



Your five principles of transformation

by Eric Purdum, Global Head of Banking Solutions

How do you achieve the full-scale technological transformation of a financial institution and sleep soundly at night?

The answer is rooted in flexibility, forward-thinking and determination — avoid the pitfalls, meet challenges head-on, keep up with current banking trends and apply Luxoft’s tried-and-tested principles for a successful transformation.

But before embarking on any transformation project, stakeholders need to agree on a definition of the word. Luxoft defines transformation as “an orchestration of strategic programs consisting of multiple projects, with the collective objective of fundamentally changing the direction of a business.” This interpretation can comprise any combination of digital transformation, core banking, payment platforms, operations, cloud and general IT transformation.

One of the fundamental transformational building blocks is appreciating that transformation has both a technology and a business component. Only engaging the technology side of the organization is not enough. For a successful outcome, the business side must also involve themselves in the whole process.



Correcting one or two misconceptions

Financial institutions can encounter many drawbacks when commencing a large-scale enterprise transformation.

Organizations feel pressurized to commit internal staff to the transformation effort. At best, this is pointless and, at worst, counterproductive. Most of an institution's existing talent are so focused on daily business and the way things are done, that they have insufficient understanding, capacity or vision to enable a full-scale transformation.

Another red flag is when an organization has already allocated an arbitrary budget for the project and is looking for a transformation strategy to match the budget, rather than the other way round.

Once you've defined the word, you need to decide what successful transformation actually looks like; what it involves and the desired end result. Committing a big spend and raising expectations without examining the finer points is bound to lead to disappointment.

All together now

Luxoft teams are often faced with a client's belief that transformation is purely about technology. In fact, the hardest part of transformation isn't the technology at all. It's the business side of it. Like working out who are the key players, and getting support from decision-makers high up in the organization who can authorize necessary operational changes. This process has to involve both the business and technology sides of the organization, working in sync.

The final pitfall is setting an unrealistic timeline. A large, full-scale enterprise transformation — especially in core banking — is measured in years. As the man said, if a job's worth doing, it's worth doing well. Setting an arbitrary timeline of between 6 and 12 months is not realistic for technological and organizational change on this scale.



Current banking trends

So, that's what you need to avoid, but how do you achieve success? Banking is a fast-moving industry, so here are some current trends that ambitious organizations are keeping an eye on:

- **Hyper-personalization.** Right now, the burning question for financial institutions is: "How do we get closer to our customers?" Any transformation project needs an outcome that affects the end customer
- **Speed and flexibility.** Banks need to keep retail, consumer and commercial customer groups interested
- **Digital assets.** You need to determine which internal assets you can retire, get away from, or move to, and how they facilitate hyper-personalization, speed and flexibility
- **AI and ML.** How can you utilize these exciting new technologies to progress to the next level of banking?

Your five principles

Keeping in mind the pitfalls, trends and challenges, how do you achieve transformation? Luxoft's tried-and-tested approach involves five basic principles:



Protect banking services. During a transformation process, the day-to-day activities must not be interrupted



Build a strategic transformation plan together. Both the technology and business sides of the organization must work in concert throughout the whole process

Turning obstacles into opportunities

On top of investigating these new banking trends, review any barriers that stand in the way of success.

Financial institutions are complicated ecosystems and most have considerable technology debt. As well as expensive and inefficient legacy systems, many institutions have devolved business decisions, complex processes and the knock-on effect of decades of ad hoc integration, that need to be resolved. Remediating these issues can be a convoluted process, a multi-year journey which requires full dedication and commitment to the outcomes.

The first couple of years of a transformation program are often about just getting to grips with what an organization already has, as much of what accrues over time is light on documentation. So, institutional knowledge retention can be a significant issue.



Standardize your technology and business selection, and design. Deciding where you want to go to minimize your customized environments is crucial



Establish our governance and leadership team together. How do we deal with issues as they surface?



Bring in the right transformation specialist. This is the most important aspect of the whole transformation. Financial institutions are not equipped for full transformation as they are wholly dedicated to day-to-day operations. Luxoft has experienced transformation specialists on staff, and bring specific individuals into the team according to project requirements

About **the author**



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Eric is a financial technology executive with 25 years' experience of successfully building, scaling and running global businesses that enable transformation and modernization. His current focus is enabling global financial institutions plans and meeting their transformation objectives. Eric started his professional career in the early '90s as a U.S. Navy diver, before leveraging his discipline and problem-solving abilities in the world of business.

Get in touch

Visit luxoft.com/banking or contact the Luxoft banking team at financialservices@luxoft.com to learn more about how we could add value to your transformation.

About Luxoft

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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