Andrew Baker, Barclays Africa

MORE MONEY FOR HONEY

Financial institutions are finding innovative ways of cutting their ongoing costs so they have money to invest in innovation.

by **Paul Furber** photography **Karolina Komendera**

Generally accepted wisdom from the major industry analysts five years ago was that financial institutions spent 65c of every rand on keeping the lights on, leaving 35c for discretionary spend, preferably on new technologies to make them more efficient. Post the global economic crisis, banks have been under increasing pressure from all quarters: they need to offer a rich end-user experience, decent ROI for shareholders, transparency and predictability for top management and faster response to regulatory bodies. On the one hand, there is a continuous push to reduce costs, on the other, bank CIOs need to create funding for future innovations.

So where do they find the money? **Chandima Miyandeniya, CIO of AON South Africa**, explains.

"In the insurance sector, we're governed by those Gartner-Forrester ratios in terms of IT costs," he says. "The way we're creating new products and services is by reducing our ongoing costs year on year to give us some money to invest. We're reducing infrastructure and going to opex models rather than capex and maintenance."

Andrew Baker, CIO of Corporate and Investment Banking Division at Barclays Africa, says his organisation is trying to remove any financial partitions that exist within the organisation.

"We just have cash that we turn into energy and that gives me a number with which I can do stuff. It enables me to employ a lot more permanent staff. In order to speed up digital, my view is we don't save to invest, we invest to save. I don't have to dip into any particular partition. I just say, there's a business case, let's go do it and it will deliver something." ▶

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▶ **Fundile Ntuli, CIO of Ubank**, says his approach is more traditional.

"Our approach is still to look at the numbers in the context of what they're being used for. You have to drive efficiency. We look at what proportion is discretionary versus non-discretionary spend. You have to look at the opportunities for improvement, and how to identify them. Contracts and contract management, for instance, can be looked at purely commercially. But if you look at contracting purely commercially, making it more flexible such as existing an obligation should the need arise, then you're moving a step ahead and you'll find yourself with more to spend."

Kiran Pai, global head of operations for banking and financial services, L&T Infotech, says he's seen the CIOs among his customer base managing their IT spend as if they're managing a portfolio.

"They have a finite budget and have to do more with less," says Pai. "One way is to squeeze non-discretionary spend, which is 'run-the-bank' business using automation and modelling and so on, making it less dependent on people and more dependent on processes and tools. Then the money they save can be used to reach out to customers more and improve back-end efficiency. Digitisation is not only reaching out to your customers through mobile, it's also streamlining your in-house operations."

Pai also notes that although the ratio of 65-35 is roughly the same as it was previously, the original 100 percent has become 80 percent.

"The 35 percent for discretionary spend is now 80 percent of what it was because of the squeeze."

Aaron Kelly, business architect at RMB, agrees that it needs to be like a portfolio.

"You need to understand your portfolio, what your strategy is, how you're driving towards it and what you have to underpin it. "You have business apex, IT apex and then trying to see how you can achieve the right lever. It's about the right systems and processes in place to understand what's happening at the shop floor at the right time, so that you don't create a huge reporting challenge. I've seen reporting figures that I wonder where on earth they've come from."

New tech, new approach

There are some technologies that can achieve considerable savings and improvements, says L&T Infotech's Pai.

"There is technology today that can do radical automation. One aspect of this kind of automation, especially with technologies such as machine learning, is that the more you use it, the better it is at predicting behaviour. Supplementing the decision-making power of a human being is something that wasn't that mature a few years ago."

Jignesh Jariwala, head of delivery for banking & financial services at L&T Infotech, says there's another way to get some revenue from internal services.

"On the non-discretionary spend side, I agree there is technology that is dramatically increasing the machine learning aspects. But what is also happening is another way of funding your 'run-the-back' business: monetising your assets. Payment as a service, fraud investigation as a service, asset white-labelling. I think that is another channel through which banks, especially the large global banks, can make money from their old assets and fund initiatives." ▶

How to do more with less

Kiran Pai,
Global Head of Operations, BFS

Chief Information Officers (CIOs) in modern organisations have found their roles becoming ever more critical. Today, the IT department is not only expected to act as a catalyst to provide business with a competitive edge, but is also expected to shape how the business should function. This can only be effectively achieved through constant innovation.

