

How TBM Drives Business Strategy at **ROYAL BANK OF SCOTLAND**

A Royal Bank of Scotland Case Study

Executive Summary

For Royal Bank of Scotland, the TBM team was formed to understand and effectively map technology cost to business consumption of that technology. Today, TBM underpins strategic decision-making and is driving front and center of cost takeout aligned with business objectives. Application rationalization is more effectively considered for all related costs and across the entire stack that supports the application, enabling the business to look at every facet of cost reduction and make decisions about priorities based on complete information. A large, enterprise-wide team is utilizing TBM to problem solve, positioning IT as a strategic partner to the business.

Royal Bank of Scotland Corporate Overview

RBS is a UK-based banking and financial services company, headquartered in Edinburgh. RBS provides a wide range of products and services to personal, commercial, and large corporate and institutional customers through its two main subsidiaries, The Royal Bank of Scotland and NatWest, as well as through a number of other well-known brands including Ulster Bank and Coutts.



Industry // **Banking and
Financial Services**

Revenue // **£12.9B**
(based on 2015 YE accounts)

Employees // **80,000**

TBM Solutions

- Apptio Cost Transparency
- Apptio Bill of IT
- Apptio IT Planning

Benefits

- Cost takeout of over 20% of IT spend to date
- Significantly improved efficiency: business requests, now turn around in 3–4 hours vs 3–4 weeks

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— **Nasir Omar**, RBS's Head of Business Management, Technology

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Following the 2008 financial crisis, the Royal Bank of Scotland (RBS), like most banks around the world, took a hard look at its business model. What became clear was a need to put the focus back on the customer and the employees who serve them, and to do so in a more cost-effective manner that embraces technology as an innovation and growth engine, not just back-office functionality. This was critical, as technology had fast become a driving force for the customer.

"Ninety-three percent of all our transactions now flow through technology," said Nasir Omar, RBS's Head of Business Management, Technology. "So our digital journey over the last few years has been tremendous. Trading automation and our mobile banking app are great examples. We have approximately 4 million users of our mobile app currently, with 40% of log-ins being biometric. So digitization at RBS is absolutely a key priority."

But equally important to its focus on digital innovation is the mandate to be more cost effective. In banking, this is expressed as the bank's "efficiency ratio," which juxtaposes revenues and costs—the lower the ratio, the better the bank is at managing its money. In RBS's case, the Corporate and Institutional Banking target is to get to a ratio below 50%. While not yet complete, the cost-cutting side of this strategy has already removed 20% from IT's annual budget.

Meanwhile, the bank is leaning heavily on technology for the new products and services that will attract and retain customers. This means smart and often tough decisions have to be made.

"We have to be able to innovate to serve our customers better," said John Smith, CIO of the Corporate & Institutional Banking arm of RBS. "We are focused on some very clear goals that set us up for future growth. So every time we're spending a pound of the bank's money on something that is not for the benefit of our customers, it's wasted money."

Delivering innovation to market faster

Fortunately for John, he was able to avail himself of RBS' relatively mature TBM system to redirect that spending into customer-focused innovation.

"Our goal is to lower our cost/income ratio and TBM will be involved in 90% of the programs that are delivering against that goal," said Nasir. "The tooling enables us to really model out some of the impacts."

But it's not just a matter of taking out cost. It's also about simplifying the technology estate so the business can move faster. This is another way that TBM has helped improve business performance at RBS.

"The ROI on TBM to date has been huge," Nasir continued. "We've taken out 20% of costs. We've developed an office that can turn around business cases and programs, and the cost implication of those, not in three-to-four weeks like we used to do, but in three-to-four hours—a day at most. The bottom line for the business is we've built a model with TBM that gets business innovations to market quicker."

Focusing on the future

RBS is now firmly focused on the future—to reinvent and reinvigorate the way the business services its customers. And technology is no longer just along for the ride. Banking is being transformed today by technology. From customer-facing activities to the infrastructure and architecture decisions needed to facilitate cost savings and time-to-market imperatives, technology is playing a central role in enabling strategic decision-making.

