Assessment and Prioritization of Strategic Initiatives/Projects in Banking and Financial Services

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Abstract. Assessment and prioritization of competing strategic and operational projects are daunting tasks, particularly in view to their impact on the availability and performance of the critical information systems (IS) and information technology (IT) infrastructure in banking and financial services enterprises.

Demand and expectations by customers and bank executives for innovative, instantly available services pose challenges for senior IS and IT executives to manage systems development and infrastructure upgrades while ensuring continuous operations and enhancements with no disruption. They must introduce the innovation and cost-savings expected by the top management team and the enterprise’s strategic business units to ensure on-going business competitiveness and growth, and the achievement of their strategic goals.

Continuous upgrades and on-going enhancements of both the infrastructure and the information systems that support financial products and services are undertaken via a large number of development and enhancement projects. Given limited resources, the determination of which projects to fund in any given year can present daunting and potentially contentious sets of challenges, since not all projects could be or deserved to be funded and implemented.

Following a brief introduction, this paper provides an overview of the process leading to an innovative assessment and prioritization software solution, recently implemented at Bank Leumi and representing the critical success factors that applied to all projects and the performance standards and assessment rules expected by the stakeholders. Subsequently, the outcome is discussed and samples from the actual outputs are presented.

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1. Introduction:

In a world of information overload and rapidly changing competitive environment, enterprises regularly face an array of complex business, technology and policy issues. To be successful, enterprise executives have “to collaborate for competitive advantage; to promote a long term vision in a world of short term pressures; to benchmark their performance against the best; and to forge alliances with other businesses and with employees” [1]. Assessment and prioritization of competing strategic and operational technology projects are daunting tasks, particularly in view to their impact on the availability and performance of the critical information systems (IS) and information technology (IT) infrastructure.

However, the current state of IT projects across all industries is fraught with pitfalls. The following are some of the findings in the broad IT markets:

• “42% of IT projects were abandoned before completion and roughly 50% of all technology projects failed to meet chief executives’ expectations” [2]
• “Only 34% of application projects will come in on time and on budget. 51% of the projects are challenged projects (projects that are either over time, over budget and/or lacking critical features)” [3]
• "10% of IT projects were abandoned before completion. More than 15% of IT projects were deemed failures after completion" [4]
• “Industry statistics indicate a 75% project failure rate due to disappointing results or abandoned projects” [5]
• “90% of project managers often underestimate project size and complexity. Nearly half (44%) have cost overruns of 10% to 40%, and only 16% consistently meet scheduled due dates” [6]

The near total dependence of banking and financial services enterprises on IT, for the delivery of products and services to customers, mandates efficient IT infrastructure and timely completion of IS projects. Demand and expectations by customers and enterprise executives for innovative, instantly available services, pose challenges for senior IT and IS executives to manage infrastructure upgrades and systems development while ensuring continuous operations and enhancements with no disruption.

Clearly, “to drive success, executives must move away from ad-hoc setting of priorities and allocation of resources and towards a strategy that:

• Intelligently compares initiatives across a set of strategic imperatives and dimensions.
• Prioritizes initiatives across the organization on an informed basis.
• Effectively allocates resources to drive successful execution.
• Provides information to better understand the ongoing costs and progress of the efforts.
- Gains better visibility into the value (financial and strategic) that investments deliver to the company”. [7]

Thus, executives and managers must introduce the innovation and cost-savings expected by the top management team and the enterprise’s strategic business units to ensure on-going business competitiveness and growth, and the achievement of their strategic goals. In the process, they have to assess the projects’ contribution to the achievement of the enterprise's strategic goals and operational continuity, and select the projects that contribute most to the achievement of these goals, while adhering to strict budgetary guidelines and remaining impartial to pressures from stakeholders. Moreover, IS and IT executives must reach these decisions with speed and confidence, and with the full organizational support necessary for timely implementation.

2. The Challenges

Bank Leumi, one of the largest banks and financial services group in Israel and the Middle East and the 126th largest bank in the world, has a significant state-of-the-art information technology infrastructure and a wide range of innovative banking and financial services products serving customers worldwide through some 300 branches and offices in 19 countries [8].

Continuous upgrades and on-going enhancements of both the infrastructure and the information systems that support the bank’s products and services are undertaken via a large number of development and enhancement projects and a limited annual budget. Given such limited resources, determining which projects to fund in any given year has proven a daunting and potentially contentious set of challenges, since not all projects could be or deserved to be funded and implemented.

The 2003-2004 Assessment and Prioritization Project addressed the challenges facing the Bank’s senior management and its IT and IS executives, by developing an expert solution that consisted of an objective assessment and prioritization system. Driven by Enterprizer [9], an innovative assessment and optimization software, this solution represented the critical success factors that applied to all projects and the performance standards and assessment rules expected by the stakeholders.

Success assessment and prioritization of existing projects and any new initiatives were heavily dependent upon multiple factors, such as:
- Demonstrable contribution to the achievement of strategic goals
- Demonstrable “level playing field” for assessment and prioritization
- Agreement on critical success factors with measurable and actionable attributes
- Systematic evaluation of risks and benefits – qualitative and quantitative
• Understanding and managing stakeholders’ expectations
• “Depoliticising” the process and the assessment outcomes
• Providing optimal guidelines for funding and implementation.

3. The Approach:

Utilizing the solutions development suite of an advanced assessment and optimization software [10], a bank-specific solution was interactively developed in a workshop environment and in small group work sessions. The solution included a high-level representation of the various projects and initiatives that serve the bank’s strategic business units. Each project/initiative was represented in three dimensions – Strategic, Economic/Business, and Realization.