The real challenge for CIOs, says Kiran Pai, Global Head of Operations, Banking and Financial Services at L&T Infotech, is that with budgets being squeezed, CIOs are expected to do more with less. This puts added pressure on them to reduce spending, particularly non-discretionary spending, without compromising on the service agility or increasing risk with respect to business continuity. "Within enterprises, there have always been concerns that because of the nature of non-discretionary spend, any reductions made in this area might impact the business-as-usual and their ability to keep the lights on, so to speak," he says. "We, however, believe that such reductions can be made without any adverse impacts, through the means of portfolio consolidation and automation. This improves operational efficiencies while reducing costs." He adds that a manner in which spend can be reduced is with improvements in IT and business processes.

Through the implementation of lean thinking, DevOps, Cloud Marketplace self-provisioning tools, IT processes can be improved and the entire ecosystem optimised for continuous integration and deployment. "Similarly, in the business process context, we also offer 'radical automation', through four primary pillars: (1) Human task automation that involves extensive use of robotics to supersede humans in certain repetitive high-volume tasks such as data capture, document verification; (2) Digitisation of paper documents through techniques like Smart OCR; (3) Straight Through Processing using BPM technologies; (4) Automation of tasks perceived to require human intelligence using our proprietary MOSAIC™ Central Machine learning tool. This not only speeds up the process, but frees up employees to tackle other, more business-intensive tasks instead. We have demonstrated that this kind of automation can help an enterprise reduce its non-discretionary spend by up to 40 percent," states Pai. Ultimately, he says, the aim of all this is to save money and channel it to build customer-centric, cutting-edge solutions.

"The banking sector, which contributes to the majority of our services revenue, stands among the top three industries constantly hit by digital disruption. You only need to think of the new-age, non-banking competitors like Bitcoin and the non-traditional rivals like supermarkets that have entered the financial sector to realise how important it is for banks to continue innovating in order to stay ahead of the competition. L&T Infotech works closely with global and super-regional banks, to help them define their enterprise digital strategy. This includes offering an omni-channel user experience, leveraging smart devices, creating a 360° view of the customer, ensuring efficient risk analytics, regulatory compliance and ultimately opening new avenues for revenue generation. In the end, we know just how critical it is for the CIO to be able to do more with less, and hence assist our clients to use their IT budget much more judiciously," concludes Pai.

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▶ He says the advantage is that they are far less disruptive than they used to be.

"Traditional technologies were very disruptive. Things took a year or two to replace and you couldn't touch anything. Modern technologies are non-disruptive: they don't care how the database is designed, for example. They deliver within months or even days. And IT simplification is an essential part of that kind of automation."

Barclay's Baker agrees.

"You're spot-on there. We don't have any multi-year projects: they're banned. Everything has to deliver something along the way and that's a big enabler. The other concept that is changing is getting away from the idea of captive-captive. I'm captive to my business for funding. They're captive to me on technology. But I don't want just their money, I want anyone's money. I want funding from Standard Bank and RMB. If you look at these new regulations coming out, we're all sitting in our own silos, doing the exact same switches and the same backbones. So why don't we partner on this?"

Baker says the business side must also have the same attitude.

"The business isn't captive either. If they want to go and use Salesforce and not talk to me, that's awesome – they don't have to. We'll even do the introductions to outside companies if the business wants to talk to them. There's no business and tech anymore: we're just people trying to solve a problem for the bank."

AON's Miyandeniya also notes there is a problem with entrenched applications.

"When it comes to the application pool, which is a significant cost to us as a corporation, we're looking at more flexible technologies. We've seen application owners holding on to stuff because it's their safety net. To break that silo is pretty difficult, but the reality is it has to be broken if you want efficiencies in the future."

Ubank's Ntuli says vendors also have to come to the party.

"There is a big drive for simplification. If you look at a lot of the offerings you get from software vendors, it's no longer about this module and that module, they're trying to offer a whole solution. Across all sectors, software is being presented as a singular solution, but it's very difficult to get just individual components that you need."

It seems clear that banks are looking very seriously at innovative ways of increasing their funds available for discretionary spend: collaborating with each other on a level previously unheard of, continuously integrating improvements, and reducing silos as much as possible. Bring it on. **b**

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