Chapter 4.13
Application Integration:
Pilot Project to Implement a Financial Portfolio System in a Korean Bank[1]

So-Jung Lee
JLee Consulting, Singapore

Wing Lam
U21 Global, Singapore

ABSTRACT

This case describes a pilot project to implement a financial portfolio system (FPS) within Jwon Bank. (The case is based on a real-life organisation, although the identity of the organisation has been disguised at the organisation's request.) A strategic IT review of Jwon Bank's IT systems and architecture revealed that a lack of integration between IT systems was hampering the bank's capability to meet its business vision. A key recommendation from the review was the development of an FPS that would enable customers to manage all their financial assets and access financial services from a single place. However, creating an FPS meant that Jwon Bank had to develop a strategic solution to meet the integration needs across the entire bank. Jwon Bank examined enterprise application integration (EAI) tools, and embarked on a pilot project to develop a prototype FPS and test the robustness of an EAI solution. The case highlights some of the management issues relating to integration projects of this nature, including strategic planning for integration, EAI tool selection and evaluation, and understanding of business process flow across divisional silos.

ORGANISATIONAL BACKGROUND

Jwon Bank is one of the fastest growing providers of financial services to consumers in South Korea. Out of all the banks in Korea, it is recognized as one of the most innovative and progressive. For example, it was one of the first banks to offer Internet banking and mobile banking services. The swiftness with which Jwon Bank has embraced technology to differentiate itself is acknowledged by industry analysts as one of the primary reasons for the significant increase in its customer base,

which has grown by 15% in the last 5 years to about 5 million. The majority of Jwon Bank's new customers are young adults in the 20- to 30-year-old age group, precisely those who are most likely to adopt Internet and mobile banking services. In addition, Jwon Bank has been running a series of successful marketing campaigns that has given it a refreshingly youthful and vibrant image, unlike the conservative images associated with many of the other Korean banks.

Jwon Bank's competitive strategy is three-fold. First is to offer innovative financial services before its competitors. The introduction of new global trading services is one example of this. Second is to use technology to deliver financial services in flexible ways. The investment the bank made in new IT systems during the period of 2000 to 2002 is estimated at between $80 to 100 million. Furthermore, with the high IT literacy rates in Korea, the bank predicts that, within 5 years time, 80% of its customers will be conducting the majority of their banking through the Internet. Third is to provide exceptional standards of customer service to attract new customers and retain existing ones. A major service-quality initiative was recently launched by the vice president (VP) of customer services to monitor levels of service quality across the entire bank.

At the bank's 2003 annual conference, the CEO (chief executive officer) of Jwon Bank articulated his vision of being "Korea's preferred provider of financial services." The CEO also announced that Jwon Bank would significantly diversify its portfolio of financial services, enabling consumers to meet their entire financial needs, from investments to insurance, through Jwon Bank. The CEO believed that being able to provide customers with a holistic set of interlinked financial services would give Jwon Bank a significant competitive advantage in the industry.

SETTING THE STAGE

Jwon Bank's IT Architecture

Jwon Bank's IT architecture is divided into separate clusters of IT systems that are owned by individual business units (e.g., current accounts, investments, mortgages, trading, and insurance) and support the specific business needs of that business unit. Each cluster has between 5 to 20 IT systems. For example, there are a total of 14 IT systems in the credit-card cluster that collectively handle the management and processing of credit cards for the credit-cards business unit. In total, Jwon Bank has over 120 IT systems across all the different clusters.

Like many large organisations, Jwon Bank's IT architecture has evolved over a long period of time to include a diverse mix of IT systems running on different platforms and employing diverse technologies. For example, many of the IT systems in the current accounts cluster are legacy systems based on older, mainframe technology such as CICS and MVS. Many of the IT systems in the trading cluster are bespoke C++ applications running on the UNIX platform that have been custom built for Jwon Bank. On the other hand, the IT systems in the Internet-banking cluster are customized versions of packaged commercial off-the-shelf (COTS) systems running on the Windows platform. In addition, the IT system at the core of the customer services cluster is developed around the COTS Seibel system. The increased use of COTS reflects a general trend within the bank over the last few years of adopting a best-of-breed strategy to procure packaged COTS systems that were best in their class.

2003 Strategic Information Technology Review

In 2003, the VP of technology at Jwon Bank undertook a strategic review of the bank's IT

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