

The CGI logo is displayed in a bold, red, sans-serif font.

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A decorative network diagram in the top left corner consists of several red and orange circles of varying sizes connected by thin grey lines, set against a white background.

# **BANKING.** TRANSFORMED.

CGI's experts discuss:  
**Modernizing the bank**



## Jerry



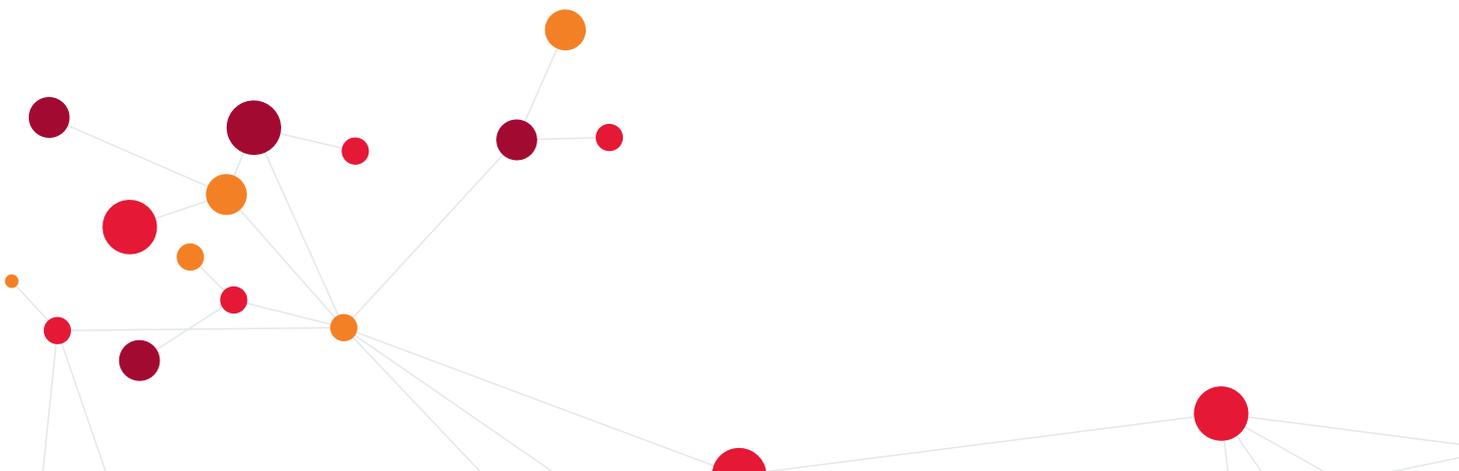
Jerry Norton, Vice President, Global Banking, is responsible for CGI's strategy across the wholesale and corporate markets. He also is a member of both CGI's Banking Industry Cabinet and Growth Council. Jerry specializes in industry-wide change, whether led by business or technology, and his views are sought across the global market. He brings a combination of domain expertise and technology stewardship coupled with an understanding of compliance, regulation and operational risk prevention and management. Much of his current focus is on the changing nature of business and technology in the payments market. Jerry is a regular presenter at international conferences on the major financial services themes of the day, a contributor to a number of think tanks, and is often quoted in the mainstream and trade media.

## Ralf

Ralf Schlenker is a Director on CGI's Global Emerging Technology team. In this role he collaborates with CGI's delivery units and emerging technology practices around the globe to create and align capabilities and value propositions in key emerging technology fields such as AI, advanced analytics, video analytics, intelligent automation / robotics, IoT, AR/VR, blockchain, cybersecurity, high performance computing, and agile / DevOps.

Ralf also supports large strategic pursuits globally, especially ones that require CGI's global reach and capabilities. He works with key industry analysts to apprise them of CGI's strategy and capabilities in the emerging technology domain.

Originally an aerospace engineer, and after obtaining an MBA from Cornell University, Ralf joined CGI in 1995 (via American Management Systems). Originally from Germany, Ralf is based in the United States in Fairfax, Virginia.



# CGI's experts discuss: Modernizing the bank

In a series of roundtable discussions, CGI banking experts discussed four critical areas of banking transformation: modernizing, extending, protecting and digitalizing the bank. This overview shares highlights from the “Modernizing the bank” roundtable, which included Jerry Norton, who leads global banking at CGI, and Ralf Schlenker, an expert in emerging technologies.

## What do we mean by “modernize,” and what is the urgency for it within the banking industry?

**Jerry:** Modernization affects all aspects of a bank, not just the bank's IT management and spend. It changes how a bank organizes its business, how it interacts with its customers, its culture, and its products and services. Banks spend, on average, 7% of their revenue on IT, which is higher than most other sectors. Historically, no one has really questioned this amount, but over the last 10 years, it has come under increasing scrutiny.

