



**APPLICATION  
CONSOLIDATION 'MAY' BE  
THE PANACEA FOR THE  
BFSI SECTOR TODAY!**

- Dr. Guru Raghavan



**Dr. Guru Raghavan**

The world is changing fast and lot more changes are taking place in IT and in BFSI vertical. In addition the demographic changes are dictating terms in the market place which our traditional bankers would not have dreamt even in their wildest dreams. The future scheme of things is definitely looking very complicated. Adding to the complexity is the presence of multiple applications in multiple regions (or geographies) requiring the bankers to spend more time and cost. There is a felt and acute need to move away from as many applications as possible and this can be achieved only through integration and simplification.

The presence of these multiple applications in multiple geographies in the same bank is contributing to yet another issue – varying end user experience. The customers of the same bank experience varying standards of service element and this affects badly the very image of the bank. This requires the banks to transform these multiple applications into manageable numbers – from business functions/processes, lines of business, geographies and finally strategic initiatives angles.

It is learnt that some of the largest banks hold huge number of application portfolios – say for example, 11,000 to 12,000 applications in Bank of America and 7,000 to 8,000 applications in JPMC. (Source: Chris Skinner's blog 'Heard the Word from Hurd Oracles Strategy for Banking Markets')

The motivation for these banks to go for application consolidation could be ease of business operations and increased operating profits. Application rationalization is easily the best baby step these banks can attempt as there are a number of applications first and second, banking business basically is the same wherever they are.

Therefore this proposition appears to be a very attractive one. Once this consolidation exercise is comprehensively completed, it would be easier for the very banks to get into any new location as fast as one can. Having laid the rationale behind the application consolidate let us get into the nitty-gritty of this exercise.

### **Perspectives of Consolidation**

Some of our banks have multiple applications to handle the same business function and process – either due to legacy regional approaches or regulatory requirements or due to mergers and acquisition. One can look at the consolidation exercise purely from a business function and process angle. One can also look at consolidation from geographic considerations – working on a global application or manageable number of regional applications. In addition to these basic angles, the present trend is to look at consolidation from strategic initiative angle – to retain or fold or to consolidate the business. To attain higher business volumes and values, therefore, it is important to explore analysis of portfolio of applications.

### **Objectives of Consolidation**

As seen above, each business unit in the same bank has multiple applications and in addition, these applications overlap among other business units as well. There is a strong business case for a consolidation exercise to rationalize them within each business units. The objectives could be rationalization of overlapping applications among Business Units, rationalization of applications within each Business Unit, decommissioning applications which are rarely used or obsolete and retaining or replacing with more efficient applications which are specific to the Business Unit and has no overlap either with the Business or other Business Units

### **Functional Analysis for Consolidation**

Banking business per se is function or transaction oriented business. In an ideal consolidation exercise, the repeat of the number of same function/process or same transaction is looked into first to draw out a complete list of such functions. Thereafter, the criticality of each of these functions/processes is looked into, categorized and variance analysis is drawn. Less critical functions/processes are either dropped or combined to reduce their numbers. The strategic business initiatives are also crucial inputs for arriving at such target or future state functional requirements.

## **Technical Analysis for Consolidation**

Technology assessment is the starting point for technical analysis for consolidation. After this, target architecture is arrived at taking into consideration the revisited functional specifications as above. While arriving at this future state or to be state requirements, strategic business initiatives are also reckoned. To reduce time and efforts leading to cost control, scope of reuse of extant technology pieces or frameworks would be explored and exploited to the maximum extent.

## **Financial Analysis for Consolidation**

Last but not the least, financial analysis would include arriving at projected cash flows, payback period, internal rate of return and return on investment. This analysis is very important for the decision makers as without this essential analysis the consolidation exercise would be incomplete and may not be worthy of consideration. In addition to facilitating business requirements, consolidation exercise is expected to result in direct reduction of 'Business As Usual' Cost.

## **Value Parameters for Consolidation**

Thus In short an ideal consolidation the parameters for consolidation would include functionality coverage, performance, standardization index, complexity reduction, reliability and commercial viability.

## **Different Phases in Consolidation**

Different phases in Consolidation are C D O – Consult to Consolidate, Design to Deploy and Operate if it is internally funded. Most of the present consolidation exercises are run on this model. One can even think of C D O R T – Consult & Consolidate, Design & Deploy, Operate, Recover and Transfer wherein the service provider could fund the investment upfront and recover the investment over a period of time after consolidation. Hosted models may also be evolved if the concept matures.

## **Factors Influencing Consolidation**

Some of the factors influencing consolidation are increasing competition, rise of emerging markets, rapid change in customer preferences, Join the community dialogue demand for uniform end user experience, more complex supply chains, growth of online business, growth of social media, volatile economic environment, fast changing regulatory environment, changing technologies, demographic changes and cost consciousness.

## **Benefits of Consolidation**

Some of the benefits of consolidation are reduced cost, new markets entry, revenue growth, information security, creation of new products and services, ensuing regulatory compliance, securing financial stability, effective risk management, business processes streamline, adapting to new business strategy, increased competitive advantage, improved business efficiency, effective internal collaboration and operation, anywhere / any time secure access, enriched customer engagement and uniform end user experience.

One may now agree that application consolidation 'may' be the panacea for all ills of the BFSI sector. There are two types of technology players in the market place to cater to the needs of Banking and Financial Services Industry. They are pure 'Financial Technology players' and the other 'Generic Technology players'. FT player by virtue of his/her hold on the BFSI domain will be in an advantageous position to understand the financial landscape and virtually can architect the financial model for the line of business under service. S/he will then get into a discussion mode with his/her customers to identify and understand exact functional requirements and characteristics. Surely FT player can deliver a higher value to the customer when compared with a GT player who will expect the customer to spell out what s/he wants.

## About Polaris

Polaris Software is the world's most sophisticated banking and insurance software company. Over 1,000 engineers across four R&D centres, work on Service Oriented Architecture (SOA), enabling non-disruptive modernization at the lowest total cost of ownership. Over the last two decades, Polaris has implemented its solutions and services across 200 of the world's largest financial institutions. Polaris is acknowledged by Banking and Technology Market Analysts as a leading provider of BFSI Technology Solutions. Polaris provides mission critical services to some of the largest financial institutions in the world. With 10,000+ team members. And a physical presence across 29 countries around the world.

## About Author

**Dr.Guru.Raghavan** works as a Principal Consultant with Polaris Investment Banking and Capital Markets Center of Excellence. Raghavan works with financial services clients from both domain and business consulting standpoint. He holds a doctorate in Bank Management and comes to Polaris with a very rich practical banking experience in Hong Kong and in India.



Corporate Headquarters:  
**Polaris Software Lab Limited**  
'Foundation', # 34, Rajiv Gandhi Salai,  
Chennai - 603103. INDIA.  
Phone: 91-44-27435001 / 91-44-39873000

- Bangalore • Belfast • Chennai • Chicago • Dubai
- Dublin • Frankfurt • Hong Kong • Ho Chi Minh City
- Hyderabad • Illinois • Kuala Lumpur • London
- Madrid • Manama • Melbourne • Mississauga
- Mumbai • Neuchatel • New Delhi • New Jersey
- Paris • Pittsburgh • Pune • Riyadh • Santiago
- San Francisco • Seoul • Shanghai • Singapore
- St. Germain En Laye • Sydney • Thane • Tokyo
- Toronto • Utrecht • Victoria • Wicklow

[www.polarisFT.com](http://www.polarisFT.com)

© 2011 Polaris Software. All Rights Reserved.