An Oracle White Paper
August 2013

Positioning Financial Services for Tech Innovation

Executive Overview

Technology innovation has emerged as a key market differentiator in financial services – so much so that banks must begin operating more like technology companies. But there is often a disconnect between the fast-paced speed of innovation and the ability of financial services IT teams to deliver at the scale and pace required. In many cases, innovation can be sporadic, delivered in silos, and often too costly due to legacy technology, which all lead to missed targets and outcomes. A project portfolio management system can be instrumental in solving these challenges to innovation.

Introduction

Banking consumers are more tech savvy and mobile than ever, and financial institutions are racing to meet their expectations, which requires banks to flex their technology muscles. New competitors, meanwhile, look more like tech companies than banks.

In June, for instance, GoBank emerged as the first bank designed specifically for mobile use.[1] All functionality is available through its app, everything from opening an account to paying bills to managing a budget. The bank, which is FDIC-insured, offers both a checking and savings accounts, a debit card, mobile check deposit, bill pay, person-to-person payments, a budgeting tool, direct deposit, and a network of more than 40,000 ATMs.

[1] "Pay-what-you-want GoBank puts mobile users first," USATODAY, June, 28, 2013. http://www.usatoday.com/story/money/personalfinance/2013/06/27/gobank-free-mobile-banking/2460605/

A brand of Green Dot Bank, GoBank's mobile-only strategy takes advantage of the ability to focus solely on a clean, intuitive app rather than the development of thousands of branches, and appeals to the digital way of life that comes naturally to the country's youngest adults.

A Federal Reserve survey from last March found that while those 18 to 29 make up 22.4% of all mobile phone users, they account for 44% of mobile banking users. Though data shows that online banking is still preferred. A survey from Market Rates Insight shows that just 6% of Gen Y respondents indicated mobile banking as their preferred method of banking.

A positive implication of serving these 68 million “underbanked” Americans,[2] experts say, is that the industry will produce innovative systems, products and services that will benefit these customers. Developing financial systems that allow these customers to manage their payments easily is where the opportunity exists.

"It's sort of part of a new breed of financial products," says Karen Biddle-Andres, director of networks at the Center for Financial Services Innovation, in an interview. "It's a traditional bank account that's really dressed up with a lot of the feature functionality” and a great mobile experience. “That's where financial services is going."

The largest financial institutions have also responded to customers’ demands for mobility and ease of use. Wells Fargo has established an "Ask Wells Fargo" blog on Twitter to improve its customer service, for instance, while New Zealand’s ASB Bank has enabled real-time chat between customers and staff seven days a week through its Facebook page.

2 “How to Reach the Fast-Growing Underbanked Population,” banktech.com, July 8, 2013. http://www.banktech.com/management-strategies/how-to-reach-the-fast-growing-underbanke/240157858

Mobile and online features, combined with big data analytics, have also been added to peripheral banking services. Commonwealth Bank has developed a property guide app that allows customers to use their smartphone camera to view real-time property information. Other banks have begun to unlock the value creation opportunities of data analytics; for instance, applying real-time event management to maximize interactions and conversion rates, and to optimize their pricing.

It's no coincidence. Banks around the world are facing margin pressures, slow balance sheet growth, an uncertain economic outlook and a growing threat from new entrants. Banks are also confronted with increasing demands for greater fairness and transparency in their interactions with customers.

Customer loyalty and trust has eroded as well. The overall proportion of customers planning to change banks has increased from 7% to 12% since 2011, according to customer satisfaction survey by Ernst & Young.[3] In half of the cases, customers are retaliating for fees and charges by leaving. The number of customers with only one bank has fallen from 41% to 31%, while those with three or more have increased from 21% to 32%.

Factors like these are encouraging banks to increase their focus on their most important stakeholders — their customers.