Bank-specific “assessment rules” were then developed in a process that was prompted by the software, with all findings entered into a bank-specific “enterprise model”. The key steps in the process included the following, for each dimension: (a) Definition of the critical success factors that serve the achievement of the bank’s strategic goals and technology objectives; and (b) Definition of expectations of the involved parties and the various performance standards.

Applying these bank-specific “assessment rules” for each dimension and utilizing the software’s built-in generic computational and algorithmic capabilities, this solution then generated “success scores” (Figure 1) showing the contribution of the various success factors to the overall score. Success scores were generated by the software for individual projects/initiatives as well as comparative scores for all project portfolios (Figure 2), which were used for approval and funding decisions.

Figure 1: Sample of an Initiative’s Strategic “Success Score”

<table>
<thead>
<tr>
<th>Overall Score</th>
<th>81.6</th>
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<table>
<thead>
<tr>
<th>Contribution Of Success Factors</th>
</tr>
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<tbody>
<tr>
<td>Continuity and Survivability</td>
</tr>
<tr>
<td>Innovation &amp; Customer Driven Init.</td>
</tr>
<tr>
<td>Cost Reduction</td>
</tr>
<tr>
<td>Contribution to Efficiency</td>
</tr>
<tr>
<td>Contribution to Service Improvement</td>
</tr>
</tbody>
</table>
Contribution to Added Values & Diversification 7.0%
Reduction of Risks 6.2%
Contribution to Direct Channels 6.2%
Customer Growth in Target Sectors 6.1%
Revenue Growth in Target Sectors 6.0%
Competitiveness and Time to Market 4.7%
Contribution to Branch & Technology Infrastructure 4.6%
Contribution to International Profitability 3.1%
Importance of Project to SBU 1.6%
Risk to Core Business of Non Implementation 0.8%

For low scoring projects and initiatives, the software provided optimized improvement “prescriptions” – recommendations that could be followed later to improve the ranking of the project in the overall list of comparative scores (Strategic, Economic/Business, and Realization). This approach ensured in-context, multi-parameter assessment that enabled systematic prioritization, and supported on-going improvements and implementation.

Central to this approach have been full participation in the project of a designated project coordinator and access to existing information on the projects/initiatives (under a strict confidentiality agreement) as well as solicitation of inputs from the key stakeholders via a combination of questionnaires and interviews.

4. The Outcomes:

The project has resulted in a software solution that consisted of a populated model representing the bank’s various projects/initiatives (organized by strategic business units). The solution’s software platform was configured for interactive presentations of individual and comparative...
“success scores”, enabling goal setting and generation of optimized prescriptions for improvement and implementation. This solution has also provided the following:

- Understanding of the strategic, business/economic and realization success factors that impact each project and initiative
- Individual and comparative “success scores” for projects and initiatives that supported prioritization and decisions for funding and implementation
- “What-if” analyses and generation of strategies for improvement and implementation, under various scenarios
- Built-in, user-selected optimization algorithms
- Multi-parameter assessment and comprehensive reporting (roll-up and drill-down) by project/initiative, business unit, and the overall enterprise
- Optimized prescriptions for performance improvement

5. Conclusions

The growing complexity of IT and IS projects and the relating potential conflicts between stakeholders created the need for objective assessment and prioritization of strategic projects and initiatives. This need has been filled by an Enterprizer-driven software model that enables objective evaluation of all projects and initiatives and supports executive presentations to and effective funding and implementation decisions by senior management teams.

The populated model functions as a “strategic management system” for the portfolios of projects and initiatives included in it. It takes into account the various stakeholders that have interests in a project or initiative, and calculates “success scores”, based upon enterprise-specific “assessment rules”. Finally, the system offers optimized prescriptions for improvement and implementation planning.

This approach and the resulting software solution enable a truly multi-dimensional and multi-parameter assessment, thus simplifying complex problems and reducing them to manageable and easily understood "success scores". All valid stakeholders and success factors and the respective performance rules and standards are represented in the model, which must be at all times inclusive of all parameters that affect the enterprise.

The development and validation of this and any other Enterprizer solution is cumulative, evolutionary and ongoing, and has served the bank in both the 2003 and 2004 budget cycles. On going updates and feedback from executives and managers enable the system to represent at any given time existing and potential assessment and prioritization challenges, while cumulatively representing the enterprise’s collective knowledge and wisdom.
Figure 2: Comparative “Success Scores” (initiative/project names omitted)

<table>
<thead>
<tr>
<th>Initiative/Project</th>
<th>Success Score</th>
</tr>
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<tbody>
<tr>
<td>XXXXXXX</td>
<td>82.3 / 82.3</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>82 / 82</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>81.6 / 81.6</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>79.5 / 79.5</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>77.4 / 77.4</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>77.4 / 86.6</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>77.3 / 77.3</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>76.7 / 76.7</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>74.2 / 74.2</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>69.6 / 69.6</td>
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<tr>
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<td>69 / 69</td>
</tr>
<tr>
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<tr>
<td>XXXXXXX</td>
<td>67 / 67</td>
</tr>
<tr>
<td>XXXXXXX</td>
<td>55.8 / 55.8</td>
</tr>
</tbody>
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REFERENCES:


[10] [www.enterprizer.com](http://www.enterprizer.com) (Enterprizer >Intelligent Solutions)