“Early on in our TBM journey, the questions were ‘Why is that cost attributable to us?’ or ‘How are we consuming technology?’” said Robert Grassie, Head of RBS’ TBM Office. “So we would go after something like storage or desktops and show some level of cost takeout. Over the years, that’s completely transformed into a much more strategic outlook. Now the questions are ‘How can we restructure our business?’ or ‘What would the impact be if we did this?’ or ‘If we were going to adopt this technology, what should we put in our business case to support that?’”

“Now we’re the ‘go-to’ source for so many aspects of the business. Whether it’s somebody asking about transfer pricing, or trading floor activities, or application simplification; all of those activities are business-type activities and we’re involved in one way or another.”

Application rationalization

A good example of this success is application rationalization. Application rationalization efforts are underway at most large organizations today and RBS is no exception. Executed poorly, these efforts can negatively impact the ability of the organization to service customers, grow revenue and market share, improve operations, and achieve the required cost savings.

At RBS, all application rationalization programs are run through the TBM office first. In one instance, according to Nasir, the team was able to triple the amount of savings originally proposed in the business case.

“By running these projects through the TBM office, we’ve proven we can increase the size of cost takeouts by something like two to three times,” Omar said, noting that cutting costs is the easy part.

“You could always get to takeout. The key issue is how do you maximize efficiency and get to that as quickly as possible without decimating the business?” Nasir continued. “You want to create the kind of TBM organization that actually can take out costs at maximum pace and maximum efficiency, without impacting the side of the business that is actually trying to deliver business innovation to the customer.”

Restructuring lines of business

Also as part of its restructuring, RBS took a hard look at its lines of business, divesting some and restructuring others to support its focus on customer service. TBM has been instrumental in those efforts, giving business decision makers deep insight into the operations of those organizations. The key, of course, is following the money. But, because so much of any business’s operations are technology-enabled, figuring out operational efficiency (the target’s efficiency-ratio) is made much easier by TBM.

“With TBM in such widespread usage, we’re able to show return on investment on a much larger scale,” said Robert. “So whether it’s business restructuring, our direct line group, or our insurance arm, or our Williams & Glyn operation, we’re able to accurately assess what were either stranded costs or other costs that can be removed from the business. And that’s made us into a smaller but more efficient organization at the same time.”

In addition, looking at things like orphaned infrastructure and managed test environments has actually spawned new activity around efficiency and usage, leading to business decisions around cloud and other innovations.

“TBM has helped us understand the assets we own and how to free up capacity, so that we can afford to innovate and therefore service our customers better,” said John.

Crowd-sourced problem solving

TBM is now pervasive throughout RBS. There are 500 users who view over 20,000 reports quarterly. Hundreds of decision makers have access to TBM reporting through the TBM office, which serves as a center for excellence supporting other business areas throughout the organization.

“We’ve built a scalable TBM office by training up other areas to use TBM principles and to use Apptio,” said Nasir. “So you get experts within each business unit using TBM outside of the actual TBM office. Having so many users allows us to focus on more strategic initiatives, leaving other users to focus on the more tactical issues, like cost takeout.”

The TBM office processes between 600–1,000 queries per year, ranging from questions that can be answered within a few minutes to projects that are more involved, requiring hours or days to answer. “What the TBM model has given us is the ability to drill into the detail and to put that data into the hands of the teams and team leads who can do something about it. We now have the ability to really crowd source a problem,” said John.

This crowd sourcing via TBM is hugely beneficial to achieving big goals.

“Think about it,” John continued. “I personally can’t do much with a list of 13,500 servers dispersed around the globe. And one person taking out one server doesn’t make a lot of difference. But when you’ve got 2,000 people now working on a problem, each taking out a couple of servers? That scales up massively. What you’ve done is mobilize the whole organization.”

As the TBM office has matured as an organization, Robert and his team have gone from being grilled on their numbers to being seen as a trusted source of insight, one that both supports the strategic imperatives of RBS and acts as a key enabler of business innovation and service.



TBM COUNCIL

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