



Technology in Private Banking -  
Improving Communication

Osney Media Conference  
July 2002

Draft  
03 October 2006



**LAWRENCE SOMERSET LIMITED**

The private client market has had a setback in the last year

---

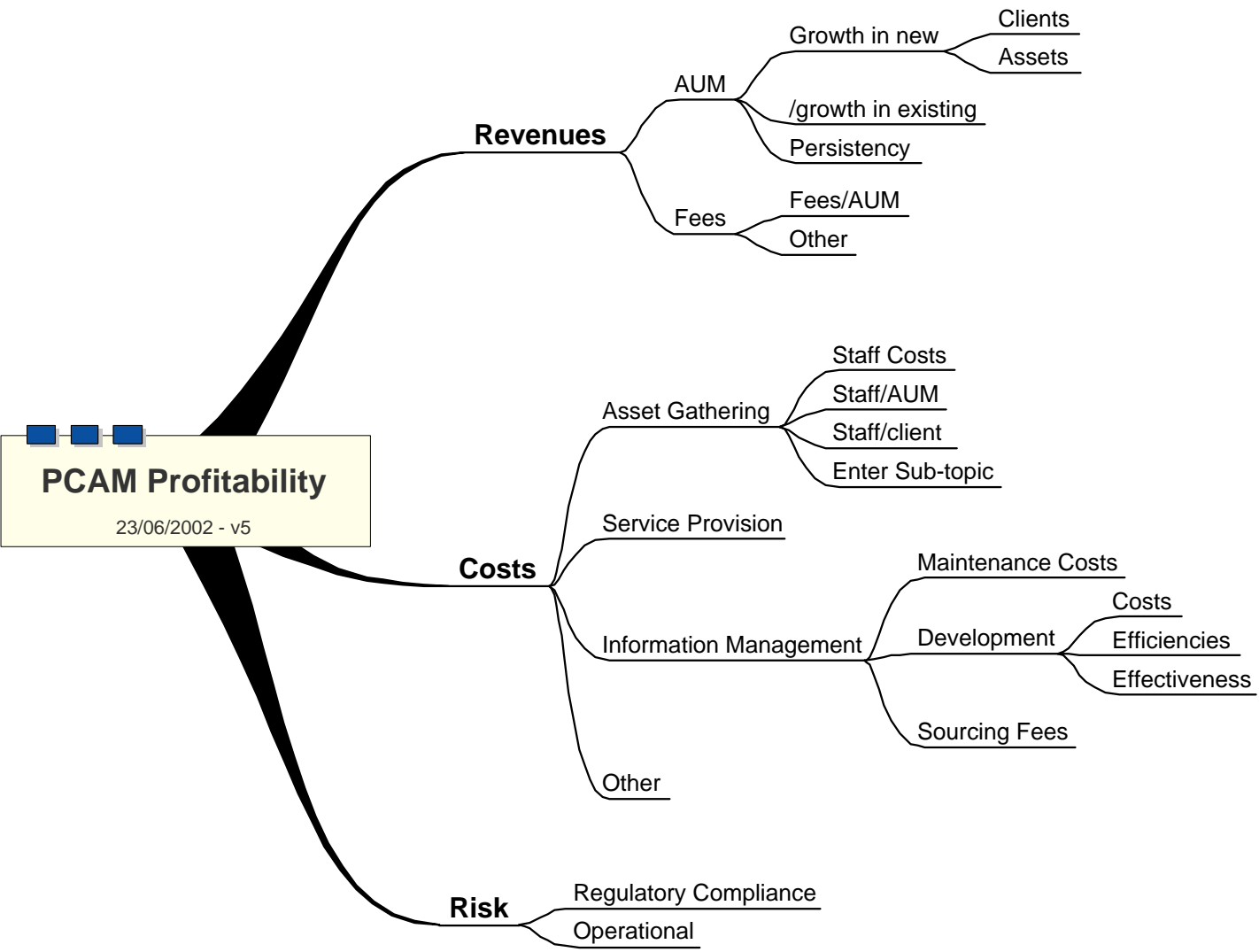
- **Depressed equity markets – reduced revenues**
- **Collapse of several web-only initiatives**
- **Continued competition**
- **Disgruntled clients**
- **Less favourable boards/shareholders**

# PCAMs face a number of challenges in the IT arena

---

- **Reduction in delivery costs**
- **Improving the service proposition – holistic approaches to WM – differentiation?**
- **Improving asset-gathering processes – improved front office - differentiation through channels?**
- **Better value chain positioning – open architectures**
- **Limited budgets - Benefits realisation – ROI**

