

# Using Standard Software to realise High Performance Banking

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SAPHILA, 6 November, 2007

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# AGENDA

**Winners in Banking**

**Application Strategy for High Performance Banks**

**SAP's and Accenture's alliance in Financial Services**

**Summary**

# Application Strategies for the Future Winners in Banking

## Winners in Banking

- Banking has become very complex
- Complexity causes Stagnation and Inefficiency
- Yet, clear winners have emerged from the last recession of the Banking industry

## Future Winners

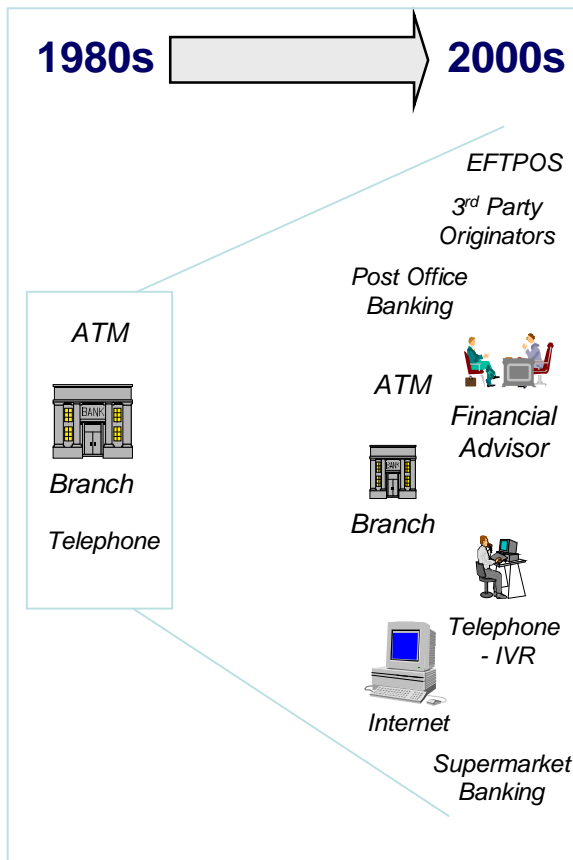
- High Performing Banks will excel in 3 ways:
  - Differentiation on the outside
  - Simplification on the inside
  - Execution Mastery

## Towards a High Performing Application Strategy

- Service Based Architecture Vision
- High-value Sourcing of Applications
- Stepwise and flexible Migration Strategy

# As Banking has become more complex ...

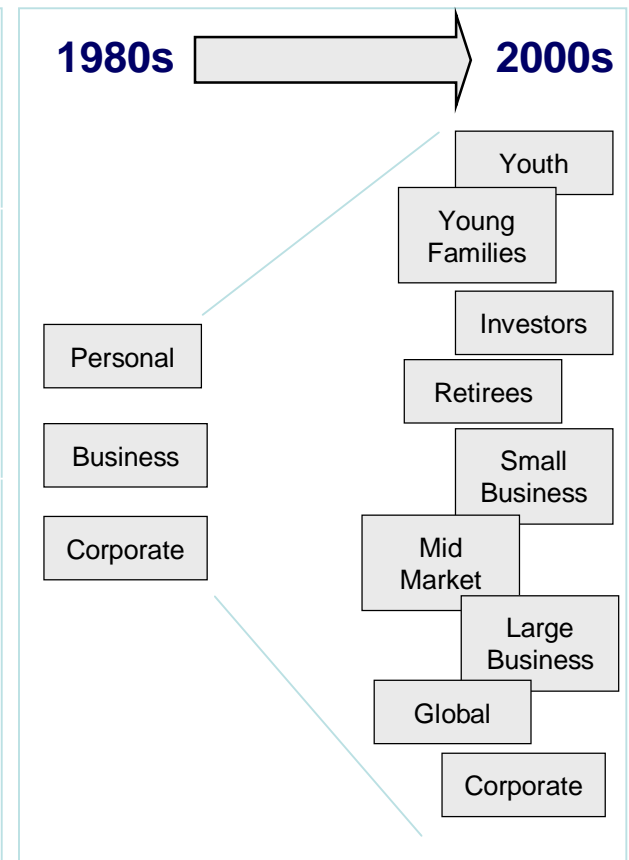
## New Channels



## New Products



## New Segments



Source: Recent Banking Client, Accenture analysis

... so have banks

	Specific Issue	Client examples
Customer Complexity	<ul style="list-style-type: none"><li>• Confusion caused by multiple products that meet the same need</li><li>• Frustration caused by duplicate information requests</li></ul>	<ul style="list-style-type: none"><li>• 43 different transactions accounts at a top 100 bank</li><li>• 30+ product application forms at a major Australian bank</li></ul>
Back-Office Complexity	<ul style="list-style-type: none"><li>• Duplication of processes and resources</li><li>• Too many products, which are mostly unprofitable</li></ul>	<ul style="list-style-type: none"><li>• 40+ processing centres vs a target of 5-7 for one client</li><li>• Of a range of 350+, the average salesperson makes 90% of their sales from 6 products (large US bank)</li></ul>
IT Complexity	<ul style="list-style-type: none"><li>• Duplication of capability across silos due to lack of standards</li><li>• Multiplicity of interfaces</li></ul>	<ul style="list-style-type: none"><li>• 7 product systems for savings accounts vs target of 2 and 15+ data warehouses at EU bank</li><li>• 50 primary, 150 secondary interfaces to primary account keeping system</li></ul>

