Cloud Computing for Financial Services: Opportunities and Considerations

The financial services industry has experienced unprecedented change in recent years. Regulatory pressures, narrowing margins, and fierce global competition require organizations to seek innovative strategies and solutions. To thrive in the “new normal,” financial institutions must focus on core business and cost containment without sacrificing the capability to adapt and respond as the market evolves.

To meet the daunting demands for greater agility, efficiency, and managerial transparency, financial firms must align interdepartmental strategies and deliver solutions at a far greater pace than ever before.

Banks, insurers, and other financial organizations have taken on myriad initiatives to refocus and realign their business models, leveraging a host of methods including Lean Six Sigma, performance analytics, and follow-the-sun operational models. Traditionally, the cost and time required for technology enablement has hindered the ability for IT to satisfy business needs. Clearly, new tools are needed.

Enter cloud computing.
Emerging Trends

Recent surveys confirm the increasing momentum of cloud computing. Gartner reports an anticipated 17.7% YoY growth in cloud adoption across all industries. In June 2010, a Morgan Stanley survey of fifty CIOs revealed:

- Half of the CIOs surveyed plan to use desktop virtualization next year
- CIOs will aggressively deploy virtualization technology over the next year, altering the cycle for how frequently PCs are refreshed within the enterprise.
- CIOs will virtualize 55% of production servers next year, up from 42% this year.
- CIOs expect to move 3% of their IT infrastructure and application workloads off-premise in each of the next two years.

Source: “What the Bankers Say About the Cloud” ReadWriteWeb, June 9, 2010

Computing Budgets Are Growing and Shifting; Traditional IT Services Providers Must Prepare or Perish”, Gartner, September 2010

Cloud computing provides the power and flexibility today’s organizations require to meet cross-functional operational needs while serving management and strategy goals for today and for the future.

Where Business is Going: Harnessing Cloud Computing in Financial Services

There are several key areas in which cloud computing can create significant opportunities for Financial Services firms to develop flexible, customer-centric business models and accelerate profitable growth. By transitioning business and operations functions to the Cloud, early adopters increase operational efficiency and decrease costs. Moreover, the reach and versatility of cloud-based systems can multiply the number of opportunities a firm has to introduce innovative products and services to the marketplace.

1. Infrastructure Savings

With the cloud-based virtualization of desktops, data centers, and local networks, Financial Service firms can create savings from the commodity portion of IT expenses, freeing up capital for business-facing applications. The Cloud’s integrated, standardized platforms allow for greater scalability across organizations of every size.

Additionally, the Cloud streamlines standard operations and services, and facilitates greater efficiency in straight-through processing and automation. Such benefits lead directly to a reduction in operational costs that can be applied locally, nationally, and globally.

2. Increased Efficiency and Consistency

Cloud-based applications spanning Financials, CRM, and Procure-to-Pay and Resource Management functions are transforming business processes across internal operating infrastructures. This is a particularly strong benefit for mid-sized firms and subsidiaries spreading geographically, and for those requiring more access and connectivity for partners and parent companies. Likewise, cloud computing provides a compelling solution for businesses undergoing mergers or acquisitions. Financial and compliance data at far-reaching locations are connected to parent infrastructure via the Cloud.

3. Improved Transparency

Through the Cloud’s vast and secure storage capabilities, firms are able to store and analyze scores of market and performance data. Coupled with the Cloud’s speed, this provides analytical results in a fraction of the time legacy systems and processes can deliver, with minimal manual intervention.

Organizations can also realize greater transparency by accessing real-time metrics data and management dashboards.

4. Flexibility

The most compelling application of cloud computing is its ability to transform business processes and provide greater transparency for managers as well as customers.

For management, Internet-based business applications provide real-time reports and unprecedented drill-down/root cause capabilities. Additionally, Internet-based tools and channels (e.g., portals, downloadable apps, Twitter, Facebook) enable self-service functionality. The results: accelerated movement of money; reduction of fees; and enhancement of the customer experience.

Cloud computing can also expand a firm’s supply chain for delivering products and services. By leveraging the Internet’s capabilities, there is a significant opportunity to team with other entities to reach remote locations and customers. Such partnerships would include, for example, telecommunications companies and postal services.

