

LEAN MACHINE

Allianz Investmentbank AG manages 115 mutual funds and has €10 billion in assets under management, looked after by just a 16-strong business operations team. CIO **Peter Ligezinski** speaks to Barry Mansfield about changing the way the IT function works without altering the philosophy of the business.

Future Banking In the past you have described Allianz as a progressive organisation. What exactly do you mean by this?

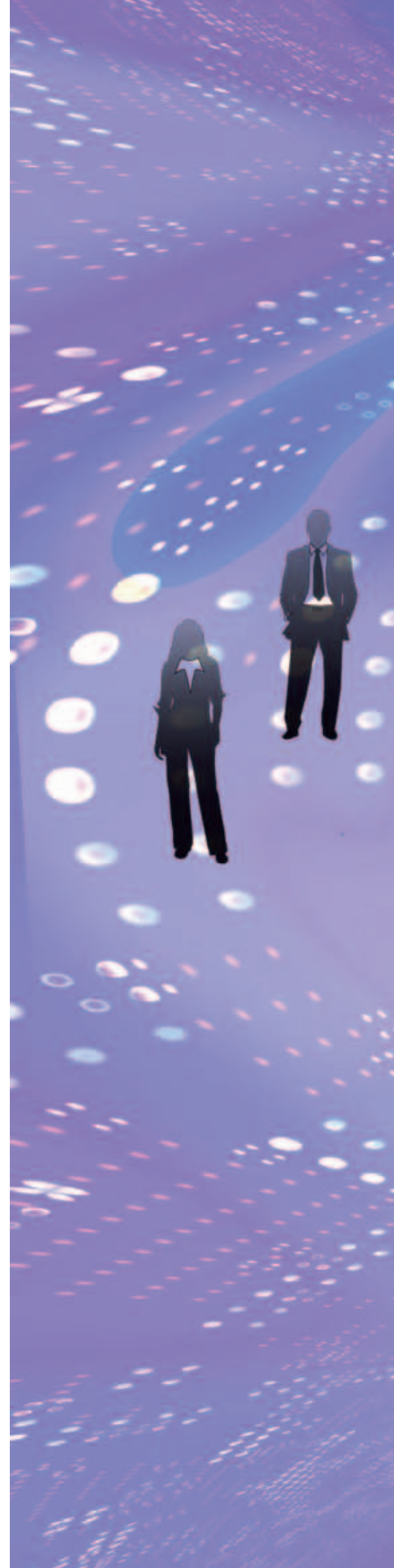
Peter Ligezinski We are a progressive organisation in that, with just 16 people, we are able to handle business operations that demand up to 200 people in other banks. We want to be able to work quickly and to be able to adjust to the client, to the market, to the laws. In the last two years we have implemented two very special projects. One was retail banking and a high interest savings account. The other was automatic handling of payments on these accounts. We achieved it all in just two months with 120 person-days of effort because the fundamental structure of our systems is such that we can add these features quickly.

We have an unusual operational structure in that there is only one operational group covering all the

activities of the traditional divisions you typically come across in other banks like middle office, back office, payments, and cash management. There is only one central system that handles all our activities, and only one central database where all business related data is stored. There is flexible application software making it possible to react quickly and efficiently to new requirements coming from users, business development or law-makers.

FB What is your preferred approach to development?

PL We have an unusual approach to IT – it is our policy not to buy ready-made applications, we do all core development within the bank. There is another unorthodox way of developing application software, and that is software design with nine people, network handling and maintenance of day-to-day business





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with an additional three people. We do not follow any design fads. We prefer to concentrate on long-term stability, availability, reliability and quality, which goes against conventional wisdom.

FB What is your view of initiatives like green blade server implementation for reducing energy consumption?