Source: Accenture client experience

Yet, clear winners have emerged in recent years

## Attributes of High Performing Banks

Distinctive Strategy

Persistent execution of that strategy over many years

Strong leaders, strong teams

Have pursued M&A and alliances

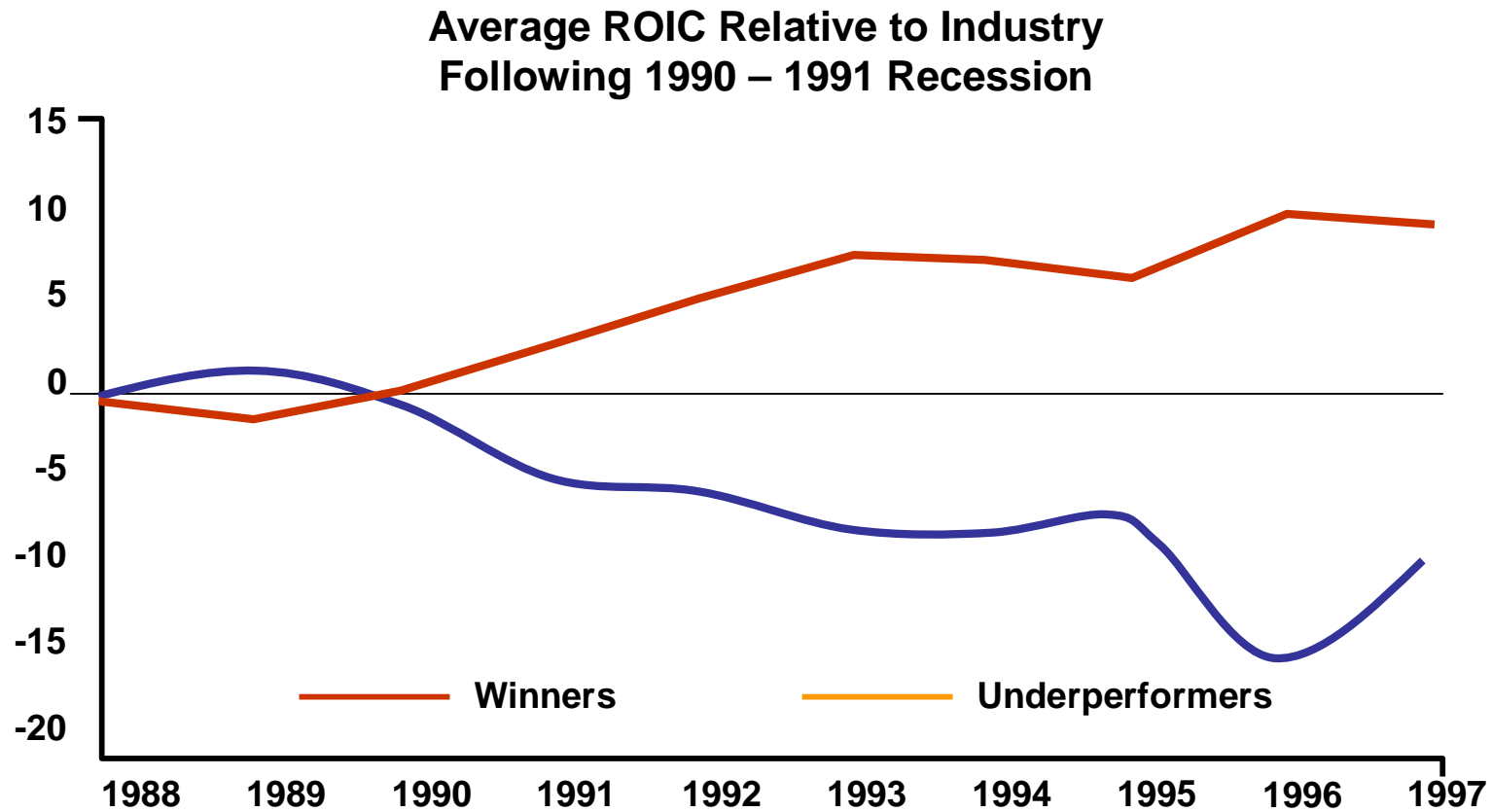
Superior management throughout the complete business cycle

Focus on operational decisions and levers to create financial impact



Source: Accenture Research

# Winners tend to soar after a recession



Source: Jane Linder and Brian McCarthy, "When Good Management Shows: Creating Value in an Uncertain Economy," Accenture Institute for Strategic Change research report, September 2002.

# Excellence in Differentiation

## Value Proposition

<b>Differentiation</b>	Profitable Growth
	Customer Retention
<b>Simplification</b>	Superior Cost Structures
	Improved Resource Allocation
<b>Execution Mastery</b>	Minimized Business Interruption
	Business Expansion
	Capital Allocation

## Business Targets

- **Segment or client specific pricing**
- **Improved cross-selling**
- **Superior credit quality and workout ratios**
- **Fast, frequent product launches**
- **Enforced product retirements**
- **Customization and packaging**
- **Sales force competence**
- **Superior service quality**

