

Rough Seas Ahead?

Consider Creative Sourcing



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Working on ambitious projects in difficult economic times is like sailing to a destination with the wind and currents against you. You have to move forward and make continual progress rather than drop anchor and wait for the winds to change. But, what are the right tactics to use? How can you make progress without veering too far off course?

Don't Stop Innovating

Having successfully used technology to automate processes and improve efficiencies during the past 20 years, U.S. banks are shifting their focus to using technology to fuel innovative ways to positively impact the customer experience and increase their product flexibility. Transforming moribund systems enables a promising new frontier of innovation and customer-centric banking.

Banks bold enough to cross the innovation frontier could vastly enhance their ability to grow.

However, banks are under pressure to bolster their balance sheets in the face of tough economic times. Consequently they are trimming their innovation and growth initiatives and putting major information technology projects on hold. They are only funding projects that produce short-term savings.

Still, in spite of cost-cutting pressures, bottom-line growth has to come from somewhere. But where? And, banks still need to make progress on their "to-do lists." But how?

The answer is to look outside the bank's four walls and consider creative approaches to sourcing.

Tackling the To-Do List

History shows that when markets are shaken by down cycles, innovators emerge. Where others stop at a barrier, the innovator blasts through or circumvents it.

Today's economic backdrop is one that fosters innovation. If you don't innovate, you wither.

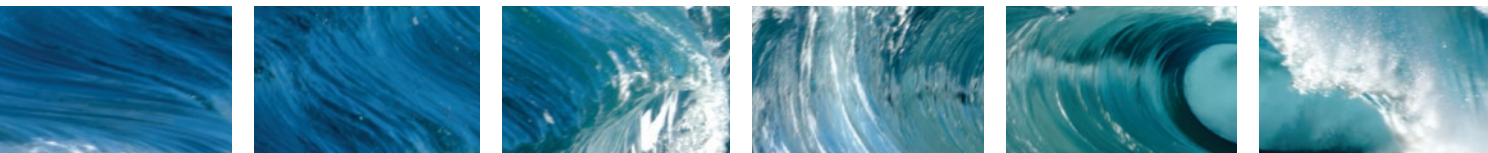
Most banks have a laundry list of potential differentiating services that could contribute to growth and customer centricity, many of which are infused with information technology.

They include:

- Greater personalization of services
- More effective use of technology for cross-selling and up-selling to grow wallet share
- Continual shift to online, real-time systems
- Migration to service oriented IT architectures
- Improvement in receivables management, including web-based self-service customer collections
- New processes that pave the way to true relationship management, increased customer retention and higher levels of product penetration

How can banks move these projects forward in an environment of capital conservation and layoffs? How can a bank tackle its to-do list on a shoe-string budget?





Creative Sourcing

Innovation requires new thinking and approaches. For banks, this can mean rethinking activities to determine if an external partner can leverage its skills, scale and even financing to do the activity more efficiently.

Banks often think of external sourcing as a purely cost-cutting measure. Instead, think of sourcing as a way to accomplish your goals during tough times. While this may not be the time to incur significant risk or capital expenditure—whether technological, financial or staff-related—proper sourcing to a partner can make good business sense.

Look at your sourcing partner as a source of expertise, a risk-sharer, and an investor rather than as cost-cutter.

Leverage external expertise

Experts external to your organization are exposed to a broader range of industry challenges and solutions and often have deeper domain and best practice knowledge. That expertise, combined with the fact that they are outside your organization and can remove themselves from day-to-day issues and constraints, often leads to innovative and creative solutions. These solutions need not be expensive or complex. Often, a simple best-practice or added business process can have a big impact.

Share the risk

Using an external sourcing partner to mitigate risk may mean a 180-degree shift in how you measure effectiveness:

- Stop paying external experts based on their inputs such as hours worked or transactions processed. This is merely “out-tasking.” You’re not capitalizing on the talents of your partner by retaining all management (and risk) in-house.
- Start paying external experts based on their outputs: the beneficial results they produce. The partner manages the function and the bank holds the partner responsible for outcomes.

In this manner, sourcing becomes the framework for a positive, risk-sharing partnership.

Conserve capital

Even in these difficult times, your bank can take bold action and transform infrastructures that impede growth. The key is to view your sourcing partner not just as a source of expertise but as a potential source of capital.

For example, a bank that wants to transform its systems but needs to conserve capital can look to its partner to “jump start” the project by making capital available in an attractive manner.

One approach popular with organizations that need creative ways to conserve capital is benefit-funded financing. For example, when the Commonwealth of Virginia lacked funds to proceed with major initiatives, CGI funded the project through guaranteed future benefits, enabling state leaders to upgrade services without tax increases or deficit spending.

When the Wind is Against You, Keep Sailing!

Sharing expertise, risk and funding are several key components of a creative partner sourcing strategy. It offers a way for banks to save money and rebuild capital during tough times while they continue making progress transforming their infrastructures.

While other banks drop anchor on their to-do lists, your bank can navigate forward with innovations. When boom times return, guess who is best positioned with improved technology, processes and capitalization to grab market share?



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