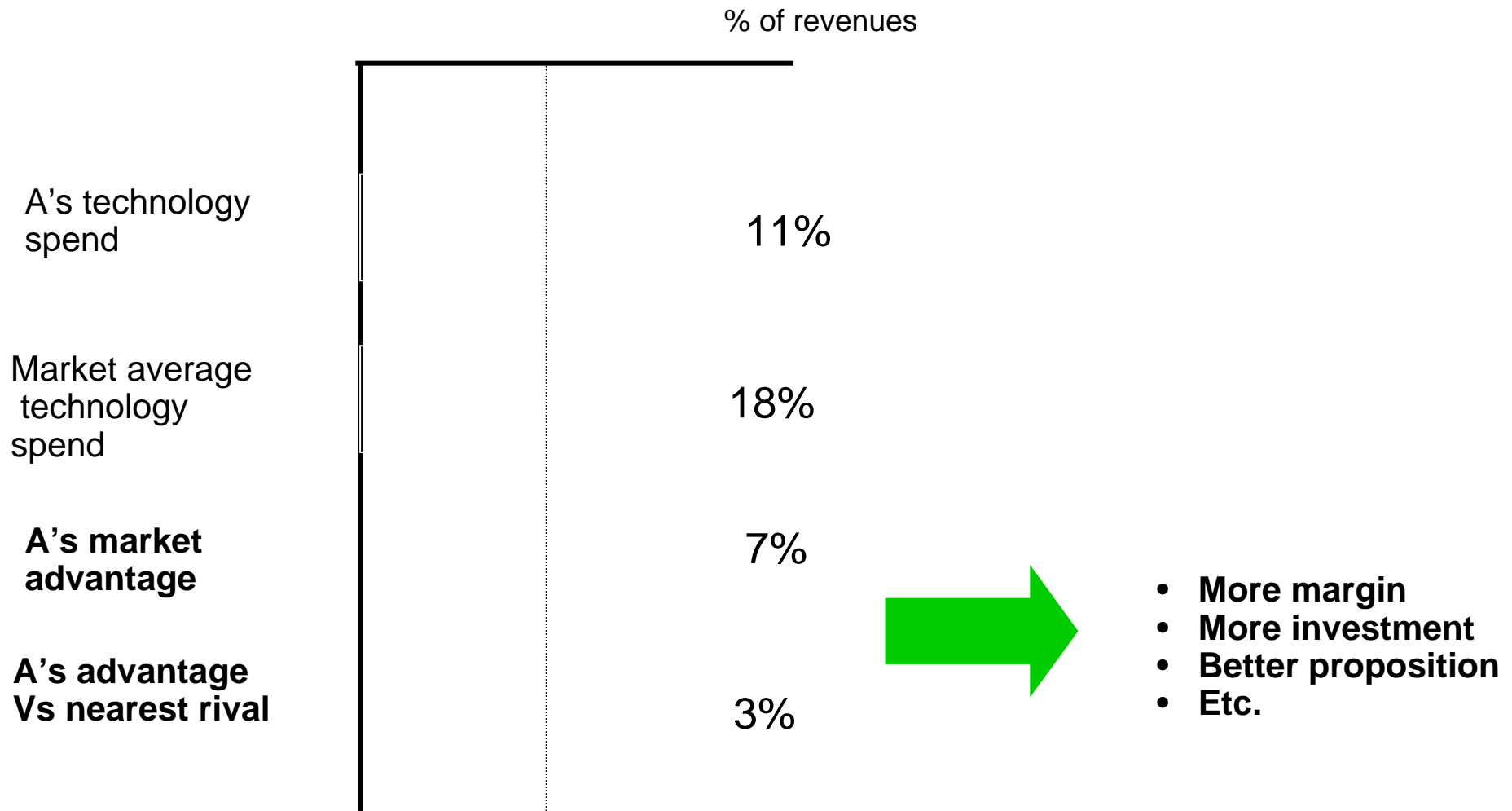
# Benchmarking should focus on the key drivers of performance