# Excellence in Simplification

## Value Proposition

### Differentiation

Profitable Growth

Customer Retention

### Simplification

Superior Cost Structures

Improved Resource Allocation

### Execution Mastery

Minimized Business Interruption

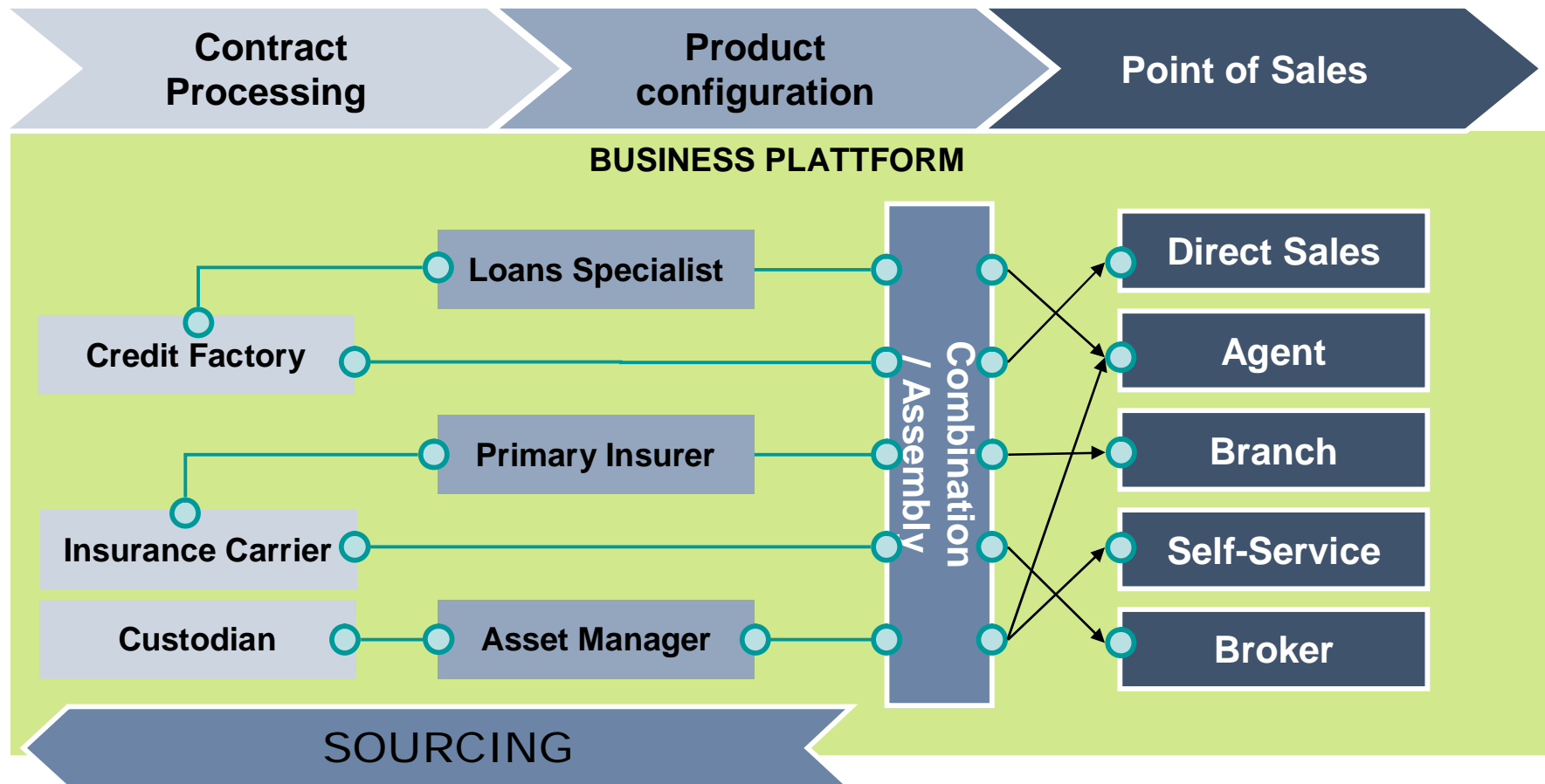
Business Expansion

Capital Allocation

## Business Targets

- High product standardization through industrialisation
- Flexible sourcing following a separation of product
  - a) packaging,
  - b) sales and
  - c) processing
- Improved productivity per employee
- Higher automation of back-office, emphasis on front-office
- Lower IT TCO - savings in maintenance & operations

„Industrialized“ standardization enables new ways for product sourcing, assembly and distribution



# Excellence in Execution

## Value Proposition

### Differentiation

Profitable Growth

Customer Retention

### Simplification

Superior Cost Structures

Improved Resource Allocation

### Execution Mastery

Minimized Business Interruption

Business Expansion

Capital Allocation

## Business Targets

- **Improved operational reliability**
- **Powerful processing scalability – to the high, but also the low end**
- **Smother implementation of new regulatory rules**
- **Shorter execution times and improved success ratios of high-impact transformation projects**

# But can IT platforms support the ambitions ?

## Strategic Requirements

- Support product innovation & bundling, flexible pricing, industrial sourcing
- Mirror new business processes
- Reflect reorganisations, M&A and geographic expansions
- Fast turnaround of new functional requirements from business lines, CFOs and regulators
- Add new channels and brands
- Constantly renew all technology stacks

## Sobering Realities

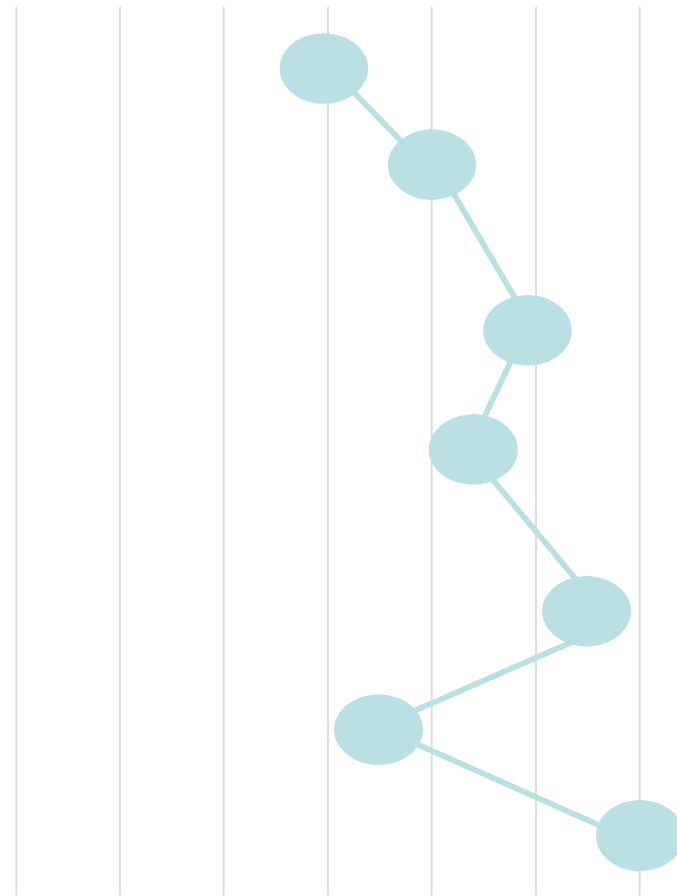
- Hardcoded logic of products, business processes, organisational hierarchies, brands
- Makeshift support of channels
- One-dimensional pricing
- Highly complex aggregation of management and compliance data
- Technologies are added, and not replaced
- Maintenance & operations costs represent lion share of IT budget
- Reliance on key resources prohibit alternative sourcing

# The Right Application Strategy will impact business performance

Illustrative



<b>Differentiation</b>	Profitable Growth
	Customer Retention
<b>Simplification</b>	Superior Cost Structures
	Improved Resource Allocation
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# Elements of a High Performing Application Strategy

## Architecture Vision

The „pilgrim’s vision“ of Enterprise Services:  
Journey counts almost more than destination

