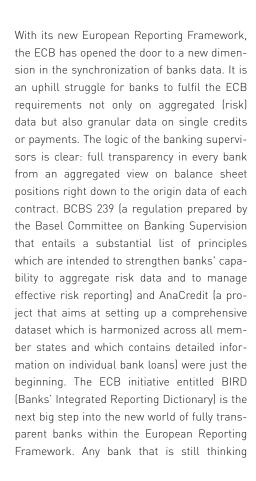
Editorial

The Uphill Challenge

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about starting a big data initiative will not be doing so for its own business purposes, but rather to support complete transparency for the ECB.

These regulatory drivers have become a catalyst also for infrastructure renewal. In fact, no bank with its hundreds and sometimes thousands of different IT systems and applications has the option to create a completely new IT and data infrastructure. Redesigning existing infrastructures and operating environments has become the most important challenge today and in years to come. The budgets and resources required for such immense infrastructure projects have increased sometimes threefold or fourfold. A crucial fact is that the requirements of the banking supervision for banks to invest very large shares of their "change" budgets in their data management restrict the scope for necessary businessdriven investments in the banks' core seqments and therefore future earnings.

How can banks get out of this vicious circle?



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As always, there is no easy way out and, of course, it depends on each bank's individual situation. The first management task is to prioritize the supply of budgets and resources to fund internal infrastructure projects on the one hand, and to develop customer services and solutions on the other hand. The second - and probably more challenging task - is to combine digitization initiatives with the redesign of the IT infrastructure, data management, and often business processes. The so-called digitization of the customer interface should consequently lead to the digitization of internal processes. When discussing customers' journeys and defining new access channels and interfaces, it is also necessary to take a closer look at the customer journey a client takes "within" the bank.

Many internal processes could be redesigned and automated. This means finding a reasonable combination of reengineering based on highly-integrated systems and applications, which allow much better straight-through processing nowadays than in the early 1990s,

when Michael Hammer promoted the business process reengineering approach. And such integrated systems usually allow much better data alignment and therefore data supply to the banks' controlling systems than systems with disruptions and higher shares of manual functions.

In the end, banks have three alternatives: First, focus on regulatory projects and leave the business processes mostly as they are; this might cause some efficiency problems sooner or later. Second, fulfil supervisory requirements at an absolute minimum level only and put all efforts into customer and processing projects to maximize profitability - not a realistic alternative for bankers under ECB supervision. And third, streamline and digitize internal processes to not only better fulfil customers' needs but also to reach improved data alignment which leads to more efficient and consistent data aggregation and reporting possibilities. This will not be easy but in the long run this is probably the only way to more transparent and more efficient banking.