**PCAM Profitability**  
23/06/2002 - v5

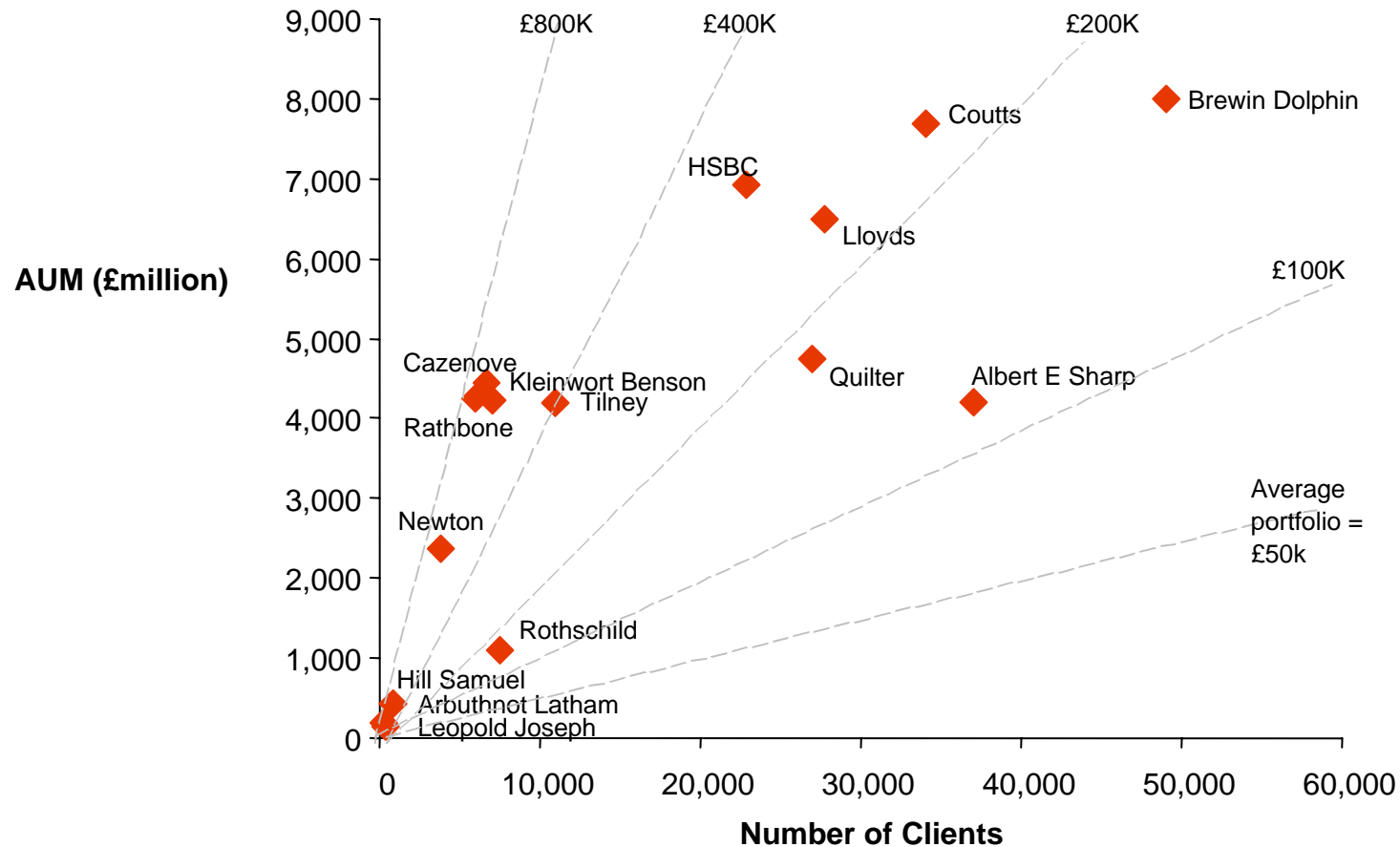
# Benchmarking on cost may be insightful

## Technology cost benchmarking



# But truly useful benchmarking requires like-for-like comparability

## Size and client base of UK wealth managers



# Frequently, benchmarking does not reflect a complete view of the priorities

---

## **'IT' view of priority issues**

**Estimating requirements**

**Quality**

**Benchmarking**

**Fitness for purpose**

**Cost**

**Reporting**

**Measurement**

**Location**

**Ownership**

**Vendor management**

## **'Business' view of priority issues**

**Added value from IS**

**Customer relationship**

**Systems development capability**

**IT investment decision-making**

**Systems development process**

**Business IT education**

**Organisational structure**

**Responsiveness**

# Broader metrics are required to ensure the business is really competitive

---

## External View

Profitability/ Growth

Revenue ratios/Cost ratios

Unit costs

Service levels/Customer satisfaction

% go live

Staff ratios

New technology deployment

Etc.

## Internal View

Are people's interests and timeframes aligned?

Is there a common understanding of the business and IT issues?

Is there an overlap of capabilities?

Is there a well-understood and effective business planning and management process?

Is there an agreed process for benefits realisation?

Are decisions supported by evidence?

If not the above, are people talking effectively?