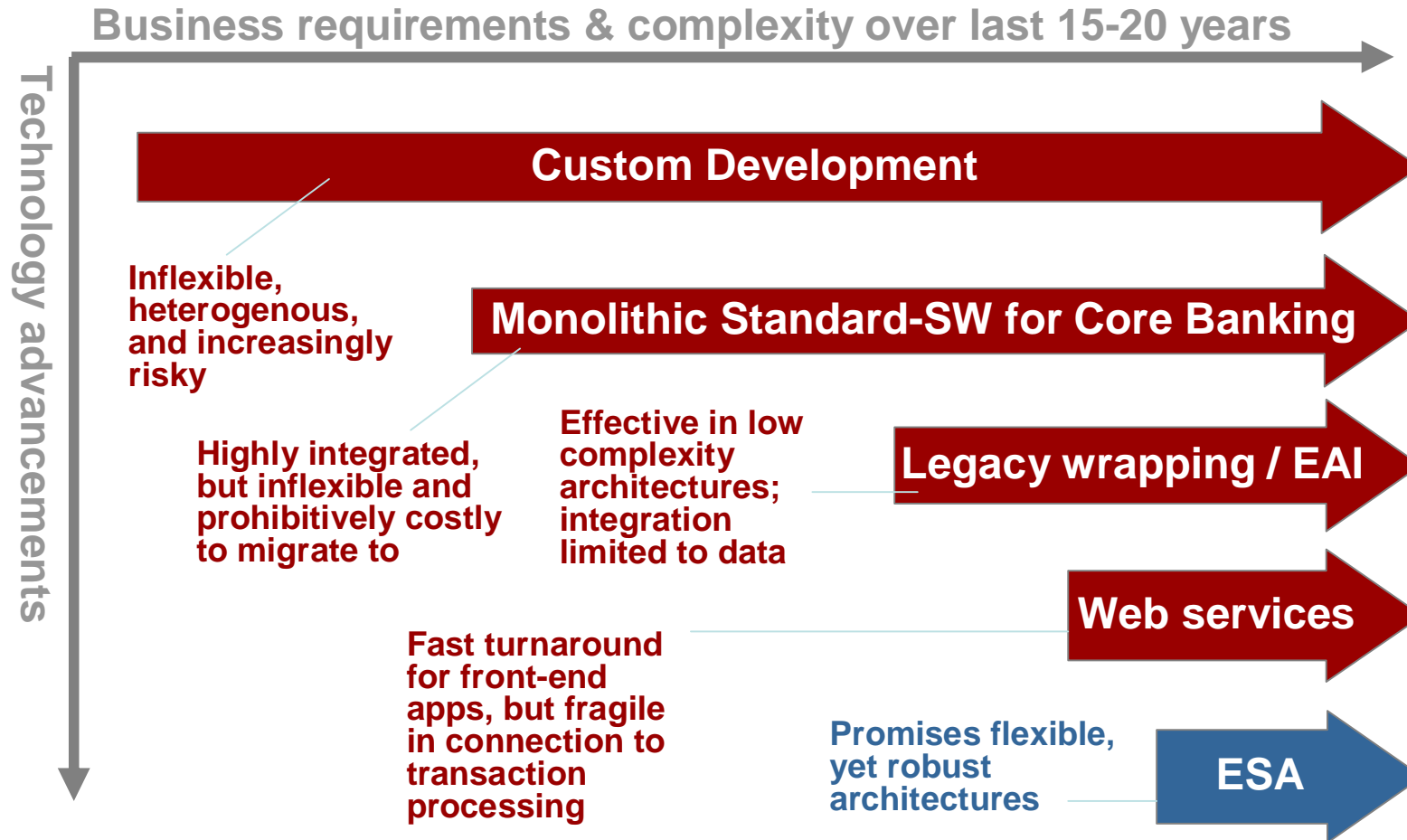
## Application Sourcing Strategy

Where lies the real value-added of our  
development organisation ?  
How do we transform our skills to get  
ready for composite application delivery ?

