WHITE PAPER

CIO
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Agile Computing:
The Path to Strategic Agility

Financial institutions are facing unprecedented business challenges. Learn why strategic agility is critical to stay ahead of a complex and changing global landscape.

Macroeconomic uncertainty. A heightened regulatory landscape. Low customer confidence in banking institutions. Intensified competition in a more global environment. Increasingly, these issues are top-of-mind concerns for financial institutions worldwide. Picture the following scenarios:

Banking. The Federal Reserve raises interest rates significantly. As a result, U.S. banks must make major changes in lending, investment, and borrowing policies. But with multiple ongoing initiatives, how can a major banking institution with many nationwide locations implement consistent policy changes, ensure transparency, and also meet fiduciary, statutory, and compliance requirements?

Asset Management. The yen falls suddenly, the euro is in ongoing decline, and the future of the dollar is unclear. As world financial markets fluctuate rapidly, how can an international investment firm manage risk, meet its objectives, and optimize performance of its funds and assets?

Insurance. The lifeblood of insurance companies depends on the ability to get new financial products and services, including insurance policies and annuities, to market quickly. But how can you continue to outpace your competition, expand distribution, or even modify products during times of extremely low interest rates, while adhering to compliance standards and policies?

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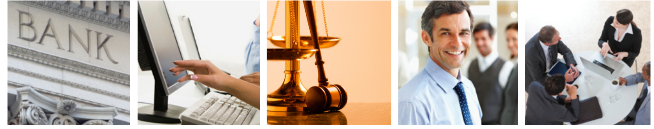


In today's rapidly fluctuating global economy, changes occur more frequently and are less predictable, more complex, and increasingly hard to manage. The challenge is managing change at a time when it's difficult to forecast even what the immediate future holds.

To maintain a competitive edge, financial services organizations must focus on areas where they can compete most profitably and effectively, quickly introduce new products and services, and manage risk efficiently, while ensuring high customer satisfaction. Success depends on the ability to stay ahead of change and also respond quickly when market conditions turn on a dime.

Agility has become a strategic business imperative. Successful financial services organizations effectively anticipate change and mitigate risks by proactively preparing response and contingency plans. A key enabler to business agility is effective project portfolio management. Organizations must be able to forecast project and portfolio performance, recognize risks and changes through early warning indicators, and craft and implement a process for developing response plans for creating opportunities from potential risks.

Information technology is the mission-critical enabler that allows financial services organizations to become more agile in the face of change—whether it's responding to a precipitous drop in currency value, preparing for changes in accounting practices and tax laws, or analyzing the impact of market trends. Automated and nimble technology provides the path to agility for faster and better decision making.

"Competitors are moving more quickly, we are experiencing an era of heightened financial regulations, and the economic environment is changing dynamically. You need a control system that can adjust," says Mike Metcalf, director of services industry strategy, Oracle Corp.

Metcalf explains, "It's not so much as having to address specific regulations, but operating in an environment where regulations are continuing to unfold. Organizations will have to face a period of heightened regulations yet-to-be defined. They don't know what's coming and need to be responsive."

Changing Global Landscape

Four key market drivers are forcing financial institutions to become more agile: macroeconomic uncertainty, heightened regulatory environment, low customer confidence in banking institutions, and increased global competition.

1. Macroeconomic uncertainty. Financial institutions worldwide must rapidly adjust to currency fluctuations; actions by the Federal Reserve, European Central Bank, and other central banks; last-minute tax changes; fast-changing commodity prices; and unstable political environments.

2. Heightened regulatory environment worldwide. Financial institutions across the globe are facing an unprecedented number of new and evolving regulatory requirements and standards designed to ensure fiscal transparency and protect consumers, particularly in the wake of the recent financial crisis. These include:

- **Dodd-Frank Wall Street Reform and Consumer Protection Act.** Signed into U.S. federal law on July 21, 2010, Dodd-Frank has brought the most significant changes to financial regulation in the United States since the regulatory reform following the Great Depression. To meet compliance requirements, financial institutions are now obligated to report detailed financial information to consumers, auditors, and regulatory agencies.
- **Basel III.** This global regulatory standard on bank capital adequacy, stress testing, and market liquidity risk is designed to strengthen the banking sector's ability to absorb financial and economic shocks, improve risk management and governance, and increase financial transparency.
- **International Financial Reporting Standards (IFRSs).** This body of international accounting standards issued by the International Accounting Standards Board states how particular types of transactions and events should be reported in financial statements. IFRSs are progressively replacing the many different national accounting standards to provide a common global language for business affairs. IFRSs are important for companies with business dealings in different countries by making accounts understandable and comparable across international boundaries.

3. Low customer confidence in their banking institutions. Due to the recent economic flux, customers lack faith and trust in financial markets and are wary of financial institutions. Americans' confidence in U.S. banks is at a record low (21 percent), according to the 2012 Gallup annual "Confidence in Institutions" poll. U.S. banks have witnessed the greatest decline in confidence of any institution relative to their historical average. Because of this

breakdown of trust, consumer loyalty to existing institutions has eroded. As a result, consumers feel empowered to choose different and nontraditional financial services vendors.

4. Increased competition in a more competitive global environment. Customers demand higher levels of service and innovation, such as mobile accessibility. They are willing to shop around readily for banking services, switch institutions, and turn to new market competitors—from big-box retailers that provide banking and mortgage services to new types of payment systems such as PayPal or mobile banking on smartphones.

"When you add these things together, it is a much more fluid environment," says Metcalf. "Organizations need to be more agile to react to these factors and the uncertainty in these major markets. Business agility must be a core competency."

