MAGNUM OPUS BANK

Enterprise Architecture Using TOGAF® 9

Case Study
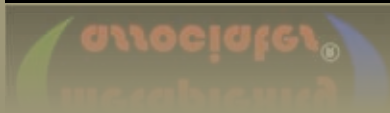
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Magnum Opus Bank

Background

It had been a long day for Wallace Humphrey III, Chairman and Chief Executive Officer of Magnum Opus Bank. His brief tenure as CEO had been challenging from the beginning. Hired just six months ago after the board had dismissed the previous leadership team, he was determined to turn Magnum Opus Bank around.

He had already begun an aggressive campaign to evaluate the 2,350 retail banking facilities and close those that were not generating high enough profits to meet the board's criteria for Return on Capital Employed.

Other measures were being implemented to improve overall operational efficiency, and reduce expenditures.

However, Wallace knew that he could not grow the firm through cost reductions and operational efficiency improvements. Improving the overall revenue growth of the firm was going to mean focusing on more lucrative segments of the market. Instead of trying to be all things to all people, Magnum Opus Bank needed to focus on the needs of the right customers.

Recent market studies had clearly indicated that Magnum Opus Bank was not the bank of choice for the high net worth clients in the bank's market areas. The research indicated that a large number of high value clients were transferring their assets to Cogswell Trust Bank where a thriving private banking operation was eager to meet their special needs.

To hold on to the existing high value clients and grow additional relationships would take some significant changes.

An internal study of the bank's Investment Banking and Brokerage operations revealed that the average settlement time on investment transactions was several days higher than the competition. This was a source of concern among the banks wealthiest customers. Clearly, this was an area that was in need of improvement if there was going to be a turnaround at Magnum Opus Bank.

To make matters worse, the Private Bank had an antiquated Customer Service System that did a splendid job of displaying current account balances and address information about the client, but precious little else. What was needed was the ability for a banker to have a comprehensive view of the relationship with the client, to identify key issues in their portfolio, and to identify where other bank services might be a good fit for the client.

Magnum Opus Bank Market

As illustrated in Figure 1, Magnum Opus Bank operates in the eastern half of the continental United States. It does not include the northern states of Vermont, Maine, and New Hampshire. Its primary market is in Connecticut where it is the leading retail bank.
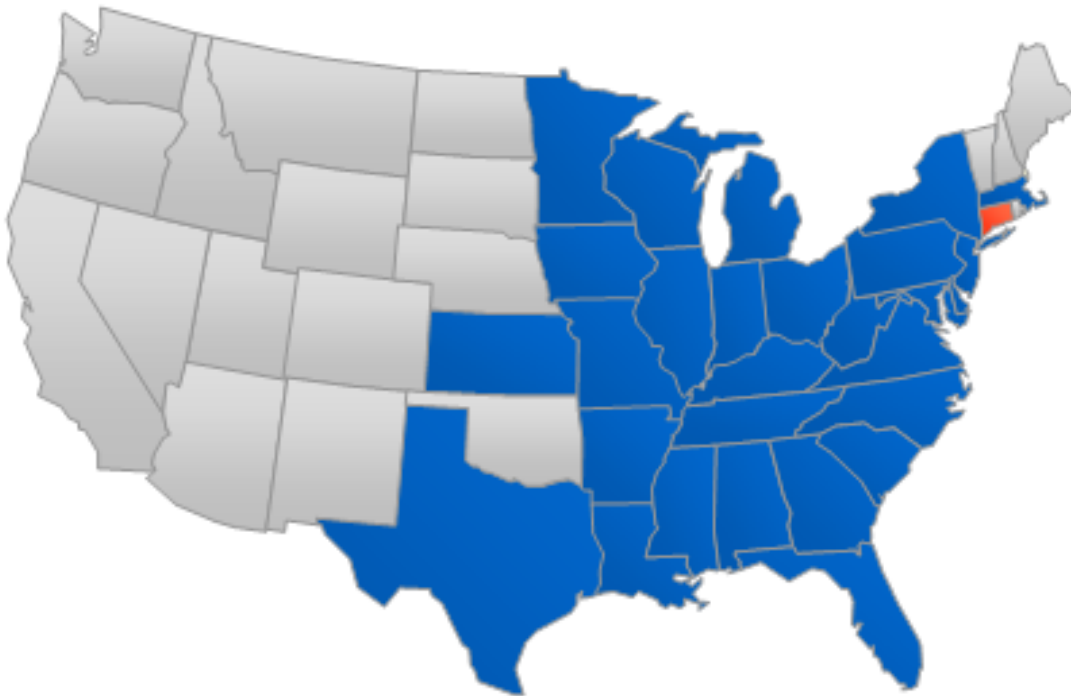

Figure 1 Magnum Opus Bank Market Area

It operates a network of retail banks in the larger metropolitan areas in each of the states in which it operates. Typically, only communities with populations greater than 200,000 people will have retail bank presence. Smaller communities are served through Automated Teller Machines.