5. Enhanced customer experience

Financial Services firms can more deeply engage consumers by providing cutting-edge offerings via the web and social media. Potential offerings include improved access accounts, analytics, solicitations, and other information vital to consumer and commercial customers.
The Cloud provides an opportunity for firms to “think outside the box” and become more creative in the servicing and delighting of clients – thereby improving client relations and increasing customer loyalty. Moreover, cloud-based business management applications deliver on the promise of creating “one view of the client” without the costly integration and upgrade challenges found with disparate business applications.

Adaptable Architecture

The available platforms for cloud computing vary, and each organization must determine the appropriate model for its business. Selecting a platform requires a hard look at the current infrastructure, security requirements, and applications utilized by a firm to strike the appropriate balance of Cloud-operating environments and delivery models.

Of the three Cloud environments available – Private, Public, and Hybrid – Financial Services firms will typically leverage a Hybrid Cloud architecture to realize benefits (cost, speed, efficiency) while balancing requirements (security, compliance, quality of service) across various business functions.

Three basic delivery models are offered through the Cloud, including the virtualization of storage and network services (IaaS); specific business applications (SaaS); and repeatable business processes (BPaaS). The dynamic capabilities of the market offerings across these solutions, particularly when deployed in unison, provide a host of efficiencies relative to IT infrastructure, business applications and operational processes.

The result of adopting any combination of these models is a unified platform that enables a more nimble business model. The common hurdles of operational complexities are eased through the cloud’s standardized platforms and inherent business processes – providing a more fluid organization and the capability to serve clients in a more effective and efficient manner. Unburdened from hosting applications and infrastructure, firms that transition to the Cloud can focus on core competencies. Additionally, business process optimization increases opportunities for enterprise outsourcing.

Embarking on the Journey: Five Steps to Cloud Computing

Harnessing the power and value of Cloud computing requires a rigorous analysis of best practices in IT governance. When considering a transition to cloud computing, IT departments will need to identify solutions that can maximize IT investments and implement greenfield approaches.

There are several keys to a successful outcome:

1. **Do your homework.** Understand Cloud-based solution providers, their offerings, and the associated benefits.
2. **Lead with your business needs.** Work across the business areas to prioritize the applications and functions best suited to Cloud migration while balancing risk aspects. Utilize the technology to meet and expand capabilities.
3. **Create an enterprise-wide set of cloud computing best practices and governance.** Consider the rigorous enforcement of best practices as enforced across data, architecture, security, reporting, and other relevant areas.
4. **Rely on critical facts to guide the path.** Identify opportunities and metrics to measure cost savings, and set guidelines for vendor performance and support as related to the needs of your business.
5. **Start small, adopt widely.** Begin with a specific area of application, but approach with a broader lens on strategy and transformation. Consider eventual steps toward wider adoption and application.
Navigant: Your Guide to a Cloud-based Transformation

Navigant can help your firm achieve a virtualized path to greater business agility. Navigant’s practical, balanced approach to Cloud computing solutions is rooted in the key business issues impacting Financial Services companies, including:

» Lowering Total Cost of Ownership (TCO) of deployment and maintenance of a company’s core financial, operating, and reporting systems
» Reducing operational complexity
» Improving responsiveness: becoming more nimble and effective in serving clients and customers
» Enabling a true global footprint: employing follow-the-sun operations and information access, leveraging the global ubiquity of the Internet and virtual business applications
» Transparency across the business: proactively managing risk; identifying key trends and opportunities
» Vastly improving time-to-value horizon with significantly reduced implementation time and expenditures
» Achieving operational excellence and best practices in finance, operations, CRM and Project Portfolio & Resource Management

We achieve this through applying our core operational excellence and technology enablement competencies.

The Onward March

Cloud computing may soon prove indispensable as an answer to the daunting new demands for agility, transparency, and efficiency. In Financial Services, where firms are further challenged by shrinking markets and global competition, Cloud offers the speed, flexibility and real-time information needed to meet those challenges on a cost-effective basis.

Evaluating and implementing a multi-departmental transition requires only a small investment of time and resources relative to the short- and long-term returns. Early adopters are already realizing benefits relative to improved communications, information access, cross-departmental interconnectivity, and client responsiveness. Transitioning to the cloud is not simply a matter of keeping pace with current technology, but a key to capturing future opportunities at the speed of business.