

# BANKINABOX – How banks implement new operating models more efficiently

With an intelligent target operating model, a bank can quickly adapt its operational processes to a new business strategy. The bank reference model «BANKINABOX» was developed by Synpulse specifically for the purpose of offering a comprehensive and efficient solution.

Authors: Heinrich Frankenbach | David Steiger

In times of constant progress, banks are constantly faced with new challenges - innovative strategies, expanded business models or changes in the market offer. The reasons for transformation projects are manifold. In addition to a strategic reorientation or adaptation to a changing market environment, there are a number of other reasons why banks initiate major transformation projects. Some possible reasons for a redefinition of the operating model (TOM) are:

- Mergers & Acquisitions (M & A) preparations (due diligence) to identify potential synergies and differences in the current operating models of the companies involved in the deal
- Post-merger integration for the identification and assessment of gaps, and integration planning
- Outsourcing for the realignment of the core business and the interface definition with the service provider

- Expansion into new markets or development of new products and services
- Greater strategic change to the operationalization of the strategic objectives and their implementation across all dimensions

Since the definition of the TOM covers all levels of the company and usually a large number of specialist areas, it is a challenging task. The company strategy is the starting point for TOM. The resulting TOM vision describes the strategic orientation of the transformation project.

### BANKINABOX: A tried-and-tested process model

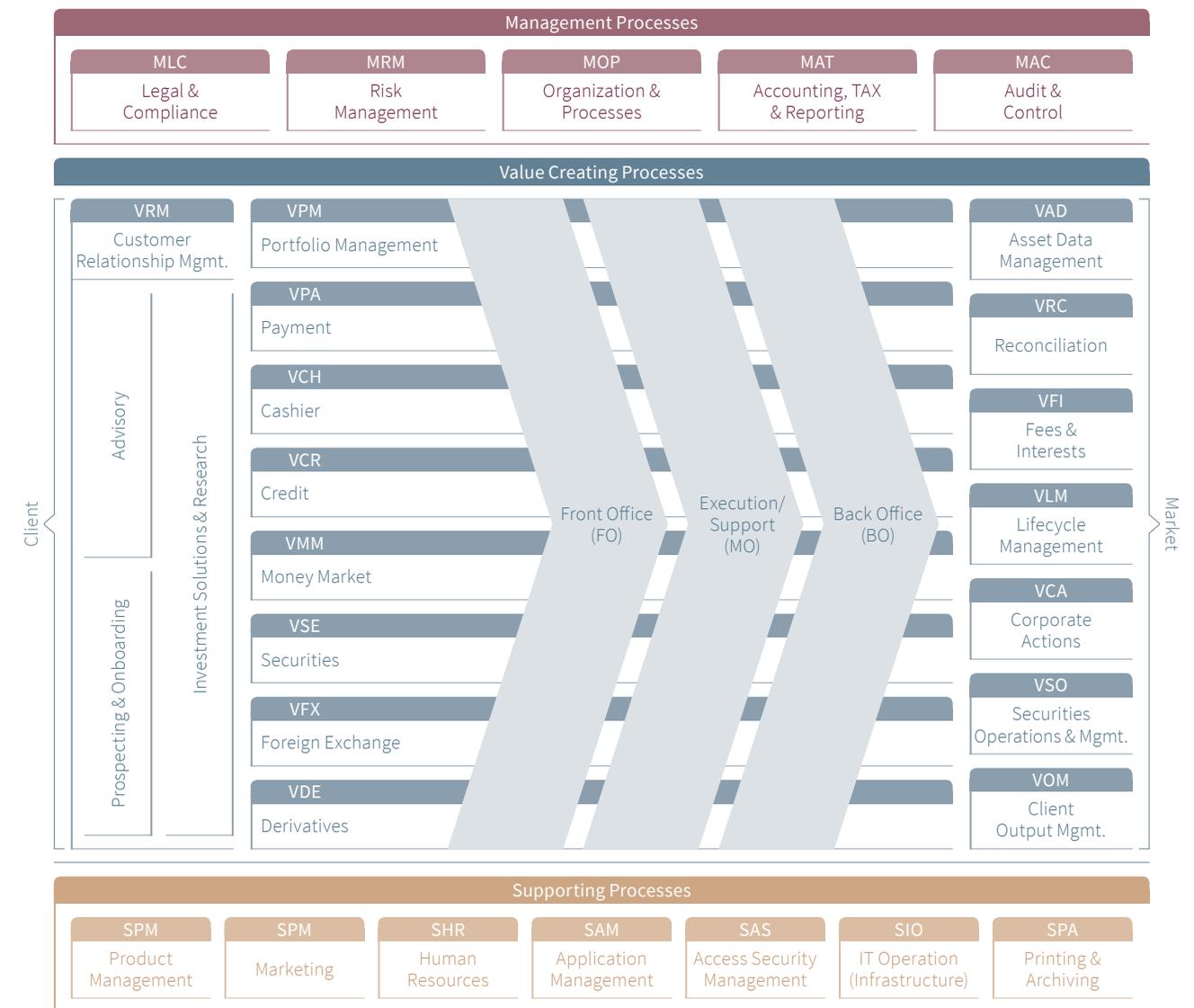
Synpulse offers BANKINABOX a tried-and-tested model of the value-added and support processes of a bank. This consists of predefined process maps for the value creation of different business units in banks (see  1 for the example of a private bank), detailed best-practice processes and a comprehensive role model, from which the responsibilities for the organizational structure can be derived based on the process organization. Based on a current project example, it can be shown how

the TOM definition with the help of BANKINABOX could be implemented much faster and more effectively than is the case in a „greenfield“ approach. An international private bank developed a new operating model. Several core banking systems and outsourcing providers were subsequently evaluated for its implementation. As a basis for the investment decision, a business case was modeled and the planning of the transformation project was developed. The aim of the introduction of a new core banking system was

the process optimization and bundling. In this way, a largely centralized service provision should be made possible in order to realize economies of scale and learning curve as well as factor cost advantages.