[3] "The customer takes control: Global Consumer Banking Survey 2012," Ernst & Young, March 2012

Technology innovation has emerged as a key enabler of market differentiation in financial services. A survey by Accenture of bank CIOs shows that 55 percent want to see technology teams play a pro-active role in driving innovation going forward, especially with new capabilities such as data analytics and its wealth of untapped value creation opportunities.[4]

However, Accenture points out there is often a disconnect between the desire to accelerate innovation and the ability of teams on the ground to deliver at the scale and pace required. In many cases innovation is sporadic, delivered by teams that work in silos, and made too costly by legacy technology leading to a failure to achieve targeted outcomes.

A project portfolio management system can be instrumental in solving these challenges to innovation

[4] "The Technology Innovation Imperative: How Banks Can Deliver Post-Recession Growth," Accenture, 2012. http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-14308-Technology-Innovation-PoV-Low-Res.pdf#zoom=50

The Challenges

Changing investment in IT

IT budgets often focus too much on in-year ROI over a longer-term view, which can hamper innovation. What's more, projects that pursue cost reductions are often prioritized over innovations aimed at boosting revenue.

Financial institutions need to look at IT from a portfolio perspective to determine how and where IT budgets are being spent and what projects are creating the most business value and business impact. A portfolio perspective can reveal which products and services bring low value and where institutions should be spending more in high value IT products and services.

Delivering IT products and services quickly and within budget

When innovation moves too slowly, products and services can be outdated by the time they're delivered. Delays are often due to a shortage of development resource with relevant skill-sets, and embedded complexity in the funding and approval process. In addition innovations can be delivered in isolation, for example an innovation within a single channel, constraining the value that could be unleashed across the bank. Financial institutions must improve the execution of IT products and their delivery in order to remain competitive.

Sharing innovation projects across the organization

When annual planning is kept separate in each business unit, innovation rather than being driven at a cross-business unit level, is kept within the business unit rather than planned as a single portfolio of change for the bank. Visibility of projects throughout the organization, can eliminate redundancy, speed innovation and reduce costs.

Tackling some of these challenges will require fundamental change that may be beyond the capacity of the existing organizational model, especially given the need to meet competing priorities. Key changes are therefore required in order to make innovation a sustainable activity.

The Solution

A project portfolio management solution provides many benefits, including driving business innovation, growth and efficiency.

- A PPM solution drives business growth by turning insight to foresight through project lifecycle reporting with actionable data for improving project performance.
- A PPM solution increases the business value of IT by aligning IT investment with business strategy and goals.
- A PPM solution improves project success. With consistent project-based processes, businesses will be more efficient and able to deliver projects faster, with higher quality and at lower costs. Built-in reporting and configurable dashboards provide the analysis, reporting and monitoring to ensure everyone is kept appraised of project performance. In addition, they are kept aware of any issues requiring action, and they have the information needed to make the right decisions.
- A PPM solution manages resource utilization by providing the visibility into total resource demand and the availability of people, skills and other resources to meet current commitments and take on more work as needed.
- Also, with greater visibility, performance and costs are easier to track and control. With a PPM solution, executives can quickly identify root causes of problems and adjust plans -- ultimately helping to drive ROI.
- A PPM solution gives all appropriate participants access to vital project and portfolio information. By connecting everyone involved in the project both project execution and decision-making are faster and more accurate.
- A PPM solution allows executives to track, model and mitigate risk with industry-standard qualitative risk management capabilities. Risk is a recurring theme with all projects. Executives can evaluate major risk factors and their effect on costs and timing. Based on these risk models, executives can reduce project and financial risk consistently over time.

Summary

Today more than ever, financial services firms have to operate like a technology company as more and more services are enabled through technology. Those who don’t innovate technology with excellence and do it quickly will be taken over by competitors and new entrants in the market, and existing customers are at risk of flight. Project portfolio management is a key part of the innovation imperative.

ORACLE®

Oracle is committed to developing practices and products that help protect the environment

Positioning Financial Services for Tech Innovation
August 2013

Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200

oracle.com

Hardware and Software, Engineered to Work Together