

WITH NEW AND ESTABLISHED TECHNOLOGY PROVIDERS AND CONSULTANTS TARGETING BANKING, THE INDUSTRY WOULD DO WELL TO SEEK INDEPENDENT ADVICE ON TECHNOLOGY INVESTMENTS, EXPLAINS **STEPHEN WARRINGTON** OF DIAMOND MANAGEMENT & TECHNOLOGY CONSULTANTS.



THE UNBIASED TRUTH

The financial sector is entering a period of heavy investment in systems and major change to established business models. Their markets are global, their ability to differentiate on core processes is being eroded, and building products and services around the customer is forcing them to rethink the structure of their organisations.

Technology will play a key role in all of these trends, and the financial services sector is attracting many new systems vendors who sense an opportunity to compete with established vendors of financial solutions, given the kind of large-scale change that many banks must make to their IT infrastructure.

From the many solutions put before them, banks must choose a mix that not only enables them to position their organisations for the future, but also meets their short-term goals.

Challenges and solutions

Currently, the main goal is revenue generation. 'The challenge they face now is to grow profits in a market where more processes are commoditised, margins and sometimes volumes are falling, and the easier cost-reduction opportunities have already been grasped,' says Stephen Warrington, managing director of UK activities for Diamond Management & Technology Consultants. 'The last five years have seen good demand growth for banks, but now when they look for ways to grow, there aren't always any obvious opportunities.'

Diamond is a management consultancy with major clients in the financial services sector, which it helps with strategy and technology decisions that support sustainable business advantage. Its financial sector focus draws on the strength of its multidisciplinary teams and its breadth of industry knowledge.

With long experience in the financial sector as a banker and a consultant, Warrington is aware of the many difficult decisions banks currently face, and while

he sees no silver bullet that will solve any large bank's technology and strategy dilemmas, he is optimistic about the opportunities for change, which will in turn impact their competitive position.

'Banks need initiatives [built around] core skills like distribution, risk management and marketing to win a greater share of their established markets,' explains Warrington. 'They also need to search for adjacent markets in which they do not currently operate, be it on the basis of geography, customer segments or products. They should also look for some opportunities that are even further removed from their core business.'

The way out of the maze

On top of their competitive choices, banks have also had to accommodate many regulatory changes, which have occupied resources and consumed IT budgets. 'The mandatory investments around regulations have forced banks to spend on Basel II and Sarbanes-Oxley compliance, which are necessary but deliver limited business benefits,' says Warrington. 'They take up management time and skew the IT investment portfolio.'

Many banks are looking at how to become more horizontally integrated, moving away from their product silos in order to capitalise on the potential for enhanced data management across the entire organisation, which enables more tailored products and services and an integrated approach across customer segments and regional operations.

However, such a major change to the business model, amidst regulatory compliance issues and the multitude of systems on offer, can seem daunting. The key may be to find objective advice, which is Diamond's forte.

'Banks need help with strategy, then design and then building cross-organisational solutions,' notes Warrington. 'We don't sell technology or do software integration. We give independent advice, which banks appreciate when they are bombarded by vendors. They want advice that reflects their specific situation and a guide to help ensure that new strategies are implemented successfully.'

With the right advice, banks can find their way through the maze of solutions and opportunities. FBA

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Further information

Website: www.diamondconsultants.com