

ARTICLE

POWER YOUR CORE TRANSFORMATION NOW BY DEFINING THE IDEAL TARGET OPERATING MODEL

To compete successfully in today's market, your bank's operations need to run as efficiently as possible, which means getting the maximum value out of your banking technology.

With core banking platforms expected to work harder than ever, it's essential to have a system that can meet your changing needs while delivering an excellent customer experience. But it's not enough just to embark on a transformational initiative.

To realize the full value of your investment, you also need to develop a target operating model (TOM) that will maximize the benefits of your core banking conversion, or other significant technology deployment. The TOM process also reduces conversion risks and provides governance and structure to technology initiatives.

For this, you need a core provider that supports you beyond installation. By choosing a partner who can help define your future-state banking environment, you'll be better placed to benefit from more efficient business processes and create a superior experience for your customers.



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Why core transformation?

Banks may opt to replace their core banking systems for several reasons. Following M&A activity, a core conversion may be needed to bring both banks onto the same system. The quest for greater efficiency and lower costs can also prompt banks to replace their core platforms.

With a state-of-the-art core, banks can reduce compliance costs, speed up time-to-market for new product offerings, harness advanced technologies such as application programming interfaces (APIs), and achieve seamless integration. They can also take advantage of new opportunities to provide a digital experience to clients.

Some of the benefits banks have achieved through core transformation include:

- Reduction in third-party vendors
- Improved customer service
- More efficient business processes
- Cost savings from platform consolidation
- Faster deposit origination time
- Improved lending efficiency
- Minimal customer disruption following M&A

Running a successful transformation

To achieve these goals, banks shouldn't simply aim to swap over to a new system. Innovative business processes may be needed before banks can realize the efficiency gains that a new platform offers. Best practices and finely tuned staffing models can also help create the greatest possible value, starting before the conversion event occurs.

It's also important to remember that conversion projects are not without risk. One common challenge that banks face during a core conversion is the need for expert internal resources to contribute to the project alongside their business-as-usual roles. It's essential to effectively plan the use of key resources to avoid conflicts that could delay the delivery program.

Lapsed deadlines, inadequate end-user training and missing historical data can also compromise the success of a technology implementation. All of these risks and more will need to be mitigated to ensure the project's success.

Goals of a TOM

A strong partner during a core transformation will offer a robust methodology that reduces the risk of the new implementation, eliminates unknowns and helps you maximize the value of your technology investment. The key to this is the TOM.

By supporting a transition to new core banking technology, a TOM helps define how the bank will use its new applications, as well as identify proposed changes to business processes using the new solutions. With the right partner – and a comprehensive TOM – you can mitigate risk while ensuring all business requirements are met.

The overriding goal should be to make the most of new technology features and functions, while reducing risk, boosting your efficiency and maximizing return on your investment.

What should your TOM include?

At a high level, a TOM should empower your firm to:



Streamline workflows and optimize your customer interactions.



Grow revenue and reduce attrition by enabling new customer experiences.



Reduce expenses by helping to enable transformational technology.



Reduce or eliminate capital investments and labor costs with outsourced services.



Improve margins by identifying opportunities for expense management and cost reduction.

As such, the TOM should focus on processes, procedures and systems integration across areas such as retail banking, commercial and business banking, deposit operations, loan operations and digital channel solutions.



TOM development and management

During the TOM development process, bank staff work with banking and technology experts to analyze and understand the current operational environment. Current processes and workflows are reviewed and documented. The team should also define and document a future-state environment.

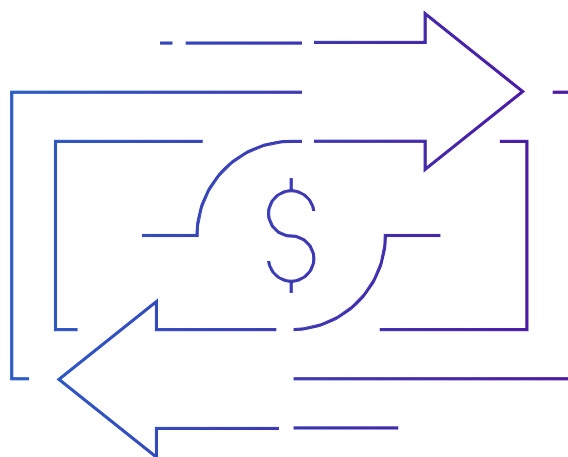
The analysis and preparatory stage is vital when it comes to transitioning your staff to an implementation phase. It's also important to include a group of business process experts with extensive knowledge of core platform best practices to optimize performance.