The bank operates an online banking site that handles a broad range of activities from personal banking, business banking, home mortgage, and investment banking and brokerage services. Each of these entities is tied to the related business units.
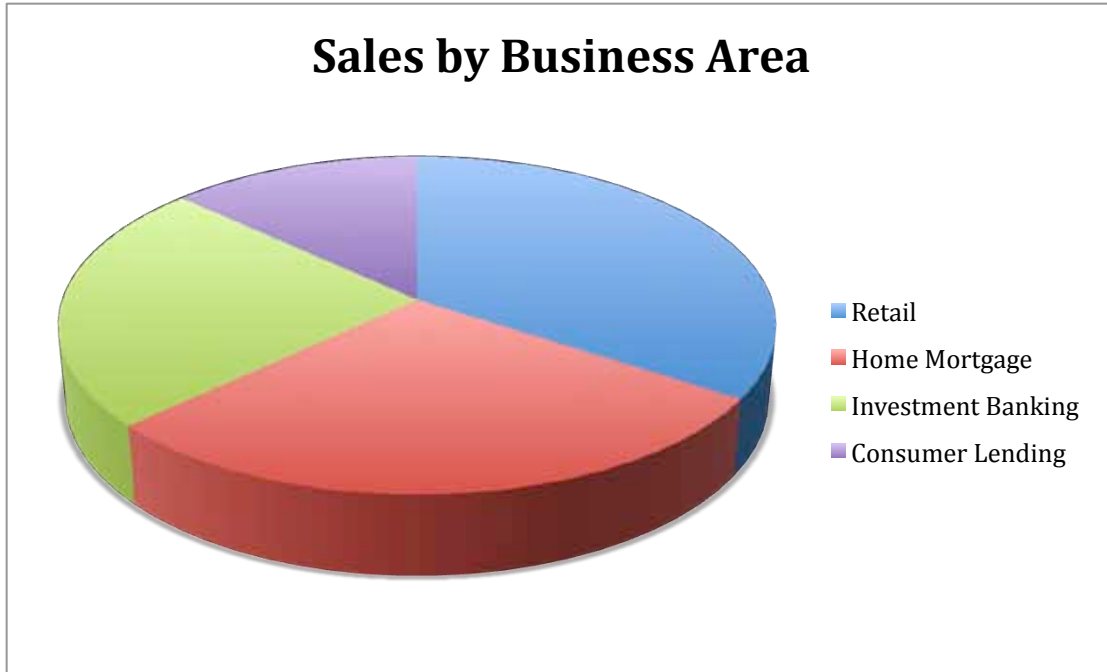
Sales by Business Area

Legend:
- Retail
- Home Mortgage
- Investment Banking
- Consumer Lending

Figure 2 - Operations by Percent of Sales

Magnum Opus Financials

Magnum Opus Bank has operations in 28 states with a total of 2,350 retail bank locations and 830 Home Mortgage centers. It currently manages $400 billion in assets.

In its most recent fiscal year it posted a net operating loss of $150,000,000 on gross sales of $40 billion. The previous year's sales were $41 billion with a net operating loss of $52,000,000.

Its current market capitalization is valued at $35 billion, down 15% from the previous year.

Magnum Opus Bank Operations

Magnum Opus Bank employs 90,000 people. Approximately 8,500 of those employees are located at the firm's headquarters in Stamford, CT. The remaining employees are distributed across the retail banking operations.

Magnum Opus Bank – Information Technology

A key part of the operations of the bank is Information Technology. The Information Technology Division employs 3500 full time employees and it also maintains an outsourced IT operation in Bangalore with 1,000 developers and 250 call center staff.

