ROCKPORT
SOFTWARE

Major European Investment Bank

A major European Investment Bank, specializing in capital markets, structured finance, and derivatives, with Head Office in France, and operations throughout the world.

The Business Issue

The CIO's mission was to transform the various country based operations into a global one, with consistent standards and processes across the world. Although some projects would still be executed locally within one country, others would be global e.g. implementing a backbone between NY and London. Clients would expect to receive the same high level of service throughout the organization, from Asia to Europe and to the US.

The only view the CIO had at the time was a country based budget, containing a lot of detail on cost centres and local GL line items. But there was no consolidated view, other than at the very highest level. The CIO was unable to determine quickly, if at all, how much was to be spent on managing the data centre in the US, and how this compared with those in the UK and France. Given the pressure to cut costs, how could the CIO identify which costs to cut without damaging existing services. Without a clear view of the cost structure, any cuts would be, at best ill-considered, and at worst, random.

Moreover, the CIO wanted to know what activities his teams were involved in, how much they cost, and how they compared across countries. He wanted to know how much to bill each of his clients for projects and baseline e.g. for network support, managing applications etc. Clients simply did not know what they were being billed for, and why. Such questions could not be answered with the existing cost centre based budget in place at the time.

The Solution

The Bank asked Rockport Software to propose a solution, involving the collection of activity based data from all IT functions across the world. The solution involved building a central application using Oracle Financial Analyzer (OFA), in which the various budget managers around the world would enter their budgeted activities (projects and baseline) via the intranet, and assign forecast headcount, expenses and capital budget.

The resulting budget was consolidated quickly centrally, enabling the CIO and his management team to quickly view the forecasts by activity, by country, by function, by expense line, and how these costs would be borne by the clients. Now it was clear which activities and which clients involved the greatest expense. Armed with this knowledge, the CIO and his team were now able to negotiate with their clients what activities should be done in the next financial year, and were able to give a clear statement of where the costs lay.

The effect on headcount, expenses and capital expenditure resources of canceling or postponing projects could immediately be assessed. Changed assumptions could be applied quickly and the budget reconsolidated quickly, and made available to the budget managers across the world via the intranet.

As the budget rounds continued, many iterations of the budget were produced. These were all captured, enabling managers to compare easily and quickly across versions to keep track of where the cuts were being made.

The Benefits

The CIO and his team were now able to manage their various business units with more consistent and timely information, and could now provide a more focused, transparent and cost effective service to their clients. Service level agreements (SLAs) could now be set up for all the main functions within IT worldwide.

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While previously the Bank's business units had very little, if any, understanding of their IT costs, they now had for the first time, a clear understanding as to where their IT costs lay, and how much the IT activities cost them. For example, how much it really cost to obtain market data, or run trading and settlement applications. Consequently they were able to identify areas to make cost reductions, benefiting the Bank as a whole.

The global view of the activity based budget enabled the CIO to compare activity costs across regions and across clients, and to redistribute resources accordingly. For example, data centre costs could now be compared on a like for like basis across the world, enabling more accurate assessment of the implications of consolidating data centres, and leading to substantial cost savings, amounting to many millions of euros.

Furthermore, the CIO was now more able to identify, and assess the cost of, those activities which may be benchmarked with other organizations, and also to determine which activities could be outsourced. Using this information, a separate initiative was subsequently launched to invite and assess outsourcing proposals from a number of third parties, leading to yet more cost reductions.

The net effect of the new transparency of costs provided the CIO with a significant, and early, ROI, comprising many times the investment.