# Internal issues more frequently drive performance – all hinge on effective communication

---

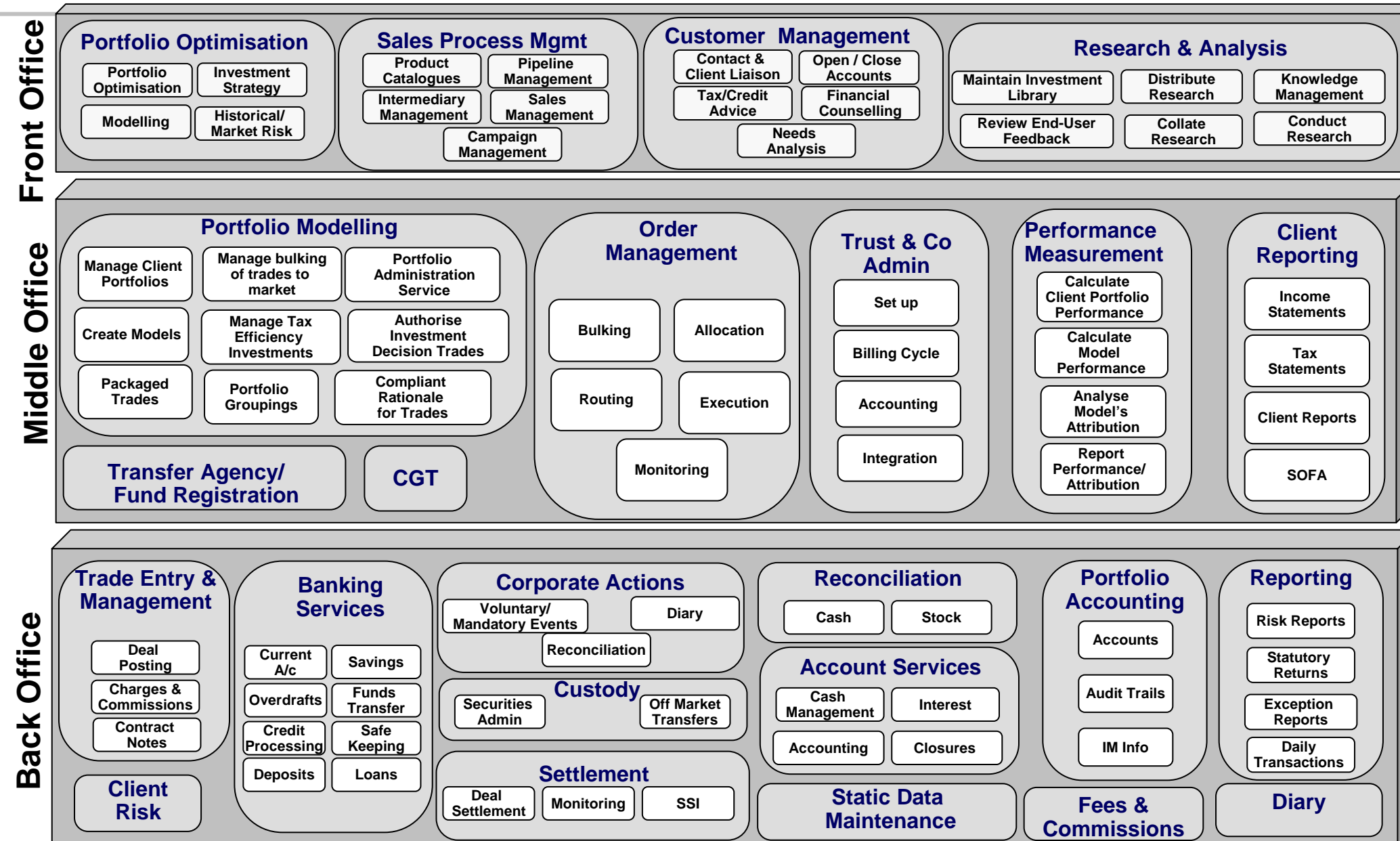
- Is there a common understanding of the business and IT issues?
- Are people's interests and timeframes aligned?
- Is there an overlap of capabilities?
- Is there a well-understood and effective business planning and management process?
- Is there an agreed process for benefits realisation?
- Are decisions supported by evidence?
- If not the above, are people talking effectively?