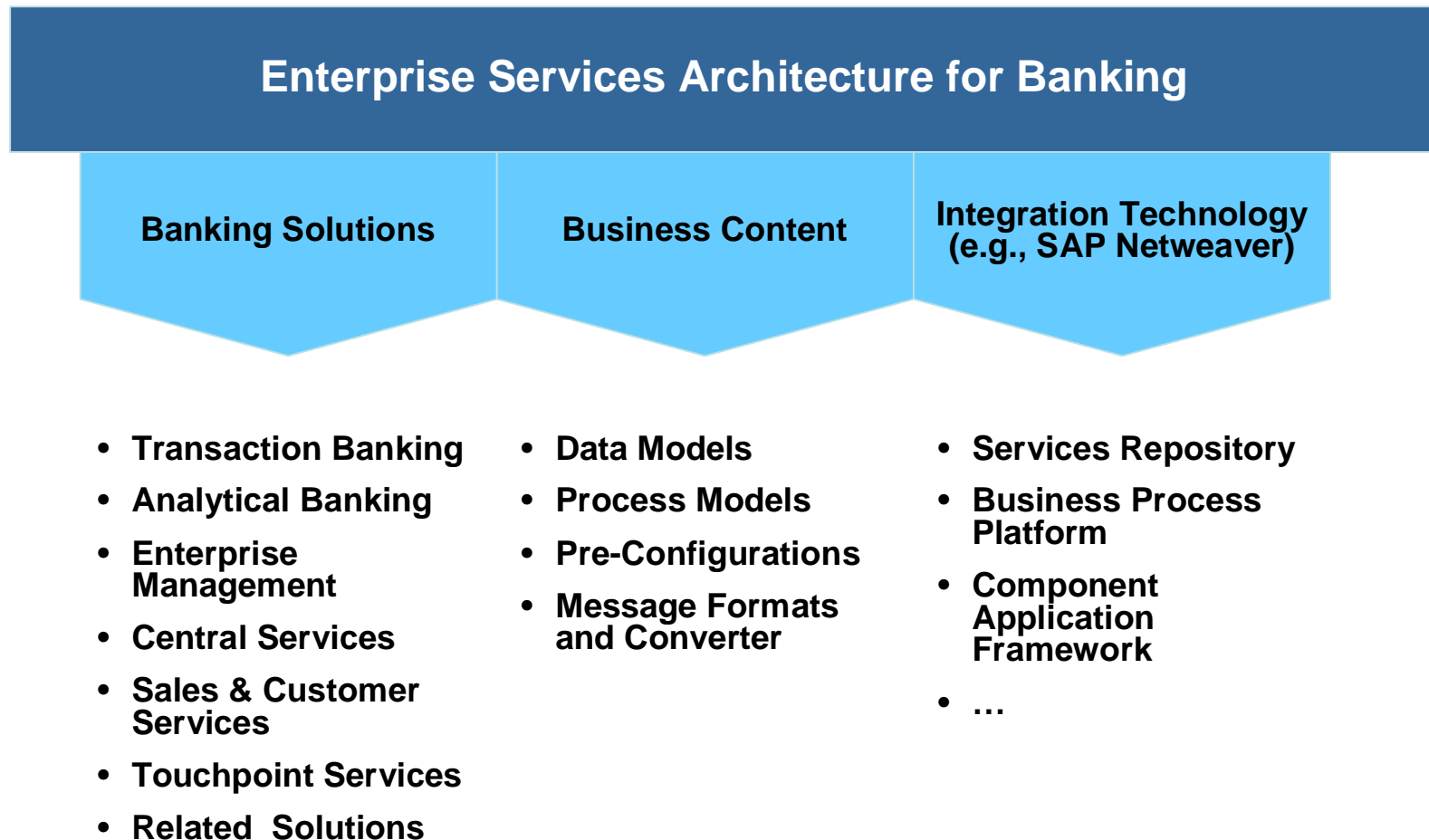
## Migration Strategy

How do we get to „Rome“ ?  
How can we scope and execute migration  
projects that deliver value - in each case ?

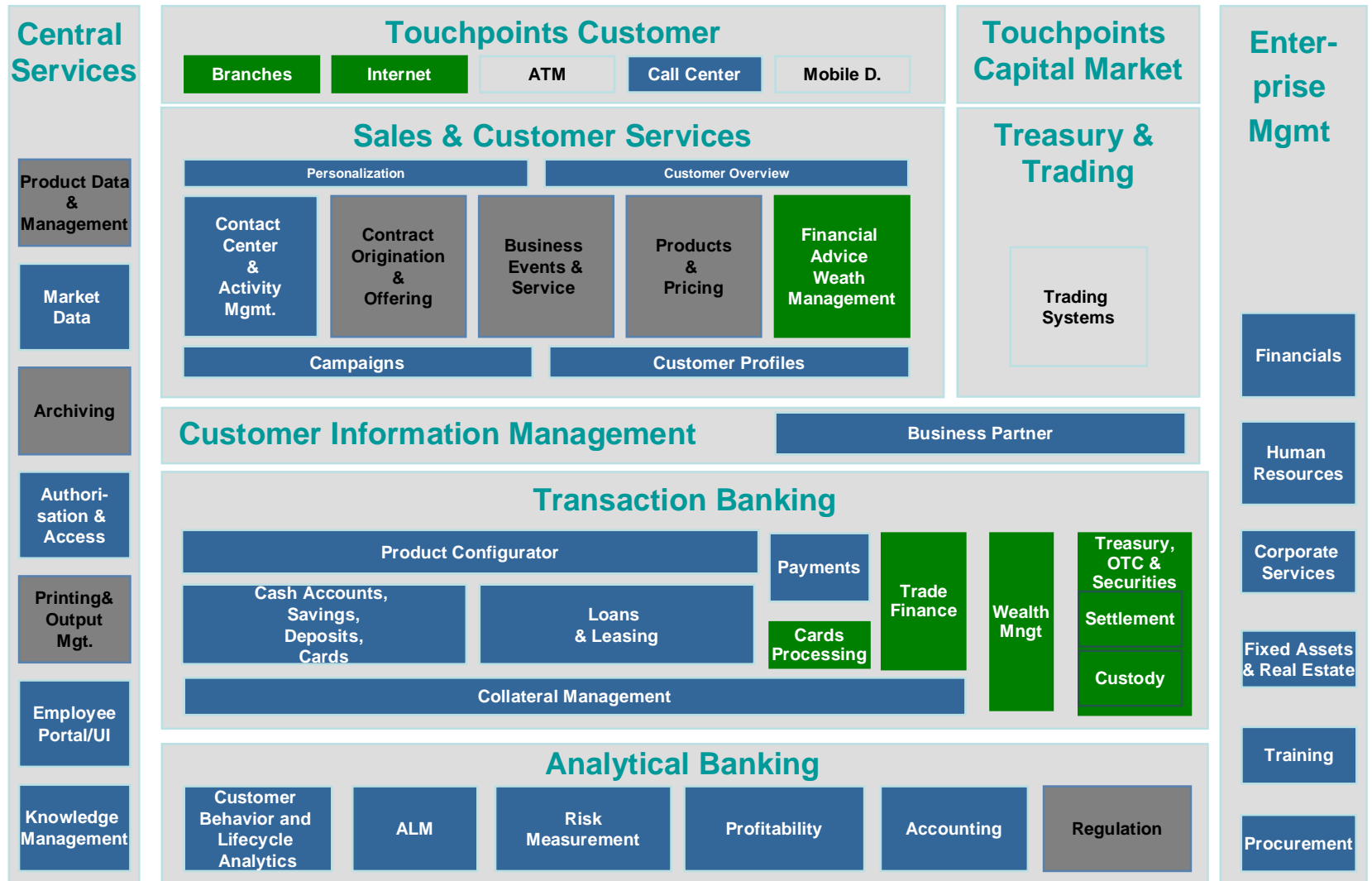
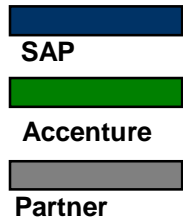
# IT Architecture Vision: Only ESA promises flexible, yet robust architectures for banks