### Using design principles to refine the TOM vision

The bank's overarching TOM vision was initially divided into design principles. This ensured that all decision-making options within the framework of the TOM definition could be re-



 1: Banking Process Map (Level 0)

Source: Synpulse

conciled with specific objectives. In the present case, the following TOM design principles were used:

- A globally uniform product and service offering adapted to local needs and regulations
- A global and comprehensive real-time view of the customer portfolio and credit risks
- A globally applicable process and role model for smooth collaboration with harmonized team structures

**Create a clear definition of value creation**

Prior to the design of the operating model, it was first necessary to clarify the value added of the bank. For this, the BANKINABOX process map (Figure 1) was added and adapted to the individual business model of the bank. With the process map, the value-adding processes as well as the management and support processes for the operation of the bank could be defined.

**Standardization of service provision**

Based on the TOM vision and the sharpened understanding of value added, three types of service providers were defined, to which the locations could subsequently be allocated:

- **Advisory & Service Center:** These are characterized by local customer proximity, in which only services are provided in direct customer contact.
- **Booking Center:** They are regionally placed and offer support for several Advisory & Service Centers. This al-

**lows local requirements to be easily taken into account, while at the same time delivering cost advantages.**

- **Processing Center:** The biggest contribution to scale effects is achieved through global service standardization and deployment from processing center sites.

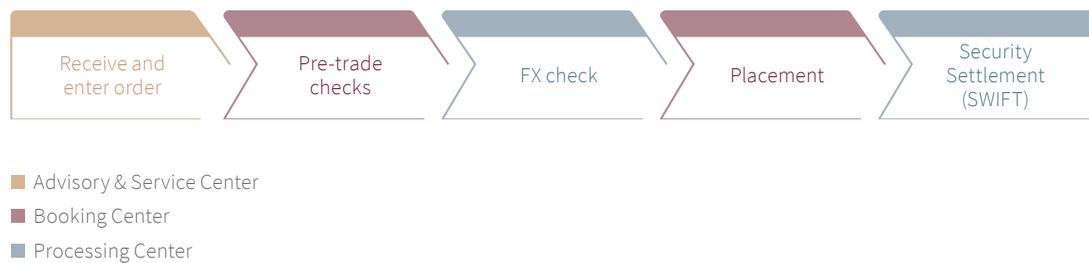
The aim was to design these three types of service providers in such a way that their performance and processes were bindingly established and clear interfaces were created between them.

**Mapping the process steps**

The allocation of the benefits was made using the BANKINABOX processes. These processes were analyzed with regard to their value contribution, their dependencies, their resource use and their customer contact points and assigned to the service providers according to their characteristics. The main reason for the assignment were the customer proximity as well as the potential scales and learning curve effects.

Figure 2 shows the example of the «Securities Trading Process». The individual process steps can be traced using the colored markers. First the receipt and the entry of the order in direct customer contact takes place, for which the advisory & service center is responsible. In the «Pre-trade Checks» and „Placement“ steps, orders are checked according to local standards and placed at the trade venues via the regional booking centers. The FX check and the settlement are carried out centrally in the processing center, since no local or region-specific steps are necessary here, so that scale effects can be used as far as possible.

On this basis, the existing locations were allocated to the three



Source: Synpulse

2: Securities Trading Process

design stages. In the future, there would be a processing center in Switzerland to provide globally standardized services, three regional booking centers in Switzerland, Europe and Asia, and about 20 local Advisory & Service Centers as a direct interface to the customer.

**Strict selection process for core banking providers**

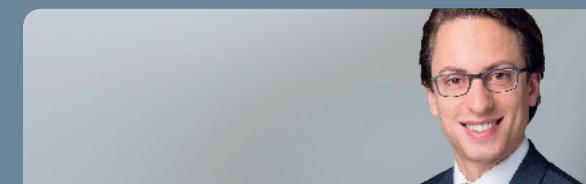
The focus was also on architectural requirements arising from the processing center approach of TOMs. The maximum centralization of activities without a direct impact on customer experience placed high demands on the availability and global performance of the new core banking platform. These criteria and requirements were matched with the offers of the core banking systems and outsourcing vendors. On the basis of the fulfillment criteria, a core banking provider could finally be selected, which optimally supports the future operating model with the different locations for added value and with minimal adaptations.

**Optimized approach for an effective TOM**

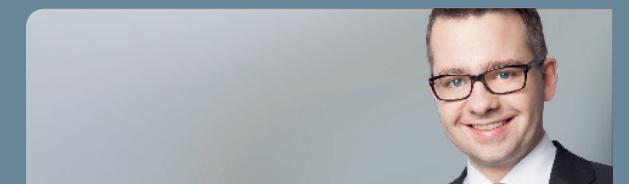
The practical example shows clearly how a complex cross-bank transformation project can be defined, planned and implemented with the TOM method of Synpulse. The use of additional tools offers additional potential to accelerate the design of the future operating model and to increase its effectiveness.

BANKINABOX has proved to be particularly useful in the present project because it quickly filled the tried and tested TOM procedure with content. The definition of the Target Operating Model was based on the adaptation of existing industry best practices so that the work did not have to be started from scratch. Finally, it was possible to quickly identify options for shaping the future provision of value, so that the definition of the TOM could be targeted.

**Authors**



Heinrich Frankenbach  
Senior Consultant  
heinrich.frankenbach@synpulse.com



David Steiger  
Associate Partner  
david.steiger@synpulse.com