# There are three types of communication issue

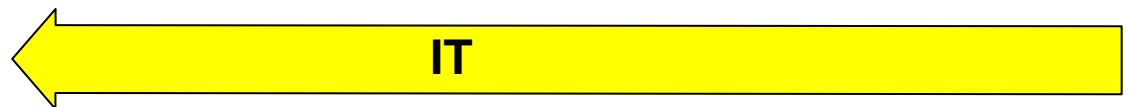
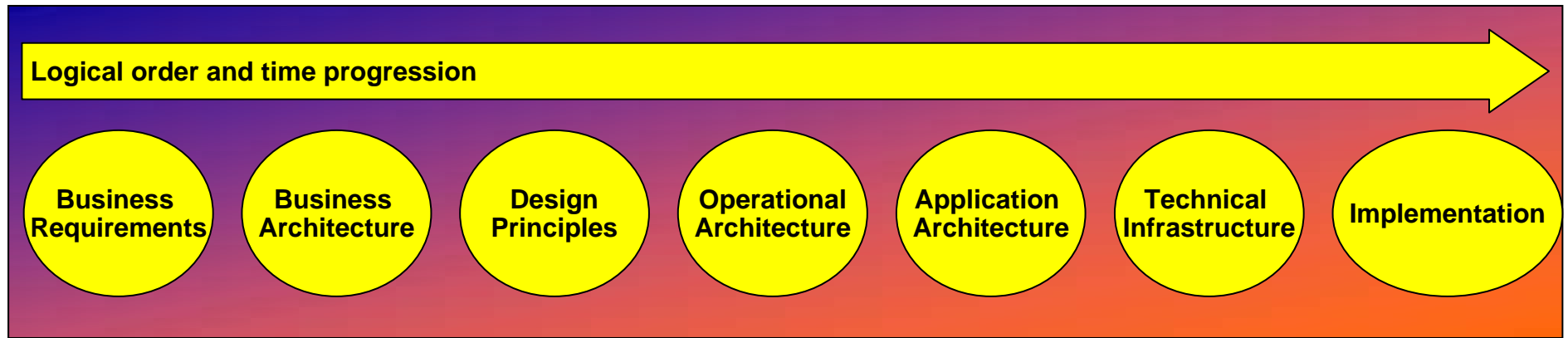
---

- **Lack of understanding or expertise** – for example, use of nomenclature, jargon or other language not well understood in the same way, by other parties
- **Divergent interests, at least in the near term** – for example, capturing budget for one department or the other, or ensuring a particular programme continues without the intervention of others
- **Bad habits** – for example, making assumptions about how to communicate that deflect from serving the best interests of the firm

The problem is that there is real complexity in the issues being addressed

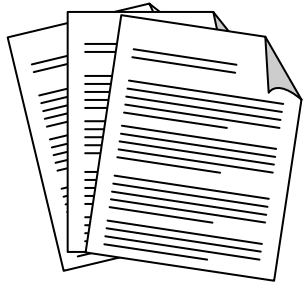


# Is there a common and complete language for specifying needs?



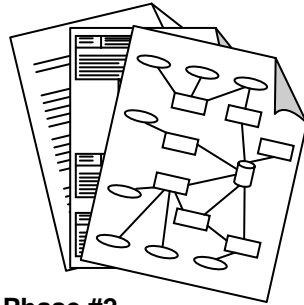
# Is there a reliable process for managing projects?

## Waterfall Development



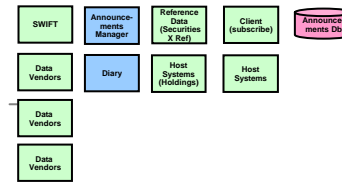
### Phase #1

- Gather requirements for entire solution



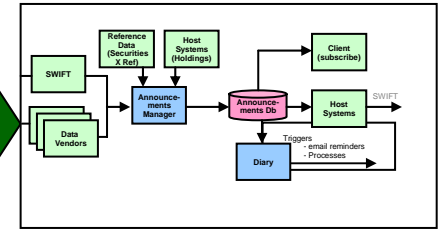
### Phase #2

- Design solution



### Phase #3

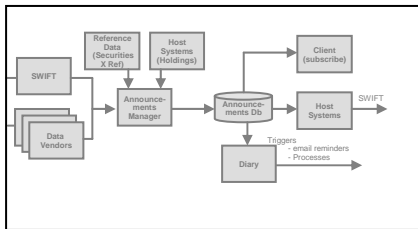
- Build solution



### Phase #4

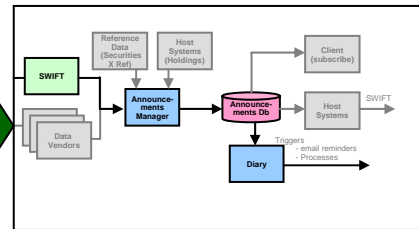
- Assemble and test solution
- Prepare for live cutover

## Iterative/Incremental Development



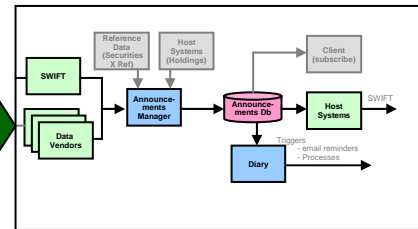
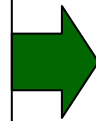
### Phase #1

- Design target architecture
- Gather requirements for next phase



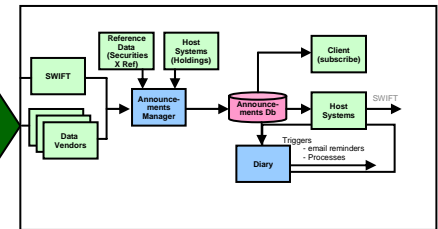
### Phase #2

- Implement baseline architecture - address key business and technical risks
- Gather requirements for next phase