# Building Blocks of an Enterprise Service Architecture for Banking



# SAP's & Accenture's Banking Solution Architecture

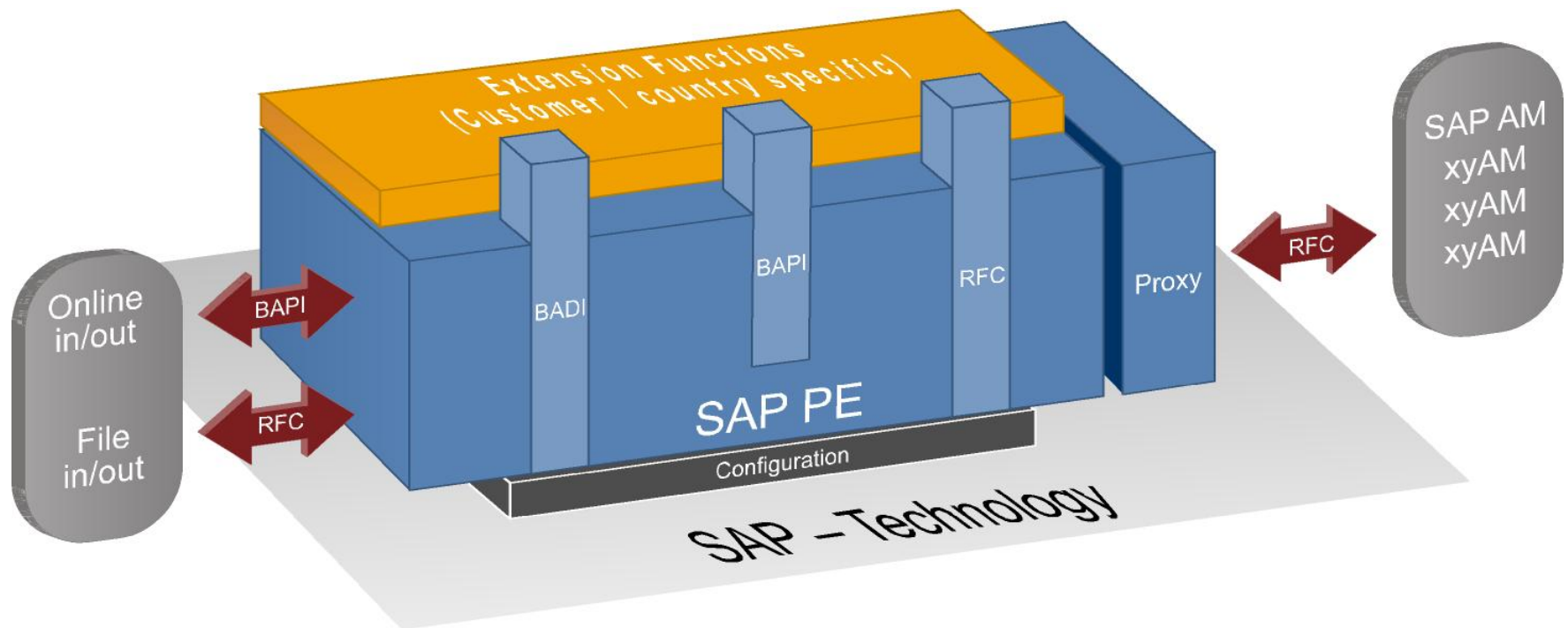


Source: SAP and Accenture

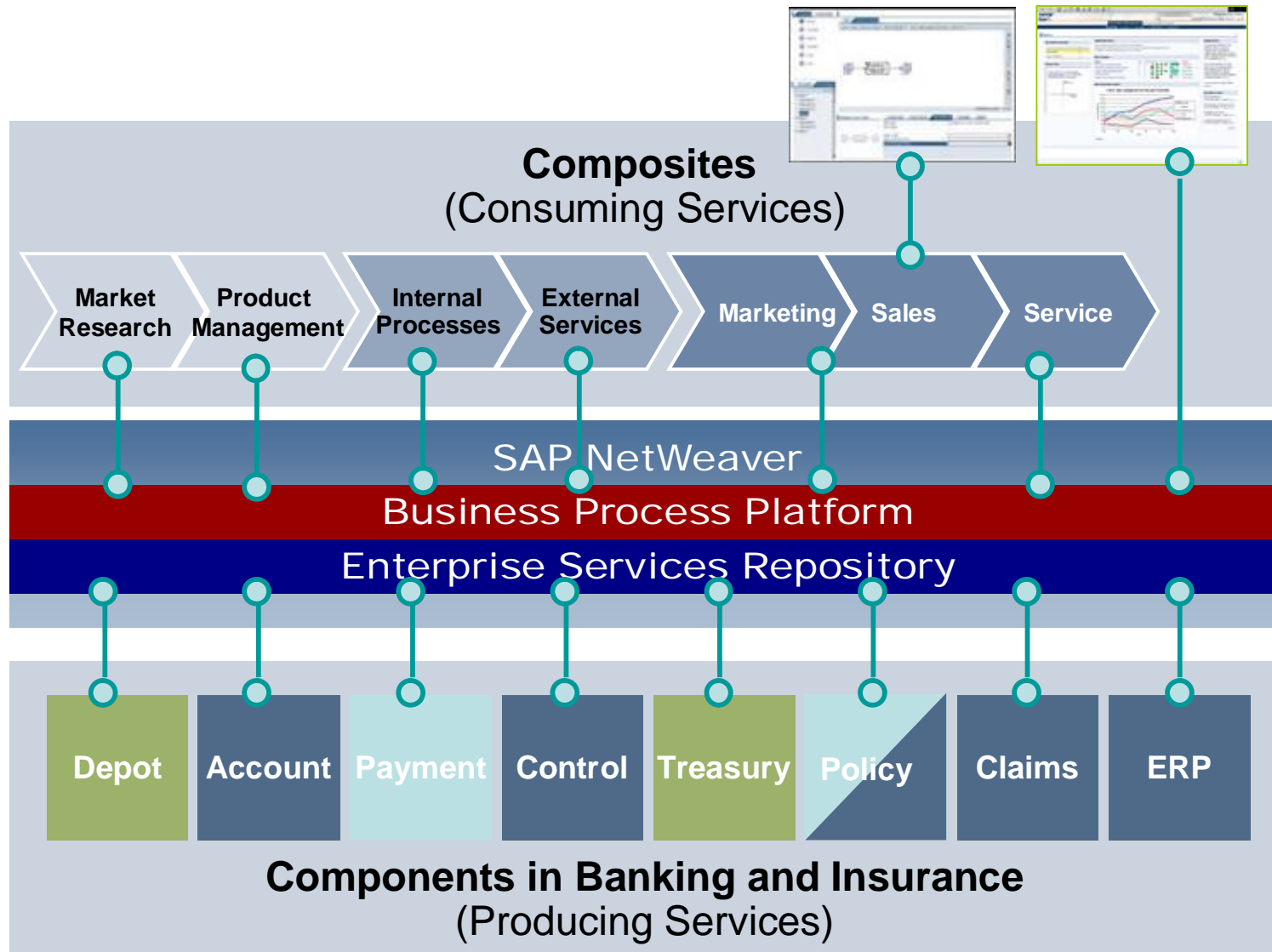
Robust, though flexible transaction components offer scalable processing services