Stay Ahead of Change

Strategically agile organizations are market leaders because they operate strategically in their day-to-day operations, contend INSEAD Professor Yves Doz and Mikko Kosonen, co-authors of *Fast Strategy: How Strategic Agility Will Help You Stay Ahead of the Game* (Pearson, 2008).

To move and respond fast to market changes, organizations must be able to redeploy resources rapidly enough to quickly exploit emerging opportunities in a complex and fast-changing environment.

The road to agility—and the way organizations change—is through programs and projects that effect change across the organization.

Organizations must communicate the strategy and ensure that initiatives are tightly aligned with the strategy.

"Rapid change must be a key capability, and if organizations don't do that, then there will not be a strong linkage to strategy," explains Metcalf. "The real failure point is translating strategy into action. That's where the breakdown occurs. You need to make sure that what you are actually doing is aligned with strategic intent."

Organizations must fix these disconnects to become more agile. If the strategy calls for emphasis on a certain part of the business, such as products and services in particular markets, the strategy must be translated into initiatives and projects that directly support the strategic intent. That requires visibility and a holistic view of initiatives across the enterprise.

Unfortunately, strategy is not always visible, particularly in the area of managing programs and initiatives. For instance, organizations may be performing duplicate functions across the enterprise, investing in off-strategy initiatives—creating significant overlap, waste, and redundant personnel effort.

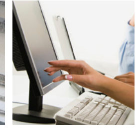
Without a centralized repository and uniform controls, it is difficult for financial services organizations to identify who has authority, governance, or funding. An agile IT infrastructure provides the visibility, analytics, and reporting to help organizations determine whether their initiatives are truly aligned with strategic goals, so they can efficiently deliver the right mix of financial services.

Typically, projects involve a complex web of interactions among individuals at every level, both within and across organizations. Establishing governance processes and reporting structures for internal and regulatory reporting is difficult, often ad hoc, and not connected to decision making around corporate strategy.

Key Components of Strong Project Management

Strong project management can help organizations make and communicate the right decisions quickly. These elements are fundamental:

PORTFOLIO VIEW	INSIGHT	ANALYTICS
For end-to-end visibility across the enterprise to see the full picture, understand the available options, and forecast via model and scenario planning.	To examine the portfolio, link it with the strategy, and determine whether or not the view is consistent with the strategy.	To measure results and determine whether services deliver value, address compliance requirements, and reduce risk.




To become more agile, organizations must develop capabilities to adjust costs and change initiatives based on changes in strategy. They must also become excellent in leveraging technology, which plays a mission-critical role in helping organizations drill down from strategy to initiatives and coordinate programs across the enterprise.

"Make sure that not only do you have a good mechanism for initiating projects, but that you also measure the results," says Metcalf. "It's also part of your governance over projects and investments."

Enterprise project portfolio management (EPPM) can connect projects directly to strategy by providing end-to-end, real-time visibility into all relevant information within a single integrated solution. EPPM drives the action to address the critical agility requirements of financial services organizations by:

- Enabling businesses to bring together all project collaborators, data points, and processes for a unified view of project, program, and portfolio status.
- Providing a framework for the entire enterprise to establish rigorous control and governance structure to ensure all projects consistently adhere to business objectives.

Agility requires the ability to choose good projects, execute effectively and efficiently, and use the right metrics.

EPPM improves portfolio management decisions, making it easier to evaluate the risks and rewards associated with projects and programs. By delivering consistent information, EPPM helps financial services organizations become strategically agile. Agility requires the ability to choose good projects, execute effectively and efficiently, and use the right metrics.

Path to Strategic Agility

In today's world, companies must adopt a new posture to address increased economic uncertainty. To thrive, institutions must leverage technology to deliver services and capabilities in a way that consumers expect—and, importantly, to rebuild customer trust.

Strategically agile organizations are those that can leverage challenges to create opportunities for a competitive advantage. Enterprise project management solutions enable project-driven organizations to intelligently manage their programs and projects—from small and simple to large and complex.

"Oracle can help organizations communicate their strategy to align and organize initiatives," says Metcalf. "We want to help our customers retool to thrive during this period of heightened regulation."

Oracle's Instantis EnterpriseTrack is a leading cloud-based project portfolio management (PPM) solution used by IT and business process leaders in services industries to improve strategy execution and financial performance through more effective work and resource management. It accomplishes this by providing an end-to-end solution and top-down approach to managing, tracking, and reporting on enterprise Strategies, Projects, Portfolios, Processes, Resources and Results. Specifically, it empowers PPM leaders with the ability to plan and execute project portfolio strategies centrally; manage demand and resource utilization across IT and other project portfolio types; monitor, report and analyze work; and project portfolio activity, status and metrics.

This cloud PPM solution offers an answer to the lack of project portfolio management standardization across the enterprise by providing a single-system solution for managing multiple project portfolio types. The core enabler for this unique capability is extensive "multi-initiative" system configurability, which has been built into the system from its inception. This allows Instantis EnterpriseTrack to provide a best-of-breed experience for all types of users while improving strategy and program execution and alignment and enterprise-wide resource productivity.

Instantis EnterpriseTrack has been utilized successfully in the financial services industry to manage project portfolios aimed at reducing cost, eliminating waste, and improving quality for a full range of service delivery and transactional business processes. They include processes that support handling customer money, processing payments, sending out bills, closing a loan, and answering the phone.

Financial services organizations can count on the flexibility of Oracle's Instantis EnterpriseTrack to help achieve strategic agility and stay ahead of change. In sum, financial services organizations can keep up with evolving customer needs and fluctuating market demands, easily adjust project plans to adapt to any changes, and immediately assess the impact of adjustments.