### Phase #3

- Refine architecture - enhance existing functions and add new
- Complete requirements gathering

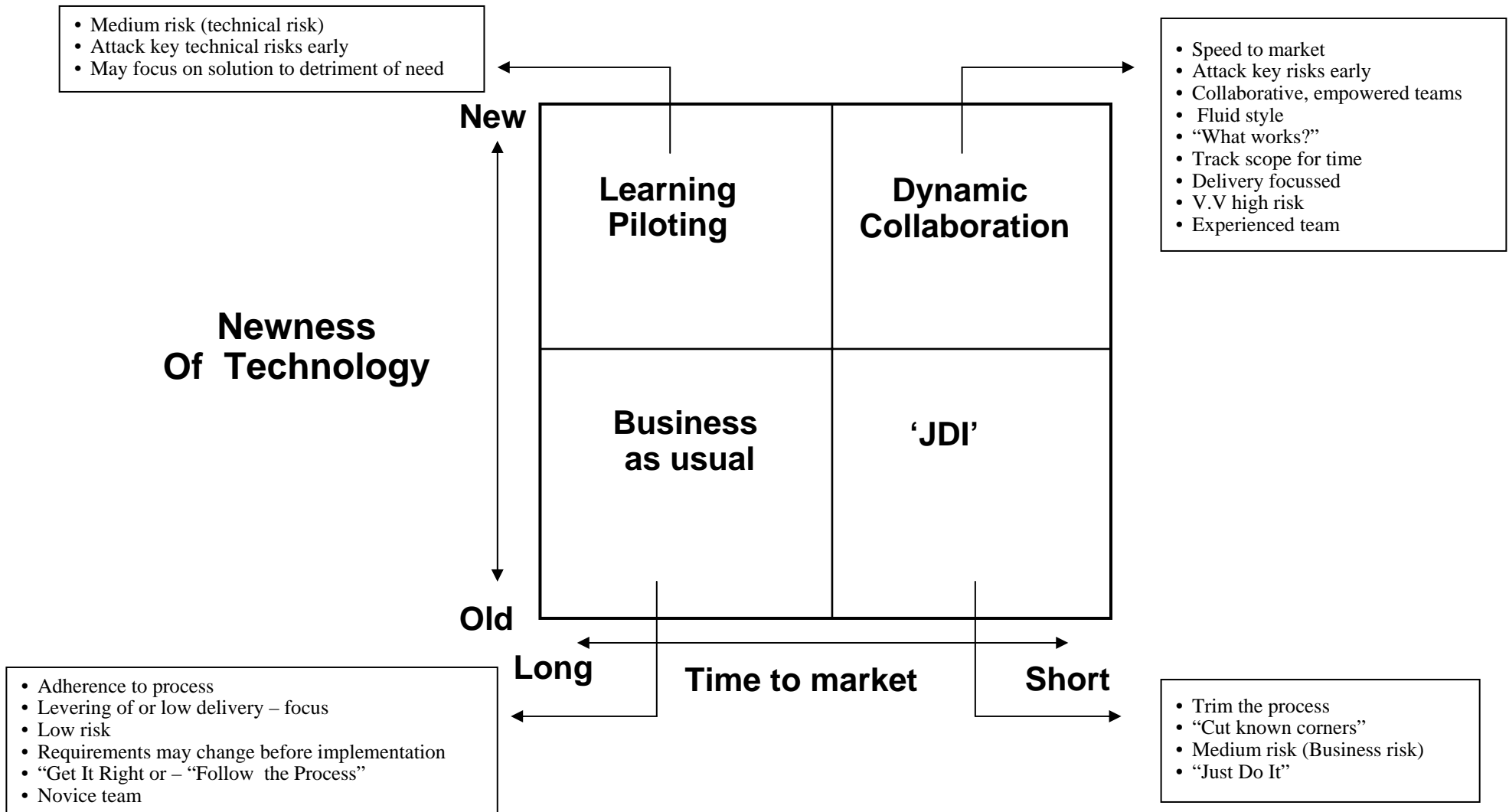


### Phase #4

- Complete architecture - enhance existing functions and add new
- Prepare for live cutover