### Example: SAP Payment Engine

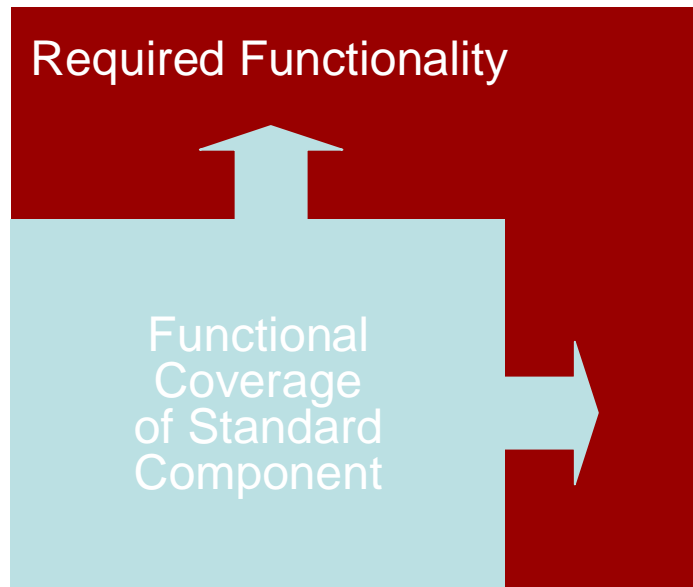
- Generic, configurable product, fully upgradeable
- Adaptations to support customer specific or country specific requirements will be implemented using standard SAP extension functionality



# Services Repository & Business Process Platform



# Options to fill functional gaps



1

**Third-party packages**

2

**Code extensions built within Composite Application Framework**

3

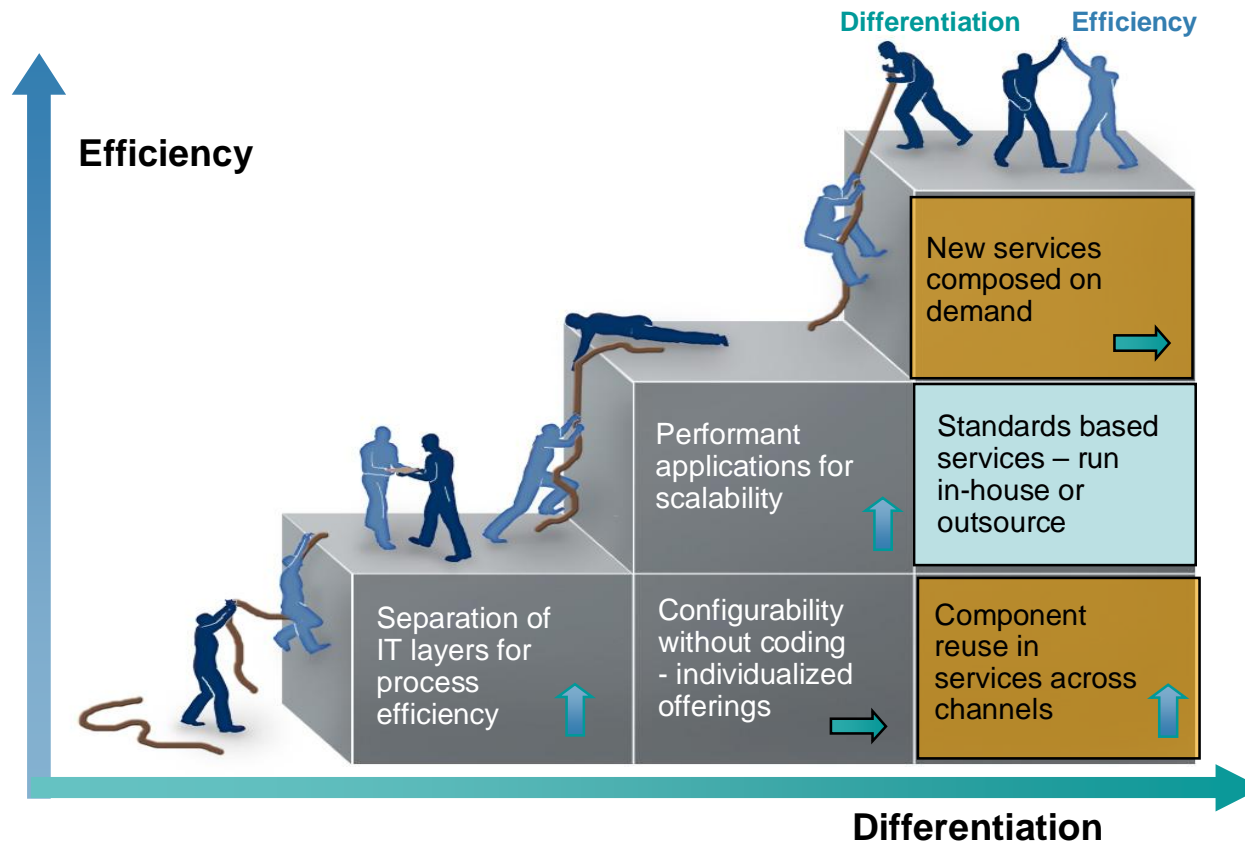
**„Componentizing“ Legacy Systems**

## A radical shift in application sourcing

Old Paradigm	New Paradigm
<ul style="list-style-type: none"><li>• In-house Development of Core Applications</li></ul>	<ul style="list-style-type: none"><li>• External and internal sourcing of Core Components, internal assembly of business logic</li></ul>
<ul style="list-style-type: none"><li>• Process and functional logic are tightly interwoven</li></ul>	<ul style="list-style-type: none"><li>• Process logic is separated from business functionality and resides on distinct SW stack</li></ul>
<ul style="list-style-type: none"><li>• New functionalities added through maintenance and upgrading cycles</li></ul>	<ul style="list-style-type: none"><li>• New functionalities can be developed in distinct projects; services will be published through common repository</li></ul>
<ul style="list-style-type: none"><li>• Application design and coding are tightly linked and must reside all inhouse (onshore) or must be completely outsourced (offshore)</li></ul>	<ul style="list-style-type: none"><li>• Because coding is not a key competence any longer, we can evaluate offshoring opportunities</li></ul>

# Next Generation Banking Performers

Overcome trade-offs by rethinking and using IT as an enabler



“

A small number of European banks get more business value from information technology — including faster, more flexible support of business objectives—than do their peers, and at a far lower cost.”