Regulation, the move to open banking, and new disruptive technologies and competitors are forcing banks to re-evaluate their IT spend and modernization initiatives. This year's CGI Client Global Insights reveal that bank executives are concerned about what we term “digital drag,” which results from the constraints of bank legacy infrastructures and systems. Banks are under pressure to do something about this, so modernization is rising to the top of their agendas.

**Ralf:** Challengers to traditional banks are disrupting the industry, and modernization has become an imperative to competing against them. There's an increasing urgency for traditional banks to modernize, so that they can become more nimble and agile in responding to new competitive threats and changing customer demands. Digital banking and modernization, in general, drive the agility, speed, customer centricity, data capabilities and other competitive strengths required to succeed.

In terms of the scope of modernization, you can look at it from two perspectives—one narrow and one more broad. The more narrow perspective is to view modernization, not as a single overall project or earth-shattering transformation, but instead as more like a series of interventions. For example, a bank may automate certain processes to become more efficient. From a more broad perspective, modernization can involve changing the business model by, for example, introducing a new digital platform.



## What business model strategies are banks evaluating as they pursue modernization?

**Ralf:** In the insurance sector, there was a trend among insurers to start e-insurance subsidiaries, keeping their digital business separate from their traditional business. In banking, we've seen some banks go all digital, foregoing branches and doing business completely online. The question is which transformation strategy is most effective.

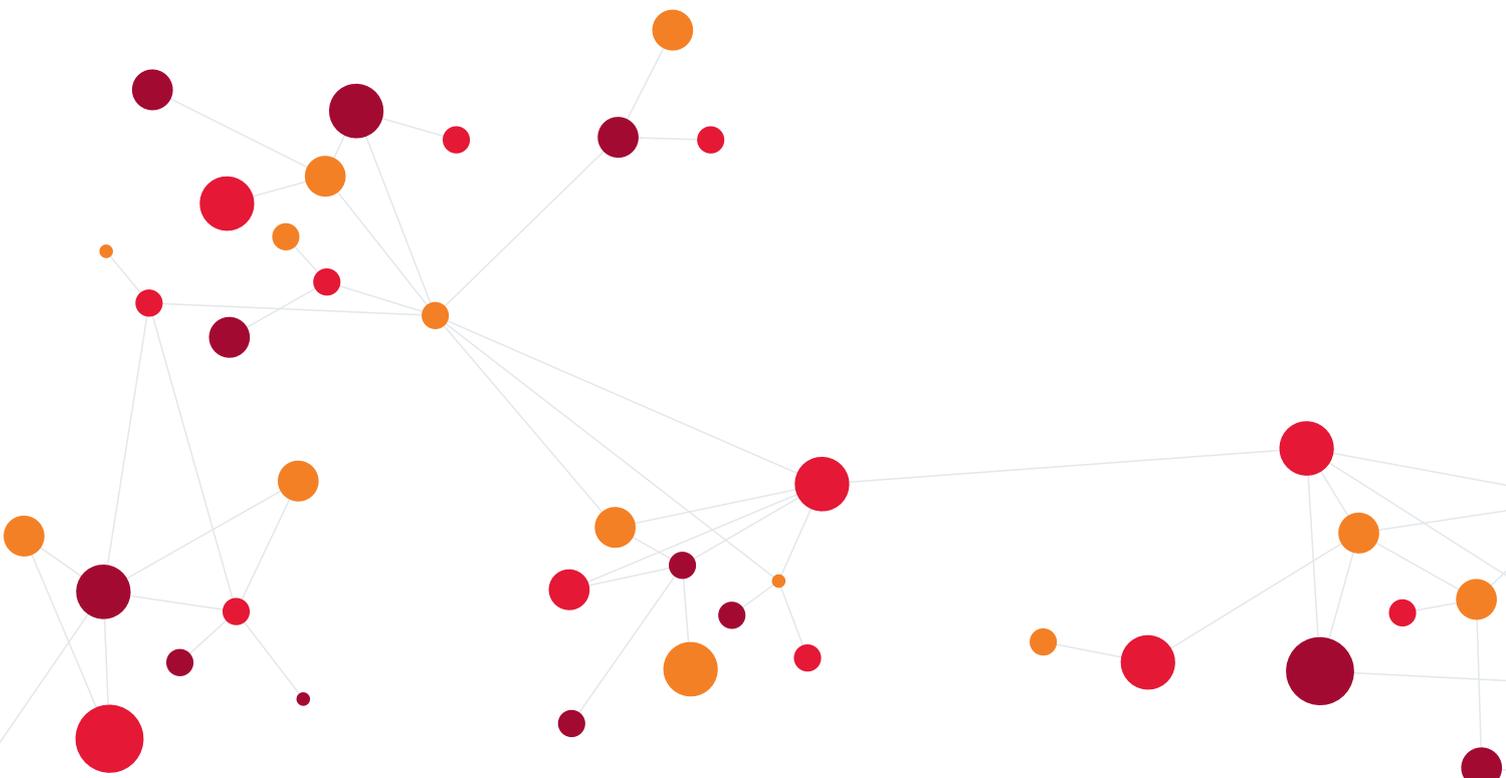
**Jerry:** Right, we saw a big move to the all-digital banking model in the dot-com era in the late 1990s and early 2000s and, largely, it wasn't successful. While this model is no longer in vogue, some banks are thinking of bringing it back, and there's no doubt that some will.

