

NEWTOWN BANK Ltd.

Increasing Profitability with better IT Infrastructure Investments (V2)

CLIENT BRIEF FOR CONSULTANTS' REPORT

1. Newtown Bank's business

Newtown Bank is a bank with over 2 million customers and 2,000 employees in Australia and New Zealand. Its business model is focussed on sustaining its niche market position by providing financial services along three major business lines:

1. Retail Banking

Providing essential banking services to individual retail customers. Contributions of retail customers, through products such as savings accounts, make up the majority of Newtown Bank's loan capital base.

2. Lending

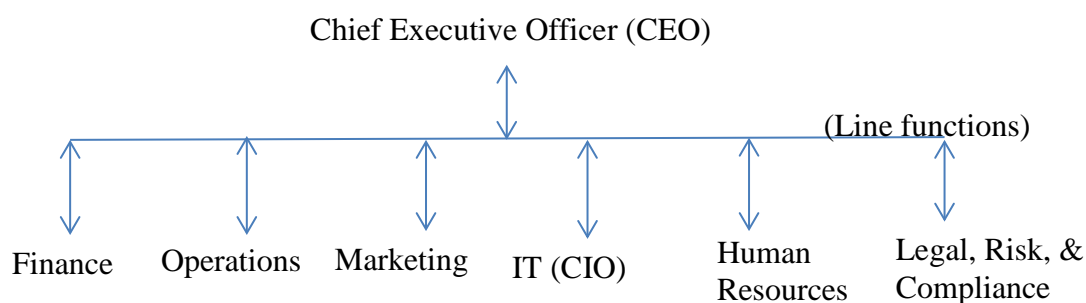
Newtown Bank's lending products range from home loans to commercial financing. In aggregate, this business line is the largest contributor to the bank's profit.

3. Wealth Management

Newtown Bank helps its high net-worth customers achieve their financial goals through tailored investment solutions e.g. superannuation, global mutual funds. The high-margins and growth opportunities of this business line make it a major generator of profit for the bank.

2. Newtown Bank's corporate structure

These business lines are supported by the following corporate structure:



3. Newtown Bank's investment in IT infrastructure

Newtown Bank's investment in IT infrastructure supports its three major business lines and is critical to the Banks success. The Chief Information Officer (CIO) manages the IT function.

Current investment in IT infrastructure includes:

- End-user computing (laptops, desktops, mobile device, applications)
- Business applications software (customised and commercial off-the-shelf) which support

- its business lines
- Servers, storage, networks
- IT specialists (development and operations)

All of these are under the control of the bank's IT function. Currently, the bank does not externally source (outsource) any of its IT infrastructure.

4. Newtown Bank's problem

The bank's profits are declining.

5. Major cause of the problem - IT

A recent review of the bank identified the major cause of its declining profitability lies with the IT infrastructure.

The total cost of ownership (TCO) of the IT infrastructure is more than double that for other banks; the IT infrastructure is not flexible enough to cater for future developments (such as on-line payment systems); service management is slow and inefficient, and the investment in IT infrastructure is not aligned with corporate strategy.

The reasons for this are:

1. Existing IT infrastructure is running at full capacity, and cannot be extended.
2. Thirty percent of the application software which supports the bank's core operations is customised 'legacy code'. These applications are expensive to run and support and difficult to change or enhance. This software however supports core functions for the bank which they want to keep in-house and extend in the future
3. IT governance and service management processes are slow, inaccurate, and unreliable

6. Newtown Bank's IT goals

Therefore, the bank decided its IT goals are:

1. To increase the return on their IT infrastructure investments to compete better with other banks
2. To provide flexibility for future developments
3. To ensure that its IT investments deliver strategic value to the business efficiently

7. IT strategies to remedy the problem and meet the goals

Your consulting company has been hired to research and evaluate the suitability of the following three IT strategies for meeting its IT goals:

1. Adopting a service-oriented enterprise and IT architecture with microservices for application development which it was important to keep within the bank, and for integrating with external services
2. Sourcing application and hardware services from external providers, including cloud

services providers

3. Implementing IT governance and IT service management frameworks with a view to using DevOps in the future

8. Requirements for the Consultants Report to Newtown Bank

Newtown Bank has hired you as consultants to provide a report to their CEO which meets the following requirements

1. Clarify Newtown Bank's problem and its root causes
2. Clarify Newtown Bank's IT-related goals
3. Define, and explain the characteristics of, each of the three IT strategies (from 7 above), based on evidence (i.e. cut through the hype).
4. Explain the general benefits of adopting each of the three IT strategies (from 7 above), based on evidence
5. Explain the general challenges and risks of using each of the three IT strategies (from 7 above) as well as possible risk mitigation IT strategies for each, based on evidence.
6. Evaluate the benefits and risks to Newtown Bank of using each of the three IT strategies (from 7 above) to solve their problem and meet their IT-related goals
7. Based on this evaluation, recommend specifically how the problem and each goal could be addressed by each of the three IT strategies
8. Discuss how the three IT strategies relate to each other and the additional benefits to be gained from the synergy of implementing all three.