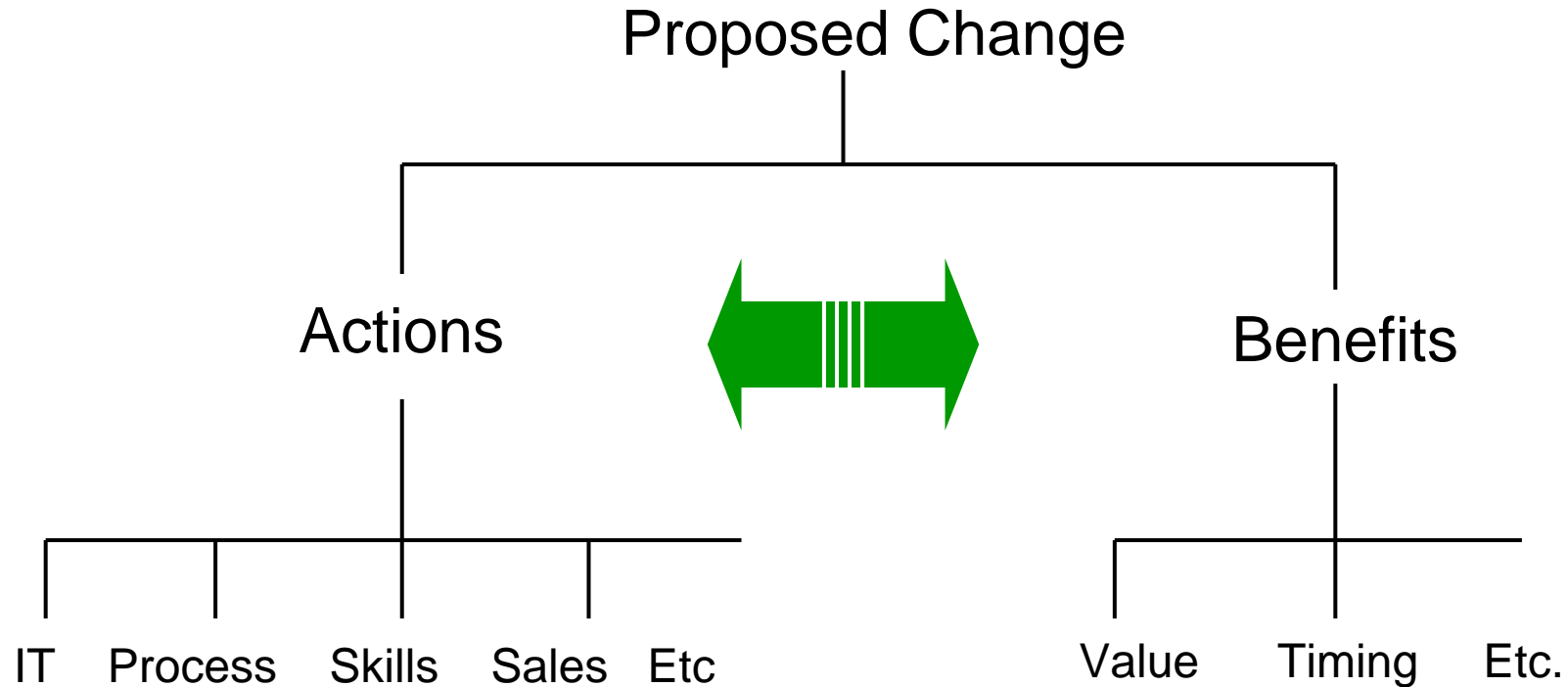
# Can the process be flexed to meet different business needs and risks?

## Contingent management styles



# Are there integrative approaches to business planning?

---



# Are there holistic approaches to benefits realisation?

---



Managing complexity is harder with any schism between 'IT' and 'business' teams

---

'The main focus of IT implementation is to 'go live', not to fulfil a business plan'

***Senior consultant***

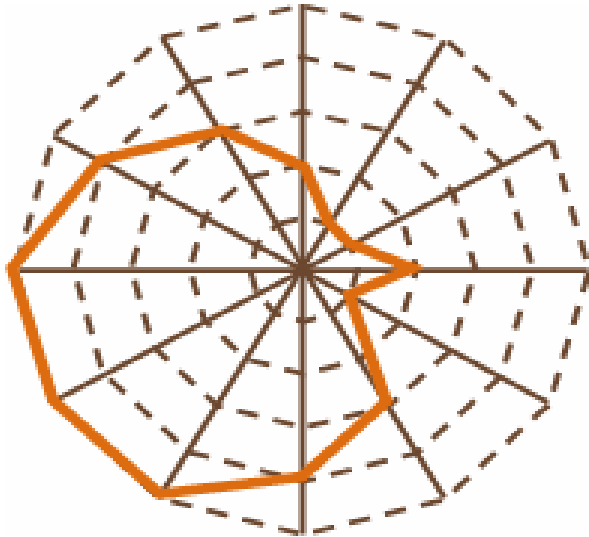
'IT people see their own advancement through technical ability, board members see senior IT advancement from communication and interpersonal skills'