The Information Technology Division is led by Chief Information Officer, Dave Quimby, the Senior Vice President for Information Technology.   He reports to the Chief Financial Officer, Annette Franklin.
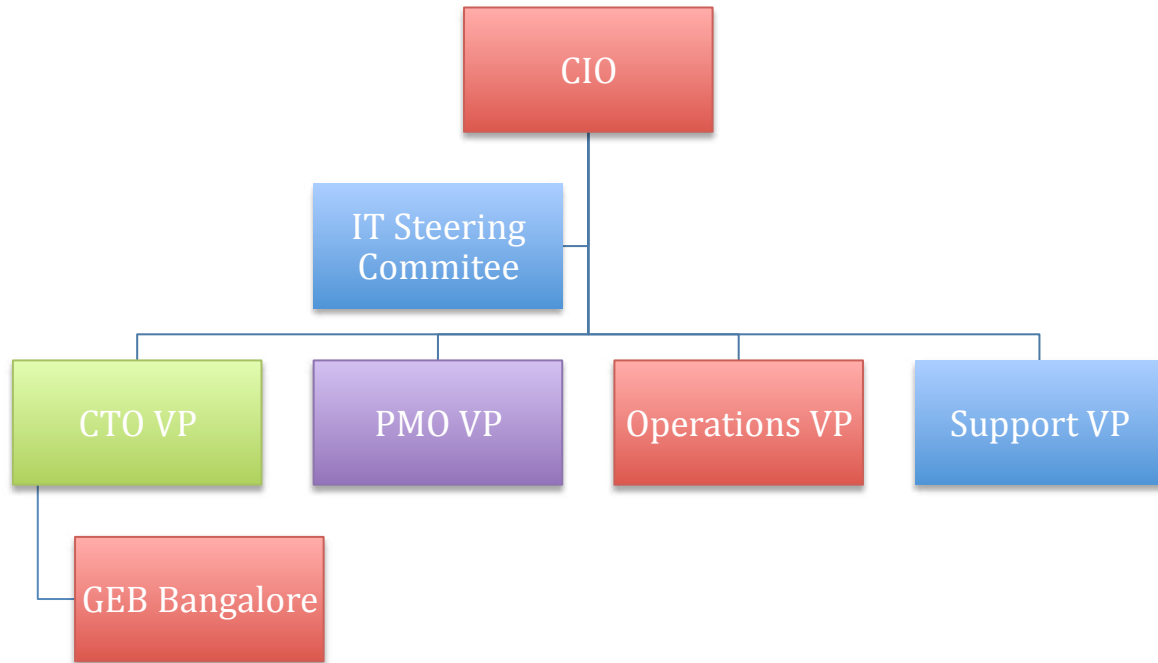
Figure 3 - IT Division Organization Chart

The bank operates two data centers. One is located in Stamford CT, and the other is located in Alexandria VA. A third data center in Charlotte NC is scheduled to open in the coming fiscal year.

Currently, there are 3,250 applications supported by the ITD. Of those, the majority of the financial systems are operated on IBM Z Series systems in a Parallel Sysplex configuration. Backend applications are largely best of breed applications that were developed in COBOL and Assembler in the 1970s. There is a movement toward utilizing WebSphere as a replacement platform for the legacy applications. However, the bank has also begun evaluating solutions from the major ERP vendors.

The desktop environment consists of 110,000 laptops and desktops. Most of the desktops are still running Windows XP. Nearly all of the investment bankers, traders, and brokers have been upgraded to Windows 7, however, some 250 of the desktops in the Investment Bank are running OS/2 due to legacy application constraints. About 180 marketing and advertising staff utilize Macintosh computers running MacOSX for media production. The trading area has a very unstable mix of systems that are utilized and managed by the traders to track information services and execute trading transactions.

There are 2,450 registered departmental servers, most of which are running Windows 2000. The online banking systems are hosted on Linux servers running Apache, MySQL, and JBoss.

Most of the development work is actually done in Bangalore. The IT department designs the systems in house and then sends the work requests to the Indian development group.

Information Technology Division – Assessment Report

After the recent leadership change, a consultant was engaged to assess how the Information Technology Division could address the serious challenges it faces. The consultant's exit report called for the implementation of a broad Enterprise Architecture initiative that would be sponsored by the CTO with close ties to the PMO.

The Enterprise Architecture group should be focused on the needs of the business. All EA activities should be linked to demonstrable business objectives. To the extent possible, all EA activities should be self-funding based on demonstrated revenue enhancement or cost savings.

In addition the consultant made the following observations:

- There is no discernable technology portfolio management in place
- IT spending decisions are largely made by individual business units
- There are few defined corporate standards for IT beyond certain desktop software standards and networking standards
- The lack of effective configuration management raises serious compliance issues
- There is no coordination of development methods or lifecycles across organizational units
- IT governance is in place, but not well implemented or enforced
- The priorities of IT management are not aligned with the needs of the business

The Presentation to the Board

Mr. Humphrey knew he had to make some hard choices. What combination of strategies would yield the desired results? How could he emphasize a focus on his best customers when there were insufficient resources to do the on-going maintenance of the IT plant within the current budget? What should he do about the consultant's report? There were some good ideas; as a matter of fact they were all good. How would he implement them?

Mr. Humphrey sat down at his desk and opened up his laptop to begin writing his presentation for the board's quarterly meeting. He knew that if he didn't recommend some very serious change initiatives, he might not have to prepare any future reports to this board.