High Performance in Financial Services

Tim Murfet/ Khan Busby
Emergence of Mega Brokers
Banking efficiency ratios have stagnated

Cost income ratios, European countries

In recent years efficiency ratios have stagnated

Sources: Banque de France, FBF, Association of German banks, Bankscope, The Banker
For Benelux, average cost income ratio of major banks: Fortis, Dexia, Rabobank, ING and KBC
Legacy IT platforms are one of the main causes of this complexity

Key drivers of complexity
Percentage of respondents rating factor as extremely/very important in causing complexity

- Outdated/archaic IT platforms: 50%
- Dysfunctional organisational structures: 41%
- Duplicated business processes: 37%
- Proliferation of products: 36%
- Poor channel integration: 31%
- Failed IT programs: 30%
- Disconnected IT silos: 30%
- Poor merger integration: 24%
- Proliferation of customer segments: 20%

Source: Accenture HPB Survey 2005

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The next generation of High Performance Banks will exhibit 3 core attributes

What does “industrialised banking” mean?

- Differentiation “on the outside”
- Simplification “on the inside”
- Execution Mastery

Current generation of HPBs

Inspiration from Other Industries
Our “Bank on a Page” model identifies the applications required to run a bank...

### High Performance Banking Platforms

#### Differentiation

<table>
<thead>
<tr>
<th>1. Distribution</th>
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<tbody>
<tr>
<td>Brand Management</td>
</tr>
<tr>
<td>Channel Integration &amp; Mgmt</td>
</tr>
<tr>
<td>Generate &amp; manage customer insight</td>
</tr>
<tr>
<td>Market Products and Services</td>
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<tr>
<td>Sell Product &amp; Services</td>
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<tr>
<td>Originate Products &amp; Services</td>
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<tr>
<td>Provide Service</td>
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#### Hub

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<thead>
<tr>
<th>2. Hub</th>
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<tbody>
<tr>
<td>Customers</td>
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<tr>
<td>Customer Mgt &amp; Aggregation</td>
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<tr>
<td>Customer Pricing</td>
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<tr>
<td>Customer Statementing</td>
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<tr>
<td>Fraud/Anti Money Laundering</td>
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<tr>
<td>Products and Services</td>
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<tr>
<td>Product Aggregation</td>
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<tr>
<td>Product Pricing</td>
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<tr>
<td>Sweeping/Pooling</td>
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<tr>
<td>3rd Party Product Management</td>
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<tr>
<td>Service Integration</td>
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</tbody>
</table>

#### Manufacturing

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<thead>
<tr>
<th>3. Deposits/Cash Mgt</th>
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<tbody>
<tr>
<td>Simple Lending</td>
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<tr>
<td>Complex Finance</td>
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#### Cross Product

<table>
<thead>
<tr>
<th>7. Cross Product</th>
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<tbody>
<tr>
<td>Payments/Transactions</td>
</tr>
<tr>
<td>Product Dev't Execution</td>
</tr>
<tr>
<td>Product Accounting</td>
</tr>
<tr>
<td>Document Management</td>
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<tr>
<td>Knowledge Management</td>
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#### Corporation

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<tr>
<th>8. Corp. Core</th>
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<tbody>
<tr>
<td>Treasury</td>
</tr>
<tr>
<td>Finance</td>
</tr>
<tr>
<td>Risk Management</td>
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<tr>
<td>Legal Compliance</td>
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<tr>
<td>Human Resources</td>
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<tr>
<td>Information Technology</td>
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<tr>
<td>Procurement</td>
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<tr>
<td>Party Mgt</td>
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<tr>
<td>Physical Infrastructure</td>
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<td>...</td>
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</tbody>
</table>
...and drives out Process Models across the full value chain...

THE ACCENTURE HIGH PERFORMANCE BANK – process model

1. ‘Bank on a Page’
2. Platform Specific Operating Models
3. Detailed Logical Process Architecture
4. Detailed process maps
... IT Frameworks extend Process Models by mapping tasks to IT models

THE ACCENTURE HIGH PERFORMANCE BANK – IT framework

- Component Model
- Services Model
- Logical Data Model
Implications for systems architecture

**BANK INDUSTRIALISATION**

**DIFFERENTIATION**
through channels

- Mobile
- Internet
- Branch
- IVR
- Digital TV

**ASSEMBLY**
Component-based Integration Architecture

**SIMPLIFICATION/COST EFFICIENCY**

**Internal manufacturing**
- Deposits
- Transfers
- Account openings
- ...

**Product manufacturing**
- Banking accounts
- Credit
- Mortgage
- Insurances
- Savings & investments
Enterprise Architecture is vital in defining the processes to be addresses with SOA

SOA bridges the model gap between the Process and Technology views of the Enterprise

**Enterprise Architecture**

**Business Imperatives**
- Processes Architecture
- Application Portfolio Management
- ...

**Requirements**
- Application Rationalization
- Application Composition & Assembly
- ...

**Service Oriented Architecture**

**IT Imperatives**
- Interoperability
- Plugging Integration
- Services
- ...

**Requirements**
- Web Services
- Legacy Enablement
- Data Management
- ...

**Enterprise Integration**

Processes Centric

Primarily focused on **what** to build

Services Centric

Primarily focused on **how** to build

SOA bridges the model gap between the Process and Technology views of the Enterprise.
SOA impacts most aspects of an enterprise – it has to be a progressive journey

SOA requires a framework for gradual adoption that aligns several enterprise capabilities

• Roadmap
• Decision Makers
• Lifecycle Mgt
• Communications

• Applications
• Information
• Integration
• Infrastructure
• Security
• Operations

• Blueprint
• Modelling
• Optimization

• Methodology
• Capabilities
• KPIs
• Sourcing
Four Phases of SOA Maturity

Organizations will move through four distinct phases, each one with several iterations before achieving the next step

**Phase 1**
Organize and strategize
- Management buy-in and business needs.
- SOA readiness assessment
- Planning for SOA transformation

**Phase 2**
Initial Deployment
- First SOA projects.
- Convert applications into web-services
- Composed services to create business processes.

**Phase 3**
Enterprise Service Bus Based Solution and SOA Platform
- Emphasis on strategic and business services.
- Consolidation of processes and services in creating an ESB
- Service oriented design and development using SOA tools

**Phase 4**
SOA is industrialized
- Services - fabric of business operations
- Cross enterprise processes
- Federation
- Utility and services infrastructure
- Predictive IT
- Business Insight
- Near real time

0-18 months | 18–30 months | 30–48 months