***Industry body***

# Team profiles are demonstrably different

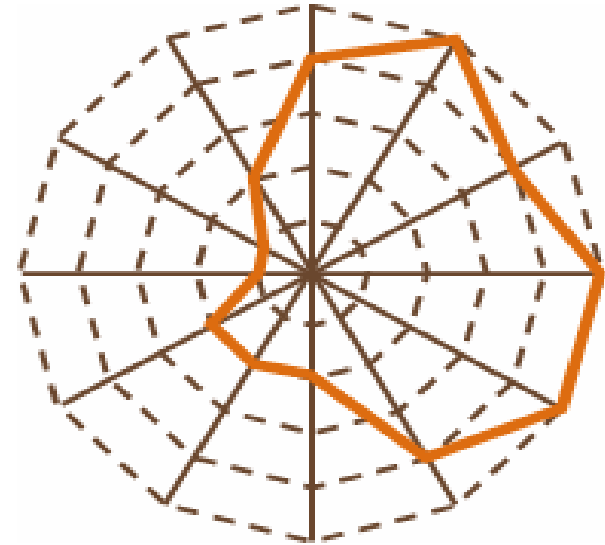
## Managing Team Conflicts

IT Team



- Excellent at building and maintaining processes and systems
- Methodical & Analytical
- Expertise culture – specialists
- High team orientation, consensual decision making style

Business Management Team



- Pioneering and risk orientated
- Innovative and creative, more abstract rather than factual
- Generalists, prone to change direction
- High action orientation – competitive and results focused

# At core, rivalries lead to defence mechanisms – all embedded in communication

---

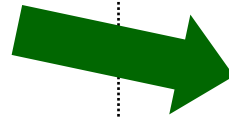
- **Differences between espoused behaviour and behaviour in action** – for example, supporting 'PC' behaviour whilst being misogynistic in practice
- **These become habitual**
  - Defensive routines -
  - Skilled incompetence – continuing to do the wrong thing very well
  - Fancy footwork

# Edited communication reduces the chance of effectiveness

---

## **Initial statement**

*What is really meant*



*What is heard*

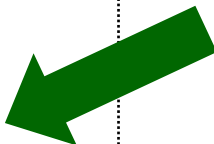
## **Response**

*What is really meant*

*What is heard*

## **Response**

*What is really meant*



*What is heard*

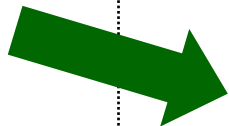
## **Response**

*What is really meant*

*What is heard*

## **Response**

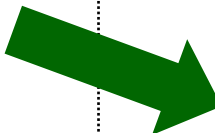
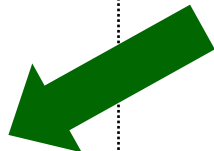
*What is really meant*



*What is heard*

## **Response**

*What is really meant*



# What the Business team says – What does the IT team ‘hear’?

---

- IT is important to the business
- We need to be flexible as to the proposition
- We want to be more efficient
- This is the 5 year plan
- The business plan is now finished
- We work in partnerships with our IT colleagues
- We should consider outsourcing at all levels
- The budget is confirmed
- We want to move to 100% STP
- Option A is a clear winner
- We have a preference for buy over build
- These evaluation criteria are not appropriate

# What IT team says, what does the business team 'hear'?

---

- The project will meet its objectives
- Its 95% complete
- To a contractor this is an IT sponsored project
- We work in partnership with business colleagues
- This is a strategic technology
- This is a tactical move
- We shouldn't outsource core capabilities
- All things being equal, that should be fine
- The (CRM) system will deliver results
- You'll never do that with a package
- IT is best placed to run strategic projects
- These evaluation criteria are not appropriate

# Lawrence Somerset is a research and strategy firm specialising in wealth management, financial services and insurance

---

- Established in 1990 as an Independent consultancy serving the financial and professional services markets
- Focus on developing competitive propositions
- Blend of analytical strategy work into economics, competition and drivers of opportunity, and original research into behaviours of clients, advisers, sales people and staff
- 100 clients across all markets:
  - Retail, corporate and wholesale,
  - Banking, insurance and asset management
  - Mass market, affluent, HNW, UHNW
  - Client managers, manufacturers, technology suppliers
- Process tailor-made to client's requirements

## John Lawrence's biography

---

- Management consultant for 19 years
- Formerly Principal of the financial services practice at Booz.Allen and Hamilton in London
- Founder Director of two specialist consultancies
  - Lawrence Somerset Ltd.
  - Maslinski Lawrence Ltd.
- Several recent articles published
  - Improving communication between IT and Business
  - Using technology to improve RM performance in Private Banking
  - Rethinking the business model used in Wealth Management and Private Banking
- Education:
  - First Class Honours in Physics from Imperial College
  - MBA from London Business School



Lawrence Somerset Limited

94, Priory Road, London NW6 3NT

TEL 020 7813 2197 FAX 020 7328 8205

[www.l-s-l.com](http://www.l-s-l.com)

[jlawrence@l-s-l.com](mailto:jlawrence@l-s-l.com)

**LAWRENCE SOMERSET LIMITED**