

Achieving a new strategy with technical investment



Background

David Evans and Dan Hare have been Senior Consultants with C5Alliance for over 4 years delivering solutions to numerous blue chip Jersey and Guernsey companies.

Article

“Cheshire-Puss”...said Alice, “would you tell me, please, which way I ought to go from here?”

“That depends a good deal on where you want to go to,” said the Cat.

Lewis Carroll, “Alice’s Adventures in Wonderland”



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The current economic turmoil has affected all areas of the Jersey Funds industry, and its technology sector is no different.

Near-zero interest rates no longer provide the industry with reliable margin based income and the days of a risk free asset classification have disappeared. In some cases these changes directly threaten business models.

Companies have had to cope with clients' financial difficulties, postpone major projects, reduce staff numbers and increase focus on costs.

However, the company must still address the fact that change never slows even if business growth does. This may include moving towards a transaction-based revenue model which is something that many organisations have historically not had to closely monitor or report.

A strategy for change must include an accurate assessment of where a business stands, exactly what it wants to achieve and how it measures progress from one to the other.

In this article we explore this theme and show how measurable investment in technology can help a business to change and achieve its business goals whilst still remaining focussed on cost control.

“Where are we?”

Answering this question is key to a successful change program. The ability to produce a consistent, up to date and repeatable assessment of current operation acts as the ‘GPS’ of financial control. This quantitative transparency is essential if the company is to be able to show that an investment in change has delivered the anticipated savings. Typically, it is difficult to implement such measurement frameworks due to the required information being held in multiple locations with only manual integration possible, often only on a monthly or quarterly basis.

Management information and its evaluation and measurement is needed, but this has to be different to a traditional ‘All or nothing’ data warehouse project which whilst



meeting the basic requirements is often late, over cost, hard to analyse and rarely answers new questions that have arisen in the meantime.

An iterative approach with local partners experienced in Jersey fund business has to be adopted whereby small provable business improvements are delivered continuously to ensure that the Work In Progress is minimised and that still-to-be-implemented changes do not act as a limiting factor to the rest of the business.

“Where are we going?”

Internet – The service that you offer must be available from the internet. Many clients actively prefer the feedback, flexibility, convenience and language accessibility of the internet. Your customer relationship management staff will spend less time on routine, less profitable, transactions and concentrate instead on adding value to the relationship. Receiving client requests in an electronic format has significant advantages in reduced manual work, client instruction integrity and relationship management. Having internal staff use these same systems simplifies maintenance and training, reuses hardware and allows secure remote working.

Scalability – Currently organisations have to recruit more staff to handle more clients but find it hard to reduce headcount when volumes reduce. By adopting simple transaction messaging, key transactions will flow seamlessly from one application and organisation to another. A queue based exception management system allows business staff to fix the typical 0.5% of broken transactions that currently occupy significant ‘Administration’ time.

Management Information – An integrated platform for up to date quality data improves decision making, and replaces the small uncoordinated reporting databases and spreadsheets that proliferate at many organisations. This also allows the business to better measure Risk across currently separate platforms. Ad hoc reporting has to be available through the MS Office tools that stake holders already use.



Reduced application count – Rationalising legacy applications maintained in production simplifies accessing information, removes fixed costs and releases technical resources to focus on change.

Customer focussed systems – No matter how efficient your internal processes become, unless your client experiences this themselves you do not receive the full benefit of your investment.

Knowledge retention and sharing – Provide a framework that allows your team to create and share content. Improve efficiency by creating agile policies and procedures in a controlled, searchable repository whose effectiveness is clearly demonstrable to a Regulator.

“Yes, but how can we pay the fare?”

One of the main agents for change in recent times has been geographical and sector expansion. This has led companies to base their strategies and operating model on an assumption that increased revenue will outweigh the increased costs.

In today’s market the expected revenue gain may not be as large as anticipated, but the increase in cost remains at best consistent.

A company must now look to cost reduction to fund investment in business improvements and compliance with regulatory changes.

As noted, implementing a simple queue based messaging application

- Delivers a strategy of ‘As much STP as possible and an easy audited fix’.
- Reduces business risk from missed transactions, unmonitored intrays and incorrect format messages with the attendant charges.
- Removes the lack of scale which stops many companies taking on new clients if timescales are limited.



- Allows integration with the rapidly growing service bureau industry which enable even small companies to have access to such traditionally expensive facilities as SWIFT messaging and FIX connectivity. Having your banks send you SWIFT MT950 messages gives you closing balances and transactions for your client accounts every night in a consistent format.

Another area where costs can be reduced is by decommissioning legacy systems.

Due to time and resource constraints new systems are often introduced or merged by taking across balances from the old system which is left in place for read only transaction querying “until we get round to decommissioning it”. Unfortunately this very rarely happens!

Companies service multiple read-only legacy systems with attendant fixed licensing costs, support staff time and ageing computer hardware meaning that the promised operational and financial improvements cannot be delivered.

The same technology adopted for measuring business performance can be used as a repository of legacy data made available via MS Office products, allowing the legacy system to be retired and licence agreements and support contracts terminated.

Summary

In summary, a company must have a strategy that is appropriate in the new financial landscape and recognises that doing nothing is still a strategy that incurs cost.

Whatever you choose, know what outcome you are seeing to achieve and define how you will recognise when you are moving towards the goal.

With informed and measurable investment, you can achieve your goals and still include cost reduction in your strategy.

