Chapter 5
Banking for the Future:
Starting Anew

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EXECUTIVE SUMMARY

This chapter presents the case of a bank that was established in late 1973 by an initiative from the Government, as a joint venture between the Ministry of Finance, the Central Bank, all commercial banks registered in the country, insurance companies, and some large industrial investment firms. The chapter presents the before and after analysis of IT readiness in the bank. Through the analysis it was realised that the use of IS/IT in the Bank is well behind that normally expected from a bank, which is set up to promote the industrial sector of a major finance centre. The Bank management needs to recognise that technology is changing too fast for the non-specialist to keep up. It is therefore an essential part of a truly professional relationship between a business and its IS/IT staff that they help management to understand that business opportunities which would arise from IS/IT utilization in new areas such as electronic commerce. This vision does not exist in the Bank, at least not in those professionals whose position would give them the necessary influence. This means that the Bank's top management need is to consider IS/IT as a strategic tool to achieve a competitive edge in pursuing the Bank's goals.

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BACKGROUND AND HISTORY

The Bank was established in late 1973 by an initiative from the Government, as a joint venture between the Ministry of Finance, the Central Bank, all commercial banks registered in the country, insurance companies, and some large industrial investment firms. The Bank was established with a share capital of US$35 million, which was subsequently increased to US$70 million, with the Government holding a 53% share. The Government also provided the Bank with a long-term loan of US$700 million, with a grace period of five years and a 2.7% annual rate of interest. In December 2000, Parliament passed a new law allowing the Government to provide the Bank with a loan facility up to US$700 million in the form of a revolving credit. The primary goal of the Bank is to promote industrial development in the country by pursuing the following objectives:

- To participate in developing a long-term strategy for industrial growth and identifying those sectors and activities which would best suit local conditions and constraints.
- To initiate industrial projects and investments in promising sectors.
- To provide financing, whether in the form of equity, or medium or long-term credits for new projects, as well as the expansion of existing ones.
- To finance projects outside the country, with an emphasis on the nearby region, especially where country interests are involved.
- To bring new technologies to the country and identify foreign partners with the necessary expertise.
- To support the development of domestic money and capital markets in cooperation with other major financial institutions.

The penetration of IS/IT into the Bank is low. Out of 250 staff, only 70 are registered users of the mainframe core system. The concentration has been on processing the basic business transactions through a system which was inaugurated in 1981. This resulted in poor design and an ineffective user interface in delivering high quality services to the users.

Sequence of Events

In the second half of 1999, the Bank's top management (Bank's chairman) pushed for "an idea to provide advanced services" to the Bank's customers, because of passing comments made by some members of the Bank's Board of Directors, many of whom are representatives of IT-intensive private sector organizations. Those 'advanced services' refer to Internet banking, telephone banking and branching (there is only

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