture will solve a diverse range of information management problems:

1. When are huge quantities of complex information
2. When the business environment is unforeseen and unpredictable
3. When data / information accuracy, quality and integrity is required
4. When your product and services are information based
5. When the majority of employees are working with information on a daily basis
6. When you need to share information along a supply chain or across organizational boundaries
7. When there is constant or large scale change
8. When the organisation’s information needs are constantly changing
The Complexity of the FNB Business Model and associated Drivers

1. As part of First Rand Group FNB has a **federated** business model, also called **owner management**

2. Information Management Initiatives should not only enable transaction processing, servicing and account origination, but also enable **understanding of the Client**, optimize service provision, predict customer behavior and respond to opportunities and risks.

3. Client information should be **centralized logically** and expanded to include a wide range of descriptive and predictive elements, as well as reflect the bank’s assessment of the Client in terms of **profitability, desirability and risk**.

4. Product components should be unbundled such as **product type, fees and rates**, allowing for the flexible and personalized configuration of products, pricing and services options based on **Client preference** and on the bank’s assessment of potential **value** and associated **risks**.

5. Channel neutrality is required, with consistent product information and services regardless of access point or method – **single view of the Bank for the Client**.
The Business Opportunity for Information Architecture
## The FNB Commercial Client Profitability Effort

### What is Client Profitability?

**Client Profitability**: Is the difference between the revenue earned from and the costs and risks associated with the client relationship during a specific period.

**Client (lifetime) Value**: Is the present value of the future cash flows attributed to the client relationship across its entire lifecycle.

### Opportunity and Benefit

1. Understand and integrate service, product, channel, the relationship with the client, associated revenue, risks and costs in order to evolve to more encompassing accounting methodologies.

2. Understand and influence Client Behavior in relation to the service, product, and channel characteristics and the associated costs.

3. Define Client Profitability / Value Measures, Metrics and Performance Management Models in a more sophisticated way, in order to assist in improved segmentation and forecasting models for Client Value and Profitability.

4. Improve and integrate Channel, Product, Finance, Risk and Customer Insight to ensure the Strategy has an Overarching Approach, eliminating Silos and Political Agendas.

5. Assist the driver towards Client Centricity to reflect its Relationship with the Bank and Consistent Reporting / Forecasting and Planning.


7. Improve Performance through Accountability Models across the Business / IT Value Chain.

8. Influence Customer Behavior e.g. use of cheaper Electronic Channels.

9. Improve Targeted Marketing and Sales Opportunities.
The Client Profitability Value Chain

Price – Profit = Cost

X VOLUMES

Profitability

1. The Maturity of both Cost and Pricing Models are still in questions, impacting the available data and associated views
2. Use the existing data available to assess individual Client Profitability to expose where the Bank is making or loose profits
3. Assess the processes, models and frameworks touching the cost objects directly
4. Revise Pricing and Costing Models and rationalize where appropriate

Do not over engineer!
Just Start and Improve Iteratively and Continuously
Client Profitability Conceptual Model

Use
- Pro Active Forecasting Perspective to Recruit and Retain
- Historical Perspective Expose Opportunities for Corrective Action

Client Profitability Aggregation

Client Identification
- Revenue & Pricing
- Cost related to Client

Business Benefit
- Improved Profit & Expected Life Time Value of the Client
- Pipeline Expected Value Creator (pre credit)
- Relationship Pricing based on relevant Aspects (post credit)
- Improved Employee & Client Behavior & Performance

the Financial, Credit, Operational Risk Frameworks and Measures

Manage Performance and Improve
The Client Profitability Programme Roadmap, Phase 1 (2008)

1. Review High Level Framework
2. Gap Analysis
3. Review Solution Components
4. Define Value Chain
5. Define Communications Strategy
6. Information & Business Components
7. Design, Develop, Test & Implement
8. Review, Improve & Update
9. People Change Management
10. Measure Performance
11. Institutionalize effort
The Link to Information Architecture Effort
Governance Model for the Client Profitability Effort

Managing and Measuring Client Profitability affects the entire Enterprise Value Chain, -- from the Business level down to the supporting Technology.
The CP Capability Maturity Model maps Performance & Maturity to 5 Levels as indicated below.

The Capability Maturity Model is based on the Software Engineering Institutes’ performance model with the purpose to measure maturity for Software and Application Development. It also addresses Process, Information and People maturity issues.

1. For Client Profitability Phase 1, release 1, the capability maturity is measured at a level 1 maturity = Ad Hoc for all of the CP contributing Building Blocks.

2. The constraints for each Building Block will be highlighted and measures for corrective action defined to improve to the successive levels of maturity in the next 6 months.
The System / Application History and Challenge

The following systems and applications needed to the considered

1. Due to the historic and current business models, information systems were implemented to service individual divisions or business units without given thought of what information can be used across these entities.

2. The complexity of huge and complex organizations such as FNB also drove the adoption of silo based-information systems and applications in order to solve divisional or individual problems for sales and another performance reasons.

3. Decentralization provided for faster application turnaround time, moving applications closer to the business transaction, providing more flexibility urgent business problems. This resulted in an uncontrolled explosion of redundant data and applications and IT infrastructure.

Conformance Challenges

*Lack of unified / consistent and re-useable information & data architectures*

1. Inconsistent level of detail / granularity
2. Inconsistency of terms, definitions & context (semantic consistency)
3. Non adherence to SLA’s.
4. Business rules changes & data quality affecting credibility of views
5. No single point of reference or repository representing the data objects for all sources contributing to Client Profitability.
Architecture Approach: Phase 1

1. Create conceptual “CP” models

1. Identify entities relevant to Client Profitability

2. Create “CP” view

1. Use System Architect to generate Physical Models (Reverse Engineered)

Reverse Engineering Exercise
Expected Value / Business Benefit
Objectives and Primary Outcomes for the Architecture Effort

**Explicit Link to Business Strategy**

1. People: To design and implement efficient, effective and quality information rich environments and supporting systems / applications in support of the Business Strategy, Drivers and Processes. Business processes are either using or creating data / information in applications and systems which affect data quality and integrity.

2. Innovation: Competitive Advantage - The Architecture effort will directly contribute to the Value of Information as an Asset and the effective Use thereof by Business for proactive Decision-making and exposing opportunities for Competitive Advantage.

3. Efficiencies: Competitive Necessity - The Architecture effort will inform future design efforts for Information Rich Environments and applications; offer a stable and reusable framework assisting ease of future integration of systems / applications; reducing development time and effort, project costs and resource capacity. Lastly, the model driven architecture will also assist in assessing future impact of changes and inform opportunities for improvement for both the information and process domains.

**Outcomes / Deliverables**

1. A defined, consistent Semantic Layer / Enterprise Vocabulary and Taxonomy of the Business Entities, Attributes, Hierarchies, and Business Rules and Measures. The Semantic Layer will support retrospective as well as future requirements for integration and conformance.

2. An Impact Analysis and Recommendation as it pertains to the information systems assessed and business processes involved.

3. An Approach and Roadmap to address and effect source systems i.e. discrepancies and opportunities for IA conformance / alignment.