2006 McKinsey SMART IT Spending:  
Insights From European Banks

# An Echo System of Complementary eSOA Software



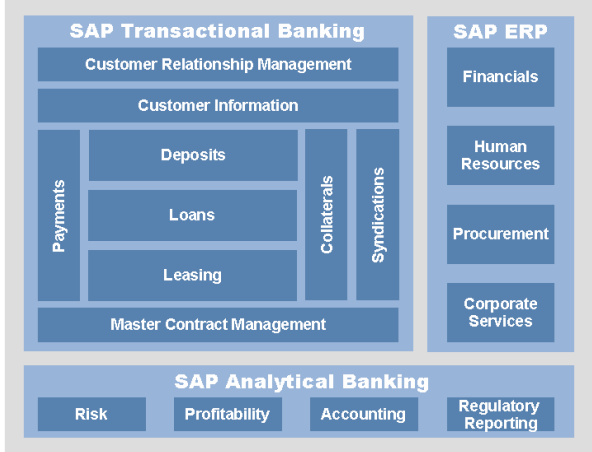
**Syndication management**

**Input/output management: Documents/forms**

**Conversion tools**



**Self-service channels**



**Data management: ETL**



**Branch/teller**



**Analytical tools**

**Regulatory Reporting**



**Anti Money Laundering**



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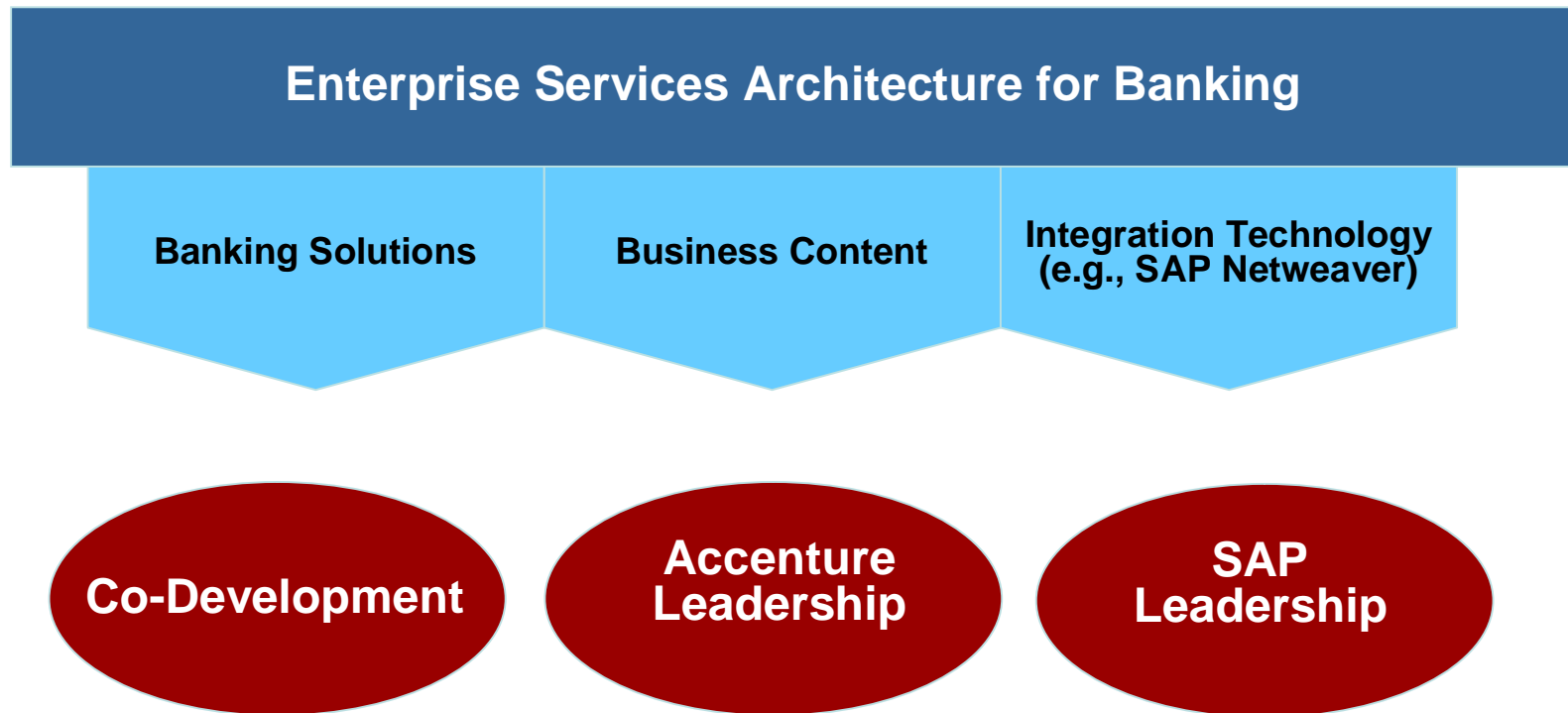
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**Summary**

SAP and Accenture have partnered along complementary competencies



# SAP's and Accenture's Azur Alliance



- Joint Market analyses and marketing events
- Campaigns
- C-level briefings
- Co-Development of Standard SW (jointly 900 developers in Financial Services in Europe, Asia and North America)
- Country and industry specific deliveries (enhancements, configurations, xApps)
- Levering Accenture's cross-industry expertise in Netweaver developments
- Accenture's Netweaver Innovation Center in Walldorf
- Methodologies for estimation, planning, management & delivery
- Joint project teams
- Onshore and offshore delivery capacity
- Customer training and change management
- Targeted BPO offerings
- Partner network

# The Accenture Innovation Center for SAP NetWeaver™

Located in Walldorf, Germany—one hour from Frankfurt International airport—the **Accenture Innovation Center for SAP NetWeaver™** is:

**Accenture  
Location**

Accenture's global hub for thought leadership, training, and development activities related to next-generation SAP solutions

Designed specifically for organizations as they explore how Accenture solutions with SAP NetWeaver can help their organizations deliver higher performance



**The Accenture Innovation Center for SAP NetWeaver**

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## Summary

- **High performing banks are masters in differentiation, simplification and execution**
- **An Application Strategy (Vision, Migration and Sourcing) alone will not turn a bank to a winner, but winning banks have one**
- **A Services Based Architecture strategy offers business value along each step of implementation**
- **ESA for Banking and Netweaver offer solid software components, high-value content, and state-of-the-art deployment tools**
- **Accenture and SAP have teamed to deliver against these promises**