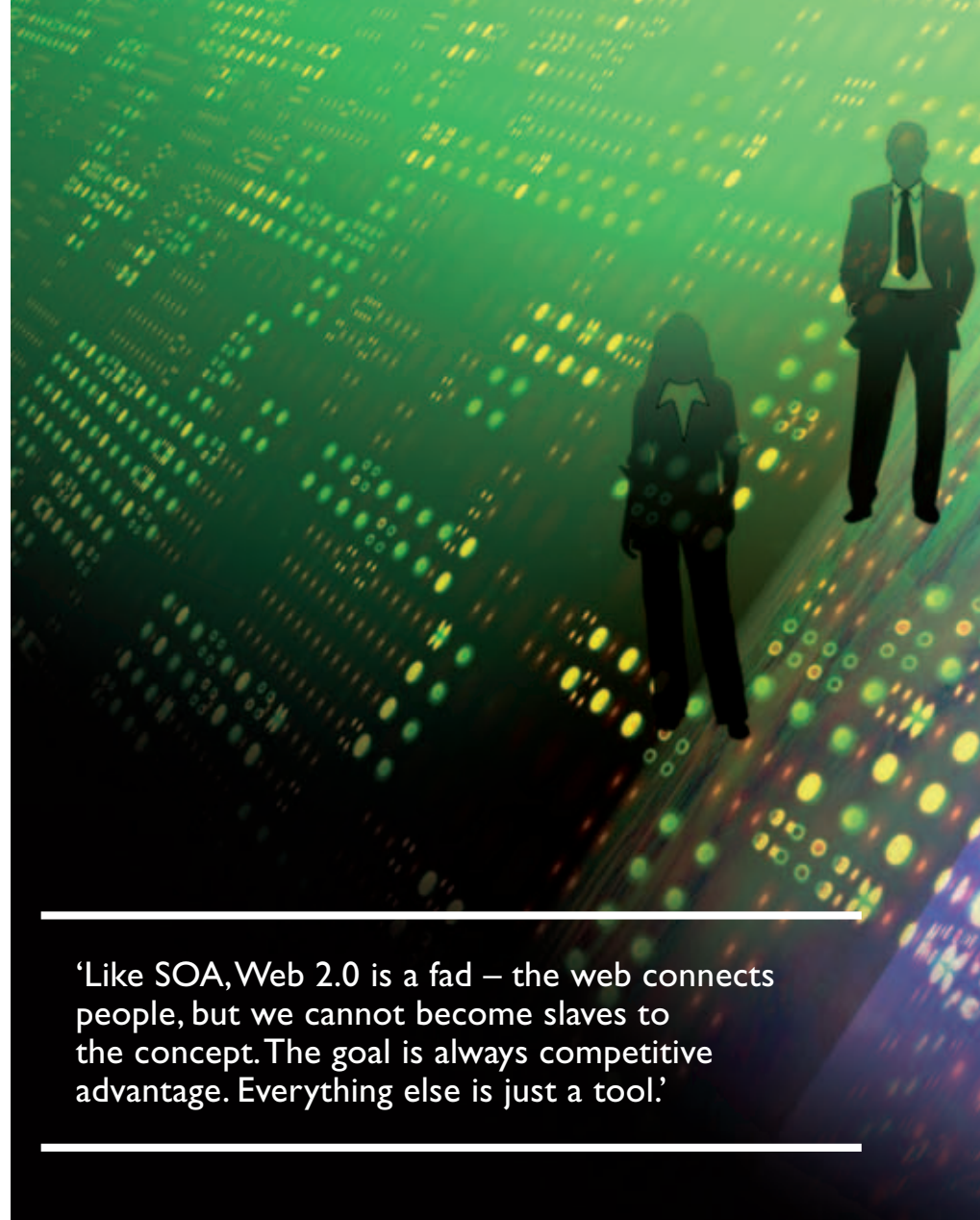
PL The simplest calculations show that all the non-server devices in a building might consume more electricity than the servers, even if they are on stand-by. Do you realise that any PC consumes electricity even if you successfully shut it down? There is the need to produce the necessary energy in the power stations and every device on standby converts all consumed electric power into heat, warming the office and the atmosphere. This is using the example of a small office building. If you translate this into global terms, you could hit some mind-boggling numbers. We waste huge quantities of electricity keeping thousands of devices on standby.

Green servers are a fad used to forget or perhaps cover up the real human problem. The problem is one of being accustomed to convenience. After all, devices placed on standby start more quickly than if you have to reconnect them. Mobile phones can be connected to a charger easily if it has been left plugged in. So we opt for convenience every time, and we do not think about the

Ligezinski on faddish IT

'Why do we need IT? With 16 people Allianz is doing the job of 200, thanks to the IT. We changed the image of the company, the way our people work, without changing the philosophy of the business. I know of other well-known companies that achieved this. A good example is Amazon, the e-tailer. They changed their ways, but they didn't change their philosophy. Their business is still buying and selling books. Likewise, UPS and Fedex changed their IT; they changed the way they operated but not the basic workings of pickup and delivery.