Other key ingredients of a successful transformation include a proven integration team led by a senior program manager, as well as a partner who can facilitate and accelerate the development of new business processes. And, of course, the solution architecture should ensure the new technology aligns with a well-defined future-state environment.

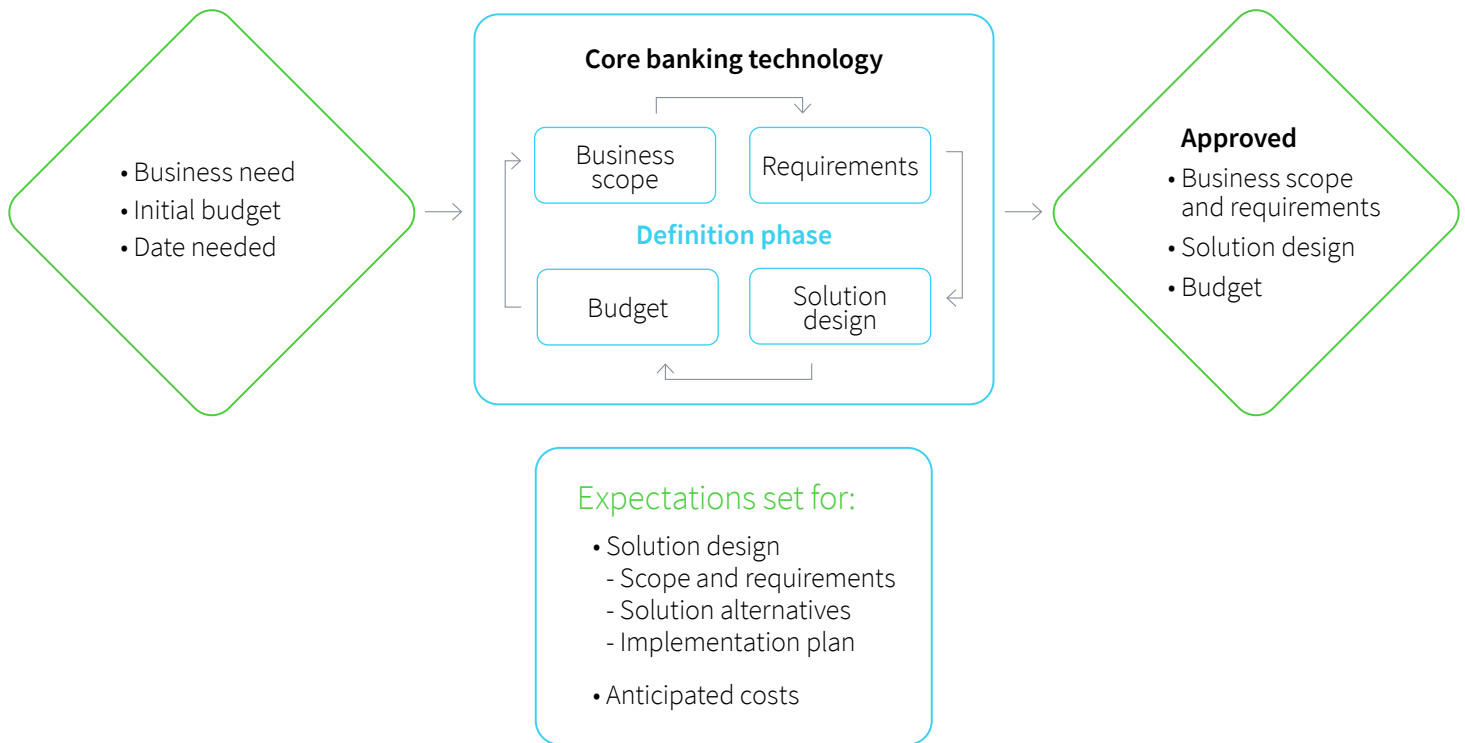
During the implementation, your technology provider should be able to help you manage the milestones of the program delivery schedule, execute the governance structure for the initiative and ensure that your program goals are fulfilled.

The FIS solution design process

FIS® consultants design a comprehensive solution for your future banking needs during TOM development. They work closely with your key stakeholders to define the project scope, solution components and document business requirements. This results in a tailored solution that meets your market needs.



Defining your target operating model



Maximizing technology value

In conclusion, choosing the right core banking platform is only part of a technology transformation journey – you also need a partner with a strong principle around TOM design.

By helping you define your future state environment, the right partner can help you maximize the benefits of your technology investment, mitigate the risk of a core transformation or major technology deployment and substantially improve your firm's performance.

About FIS

FIS is a leading provider of technology solutions for merchants, banks and capital markets firms globally. Our more than 55,000 people are dedicated to advancing the way the world pays, banks and invests by applying our scale, deep expertise and data-driven insights. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.



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