**Ralf:** Real modernization though is dot-com on steroids. It's not just about e-commerce. Today, it involves artificial intelligence, robots, machine learning, chatbots and other innovative technologies that are disrupting other industries, not just banking. There's a benefit to focusing on making digital a separate initiative and focusing on what's most urgent.

**Jerry:** Right, the industry has changed since the dot-com era because of even more disruptive technologies, as well as the complexities and constraints added by regulation. Going all digital isn't as feasible or practical, and we've seen all digital banks fail or add non-digital channels.

Customer expectations also have increased. In addition to payments and accounts, customers today want mortgages and wealth management. There's a demand for universal banks that deliver everything. Instead of universal banks, however, we're seeing a move toward unbundling in which the bank doesn't do everything, but instead offers products and services from third parties. Banks, for example, will process payments, but a third party will handle the front end. Complex transactions, however, are difficult to unbundle.

**Ralf:** So, there's a trend toward unbundling, and that's where the ecosystem comes into play. Banks are re-evaluating the value chain and their role and considering new business models that include ecosystem partners.



## Describe some of the technology implications of modernization?

**Jerry:** With universal banks, there are significant IT issues involving large platforms because these platforms aren't very agile in accommodating business and ecosystem changes. Customers expect the speed of change to be faster than two years. As a result, there are strong technology implications in terms of modernizing. Technology needs to enable the bank to simplify and become more responsive to customers. For example, the bank shouldn't have to enter the same data twice. Simplification means it is entered only once. Simplification also should make it easier for the customer to understand and purchase a product. Technology needs to enable the bank to become both data and customer centric, and form holistic customer relationships.

**Ralf:** In terms of methodology, as I noted before, transformation should involve a set of interventions. However, reacting to FinTechs and other disruptive competitors is different from interventions. It involves new business models—innovations versus interventions—and sometimes innovations can take time to curate with no guarantee of success. Overall, any type of major transformation typically is a sustained five-plus year effort, and banks need to know how to navigate those five years in an agile, iterative way.

**Jerry:** Yes, banks can start small. For example, they can transform the front end; there's no reason why any bank can't do that. However, wholesale bank transformation is much more complex, with few really knowing how to do it. Several recent cases in the press illustrate how difficult this type of transformation is for a bank. Other cases involve banks that are attempting to do it on a smaller scale, but are struggling.

**Ralf:** But, that doesn't mean a wholesale transformation can't be done. Incremental interventions combined with careful tracking and measurement can help overcome the challenges. For example, our CGI Client Global Insights show that bank executives are focusing on just a few transformation initiatives, instead of wholesale change. Interventions should be agile and completed in three-month cycles. Innovations, on the other hand, involve a longer timeframe—perhaps as much as three years—to determine their success in driving substantial change.

Change in terms of organization, culture and behaviour is a huge factor to consider. New technologies result in changes to business models, processes and ways of working, so change management is a critical element of modernization and a major challenge.