I've written a lot about this in recent years, and people are now starting to take notice. I'm not saying, "I have to use Java, I have to use Oracle, or SAP. This is the future." It's not the future. You can take Java or Cobalt or whatever and it's still not the solution. Like SOA, Web 2.0 too is a fad – the web connects people, but we cannot become slaves to the concept. The goal is always competitive advantage. Everything else is just a tool.'



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results of our actions. My conclusion is that we should start to verify our approach. Green servers do not reduce energy consumption, although it sounds great and it helps us to feel better when we talk about them. Instead, understanding, self-discipline, global thinking and responsibility help us to lower our energy consumption.

FB What about virtual servers?

PL This is another fad. Using virtual servers means more complexity in handling, so more knowledge is required. But what do we actually save? As for our own approach, we do not use virtual servers. Our philosophy is to utilise one server for each critical task. In some cases we run two or three processes on a single server. The cost of one server is generally low. It's also easier to replace one non-functioning server without disturbing the other servers' operation.

It is important to scrutinise the role of the servers in use and to concentrate on the application architecture of an

enterprise. The blind installation of new servers, or new virtual servers, should be replaced by conscious consideration – why do we need these new things?

FB How do you see the role of the contact centre now, and in the future?

PL A central contact centre can be useful, but not always. The initial contact must be followed by a personal call to understand the client, to verify the client's identity and to find out what the client really wants. We can say from our experience that a fully complete financial advisory service over the telephone is not effective, because most potential clients require a more personalised service to understand the vocabulary and to grow trust.

FB And what about the introduction of Web 2.0 technology to financial services?

PL Anything will be available anywhere from any available source – this is an oversimplified definition of Web 2.0. It is great for communication and it will help



transparency, the only work necessary to be compliant will be the legal work in the company - new contracts, new clients' agreements, new educational materials and so on.

The transparency means all electronically stored data is properly indexed, assigned and available anytime for any type of audit. As soon as your IT infrastructure provides for it, your company must concentrate on proper legal formulations, and the proper kind of clients' consulting. Of course, if there are disparate systems, you are in trouble, because the transparency requires extra application software and the disparate systems must be reconciled.

Our systems allow for total transparency. When implementing MiFID we discovered that the most work was done by our legal division and by sales training people, who had to explain to the salesforce the role of client consultation and advice. We had nothing to programme within IT.

FB How can you plan and prepare for future regulatory developments and possible changes, while also managing costs?

PL There is only one answer here, and that's flexibility of organisation – forgetting departmental silos and flexibility of application software – which means adjusting the systems with minimal expense. The key is always flexibility and

the key to software flexibility is in the architecture of underlying data structures and underlying functionalities. In other words, we should not computerise what already exists - we should create new, better structures for our enterprises.

FB How can CIOs in the finance sector be better supported by their organisation to achieve results?

PL The average term of a CIO in Europe at one company is two and a half years. You can't do anything in two-and-a-half years. On the conference circuit I am always struck by the number of speakers in their second year of being CIO at their firm. They are talking about their plans for the future, but they're not able to see it through. They request too high a budget, for example, or there are some other political manoeuvrings going on behind the scenes, and they move on.

FB So you're saying they need more time to realise their goals?

PL Recently I was invited to a CIO summit in Monte Carlo and this question reminds me of a fantastic keynote at the event. The speaker asked the room how many IT directors had held their current role for two years. Quite a lot had. How many five years? Not so many. How many longer than ten years? At this point, there were four people left out of 200 attendees. It can take 20 years to grow up, or develop a company. We shouldn't expect things to happen immediately. FBA

us to keep informed. But as a commercial entity we can only use the connectivity of the internet if it meets our security expectations. We will use Web 2.0 to disseminate our business data faster and easier, but we will not use it to run our systems, which are the source of our competitive advantage.

FB What are the challenges in achieving regulatory compliance, MiFID [Markets in Financial Instruments Directive] for example, in a cost effective fashion?

PL As soon as IT and enterprise organisation provide for total

Peter Ligezinski

Peter Ligezinski has designed and implemented a number of complete IT solutions for financial institutions, ranging from simple current accounts keeping and administration to complex investment banking and mutual fund administration. Before Allianz, Ligezinski had worked for Citibank and the Austrian banking group Raiffeisen, in addition to running his own software development firm. Currently he is the IT head at Allianz Investmentbank AG in Vienna, where he's been responsible for the complete IT development and operations from the first day of the bank's operations.

