

Client Profile



This global bank engages in a range of activities including safeguarding assets, lending money, making payments and accessing the capital markets on behalf of clients. The institution is 200 years old and has connected millions of people across hundreds of countries and cities.



Business Objective

The bank sought to improve performance and rationalize costs on a worldwide basis. As a global financial institution, technology investments are essential. As time passes, ongoing operations and maintenance spending can become an overwhelming portion of budget and crowd out new investments in both technology and other areas. Naturally, one of the largest budget areas that required scrutiny was the Global Technology and Operations organization.

Given the size and scope of the organization, assessing the opportunities for optimization were quite complex. Cost takeout was a consideration, but analyses needed to be conducted around the employee effects, internal customer impact, risks and change management. The executive in charge of the program engaged Actionable Strategies to help him tie together the many activities and convey it as a strategic program to executive leadership.

Project Overview

Optimization focused on ongoing “run-the-bank” activities related to technology such as infrastructure

engineering and application maintenance and support. The target was to free up half of the RTB budget to fund additional investments in innovation and new applications.

The project had two distinct phases:

1. Definition

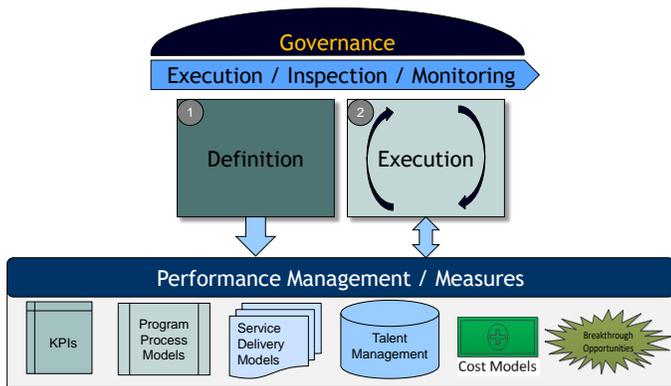
- ◆ Assess resource models
- ◆ Transition process design and division of responsibilities
- ◆ Program plan and milestones
- ◆ Metrics development for transition and steady state operation



2. Execution

- ◆ Milestone reporting to executives on progress and savings
- ◆ Monitor transition as each tranche is optimized
- ◆ Ongoing inspection of service delivery quality and cost.

The engagement structure appears below.



Definition Phase

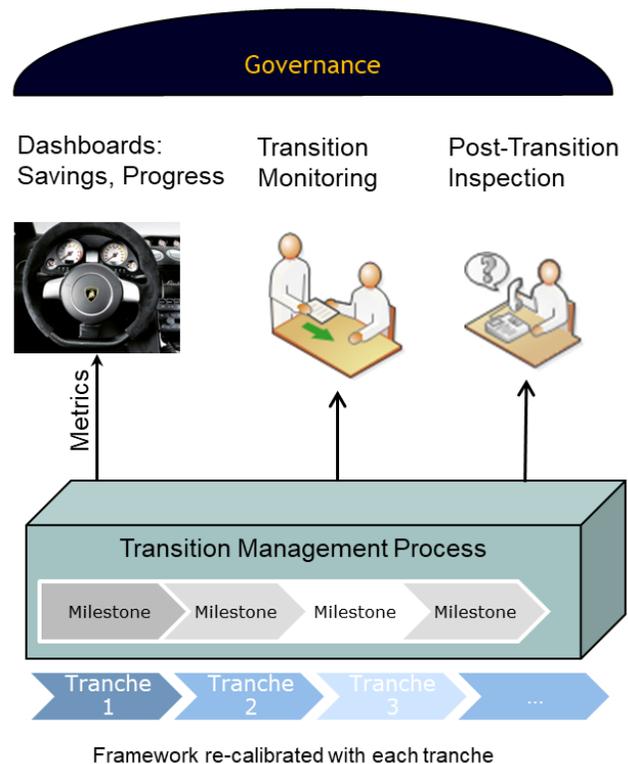
Definition provided three outcomes for the client.

1. **Validation:** Ensure that the target state operating model is achievable considering many factors including:
 - ◆ Reported time allocation
 - ◆ Estimated future resource requirements
 - ◆ Internal customer request flow and backlog
 - ◆ Work absorbed in other areas that must be reclaimed
 - ◆ Changes in overhead and coordination efforts
 - ◆ Vendor models of effort
2. **Prove-out:** Accurate calculation of an achievable ROI factoring in estimation variance and unplanned P&L impacts
3. **Planning:** Detailed planning to enable the client to execute on transition with particular focus on definition of:
 - ◆ Transition process includes steps for all roles involved
 - ◆ Human capital model includes changes in responsibilities or organizational structure
 - ◆ Milestone definition
 - ◆ Metrics for reporting and ongoing monitoring

This target state operating model was critical to successful execution. The optimized operating model was expected to last for many years. Benefits would be recurring and anticipated to be large, enabling innovation and change-the-bank activities without new investments.

Execution Phase

Execution involved the transformation of individual functions grouped into tranches. These tranches were managed and monitored separately using a structured process defined in the definition phase.



Because of this structured process, execution went exceptionally smoothly.

1. Milestone reviews flowed metrics into dashboards enabling the client to:
 - ◆ Track savings
 - ◆ Demonstrate progress
2. Monitor transition activities within each tranche
 - ◆ Inspect and verify reported results
3. Post-transition, inspect ongoing activities
 - ◆ Confirm and ensure savings
 - ◆ Report on additional breakthrough opportunities

Key Takeaways

While broad in scope, this initiative had similarities to other complex projects with diverse stakeholders.

Program Management: The PMO expended significant effort managing vendors and individual projects, necessitating the use of Actionable Strategies

at a strategic level to link program activities and results to senior executives.

Operating model: The target state operating model was critical to success as with any transformational project. The key in this case was the focus on ensuring Service Delivery did not decline and that optimize would yield improvements.

Change Management: Transition planning combined with effective communication simplified the significant change in underlying operations. Planning to minimize disruption for internal customers enable better results.

Effective Metrics: Implementing a measurement model focused on results facilitated effective management during transition and steady state operations. Managing transition by outcomes rather than feel ensured that the target state operating model was implemented. Ensuring ongoing success was enabled via meaningful SLAs that directly drove compensation.

Financial Modeling: Actionable Strategies applied experience in financing for infrastructure projects at the national level. This involves modeling both budgets and net cash flows. As a bank, this type of financial analysis was critical in evaluating the program.

Business Results

The optimization initiative was an all-around success, but unheralded because it was not disruptive. Program planning and iterative executions de-risked the initiative and delivered early, quantifiable results.

Initial optimization delivered \$27.6 million in savings with improved service delivery. Funding was freed up for innovation and change-the-bank initiatives.

Additional optimization produced recurring savings exceeding \$15 million annually. This led line-of-business CIOs to adopt a similar strategy.

Actionable Strategies benchmarked initial spending and the ratio in the target state operating model. The client moved from lagging in new development/innovation to achieving industry norms.