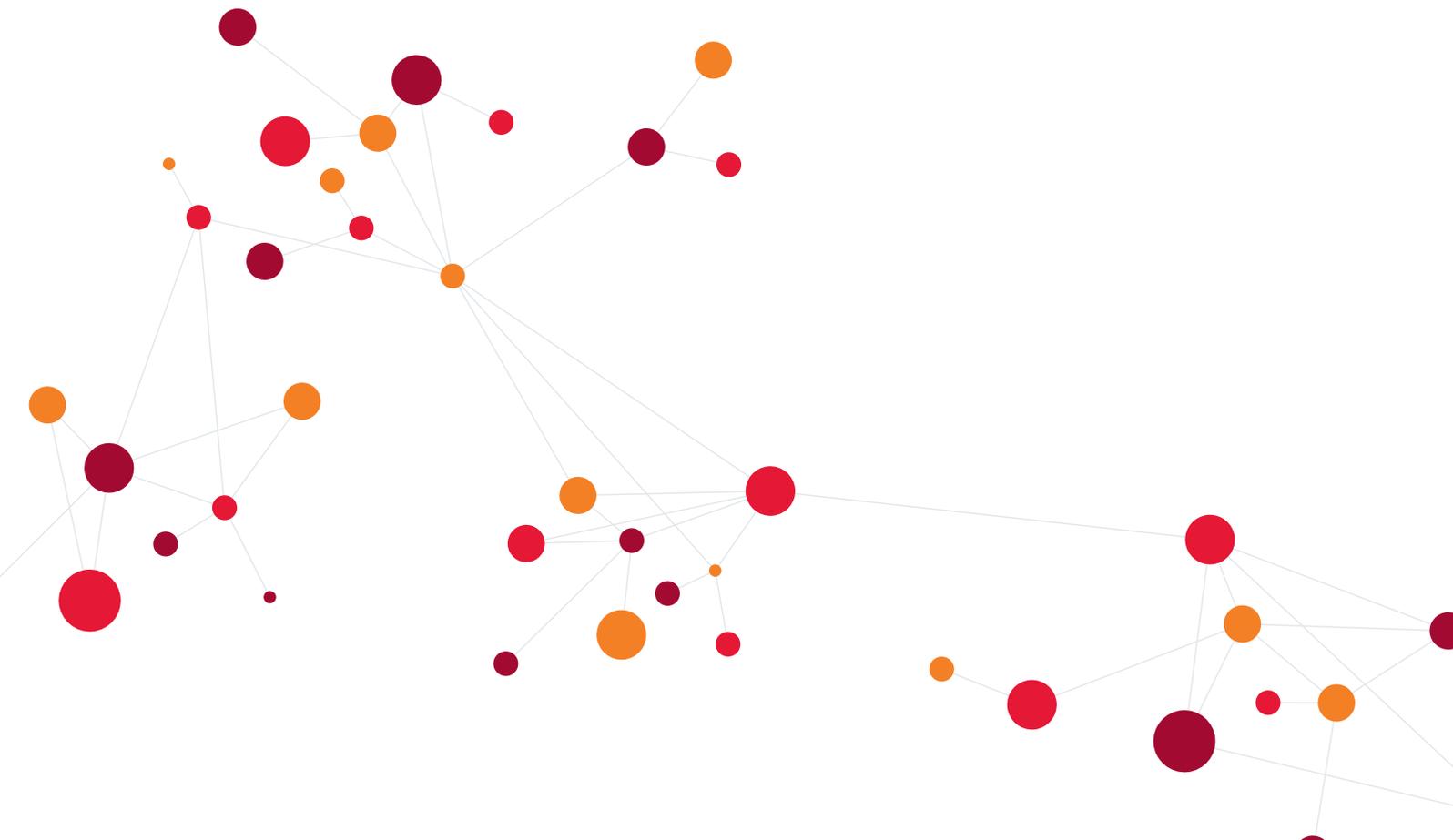


## What are your recommendations for banks embarking on a transformation journey?

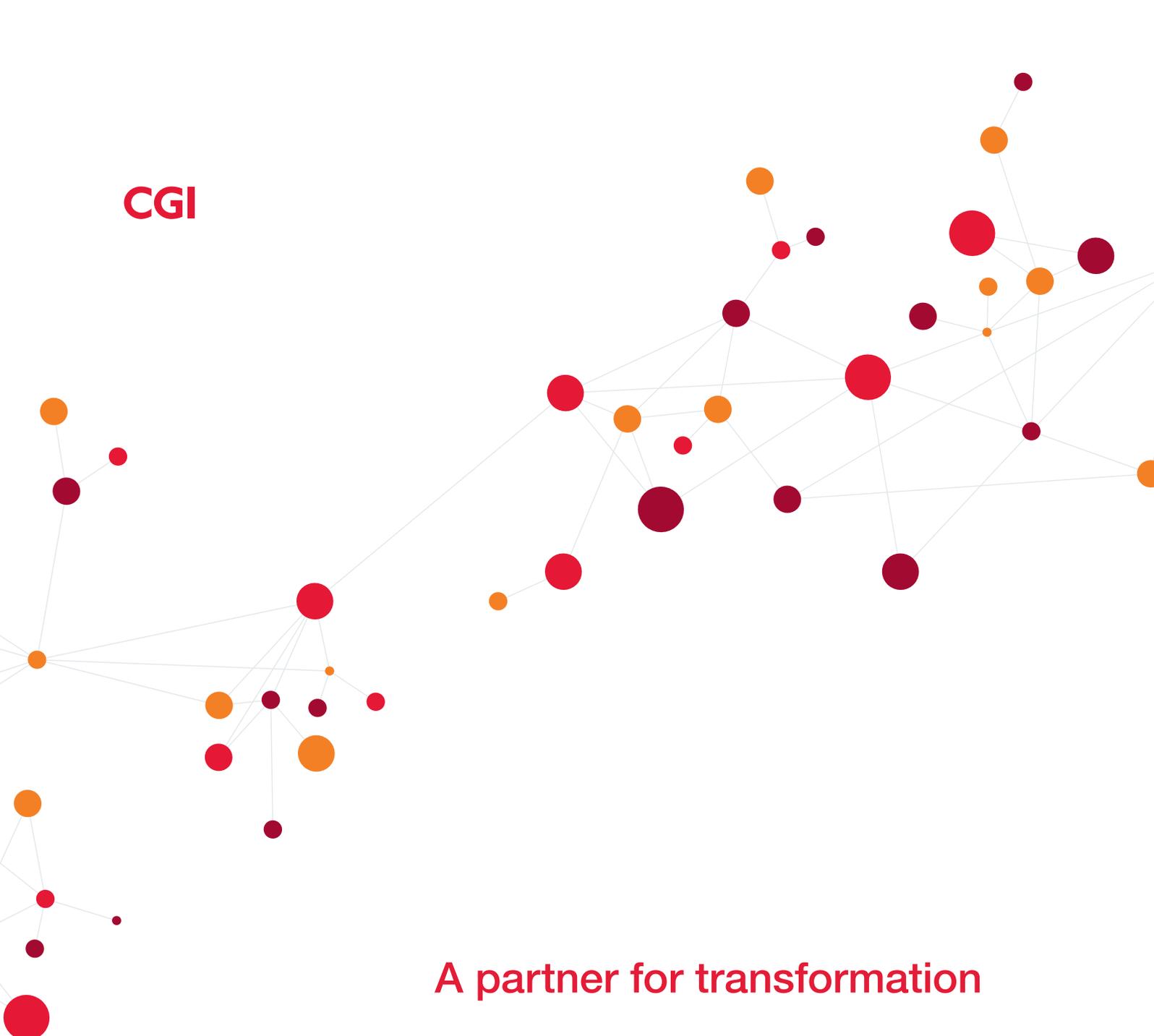
**Jerry:** First, you can't afford not to embark on this journey. The need for transformation is becoming more and more acute, and it's important to realize there's no single way of doing it. A key recommendation is to invest in a roadmap that addresses both your products and technology. On the product side, look at each product to define and assess its purpose, functions, data flows, customer expectations, etc., just as a telco might do with its price plans. Then, develop a product architecture or catalogue to support a clear roadmap for product evolution.

On the technical side, examine your technical architecture to assess the feasibility of integrating real-time processing, proactive monitoring and multi-channel capabilities. You can consider tearing down and starting from scratch if you're a small bank, but for universal banks fixing the current architecture is a more workable solution. It's important also to incrementally change current systems using an agile approach, while working on innovation in parallel.

**Ralf:** Banks today do so many different things. The challenge is how to tackle transforming the different parts of the banking business—whether consumer banking, corporate banking or capital markets. In general, any bank has to address both the business and technology sides—from your business model and culture, to your business processes and products, to your customer experience. You also have to take a hard look at emerging technologies and their impact, including artificial intelligence, data analytics and automation. As we've emphasized above, wholesale transformation is best achieved through agile interventions. Our banking experts work with clients to develop incremental transformation roadmaps with clear milestones that lead to successful overall transformation.







CGI

## A partner for transformation

Since our founding in 1976, CGI has been at the heart of transformation in the banking industry. Today, we support more than 500 financial institutions worldwide, helping to deliver a broad range of digital IT and business strategies, services and solutions. Our deep understanding of the complex global challenges banks face coupled with our strong local relationships enable us to build long-term partnerships that drive success.

CGI's Digital Transformation Practice is anchored around helping clients create a more agile business, one that can continuously respond to changing market and customer needs. CGI has built its practice around providing the end-to-end capability that clients need to enable their transformation and agility. We have more than four decades of experience in helping leading organizations across the world, move forward with their innovation and transformation agendas while helping them elevate their legacy infrastructures.

If you're interested in learning how we can support you on your transformation journey, contact us today. One of our consultants would be happy to help you.

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