

WITH DEMANDS ON RETAIL BANKS' IT BUDGETS, FROM REGULATORY COMPLIANCE TO THE DEVELOPMENT OF COMPETITIVE PRODUCTS AND SERVICES, MAKING THE WRONG CHOICE FOR SYSTEMS INVESTMENT COULD PROVE COSTLY, EXPLAINS **JOHN WESTE**, TATA CONSULTANCY SERVICES.

SYSTEMS INVESTMENT: DECISION TIME

In recent years senior executives across many industries have been called on to engage more closely with IT strategies, and in banking the message has been loud and clear. Given its reliance on technology as the cornerstone of products and services, the banking sector has heeded the call more than most.

However, with technology evolving rapidly and concerns such as regulatory change vying for the attention of the board, there is perhaps still a gap to bridge before senior management can truly be said to be fully up to speed with the IT needs of their organisations.

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Learning to love technology

Understanding the potential advantages of a new technology infrastructure or the alternative IT management services available is becoming ever more important to the future competitiveness of banks.

'There has been a big change in the industry, but some people are still afraid of technology, even in the banking sector, though some banks are ahead of the curve,' explains John Weste of global IT consulting firm Tata Consultancy Services Limited (TCS). 'Sometimes there is a major knowledge gap at board level, and more IT knowledge is required at that level than ever before.'

TCS has been serving the banking sector for several years and has built its global presence on application development and maintenance as well as offshoring, amassing an impressive list of blue-chip clients along the way. It is now leveraging those skills and relationships to develop services for banks, including BPO, application development, ASP platforms and revenue optimisation.

From advising on systems integration to managing IT and business functions for its clients, TCS offers banks a guiding hand with planning, designing, implementing and maintaining sophisticated IT environments that are aligned with evolving strategic goals and business models.

So far, it has met with success. It has around ten global

solutions for specific areas of the banking sector, which it is constantly refining in response to the rapidly changing market. Weste himself is constantly talking to banks about what they need from technology and explaining to them what can be achieved in the current IT environment.

'With the move towards a service-orientated architecture, for instance, technology can almost do whatever you want it to,' he adds. 'Therefore, we rely on the industry to define what it wants. That need is stronger than ever.'

If senior executives can grasp the potential of the evolving IT environment and decide their investment strategy in collaboration with their IT executives, Weste believes there is a significant opportunity to create competitive advantage. If not, they could find themselves playing catch-up.

New forces in play

The effect of the knowledge gap that Weste describes is compounded by the change in banks' priorities in recent years. 'The number one issue for banks now is regulatory compliance,' he remarks. 'Five years ago, it was shareholder returns. Those two drivers seem to be in conflict, so board members are in a situation where they are concerned about reputation, which may lead them to err on the side of caution. Managing regulatory changes has made banks hesitant about investment in systems.'

Though banks face pressure on many fronts, and can balance the need to focus on regulatory compliance and make changes to their systems architecture while remaining competitive in the marketplace, Weste believes the time for banks to act is now: 'Doing nothing is the easy decision,' he says. 'The hard decision is to invest heavily in branch networks or cross-border payment systems. There are risks associated with this, but banks have to decide how much risk is acceptable and let this guide their investment.'

TCS is hoping to show banks that the right partner can simplify the problem and mitigate some of the risk. It remains to be seen whether the industry will readily overcome its caution. FBA

Further information

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