



## Gap Analysis



The Gap Analysis phase is where the comparison between the Current State Model and Future State Models is undertaken. The goal is to accurately capture the benefits that will be realised, the associated costs incurred to deliver the proposed change, as well as the costs to support the Future State models once implemented. This analysis will need to be completed for each potential model that will be included in the final Business Case.

In reality, the Gap Analysis takes place in parallel with the Future State Analysis phase. There is no point in spending time developing models that do not deliver enough benefit or are clearly not financially viable.

The Gap Analysis should be broken down into 3 categories

- Benefits to be realised
- Cost to deliver the benefits
- Cost to support the Future State model

You will need to analyse these categories from an Operational, Business Unit and Technology perspective to identify the full data set required for inclusion in the Business Case.

Where the change is delivered in a series of stages, you will also need to determine the delivery staging strategy and break down the total benefits and costs by delivery stage.



## 1. Benefits Analysis

When identifying potential benefits, it is important to be aware that some benefits will be quantifiable and some will be unquantifiable.

	Description	Examples
<b>Quantifiable</b>	A quantifiable benefit is one that can be expressed in monetary terms. For example, a headcount reduction (or reallocation to a cheaper location) will have a quantifiable saving equal to the reduction in total headcount costs.	<ul style="list-style-type: none"> <li>▪ IT costs (headcount, hardware, etc). Includes general maintenance and support as well as delivering change / improvements / upgrades</li> <li>▪ Ops costs – Asset Services resources plus other impacted areas (e.g. recs, treasury, finance, tax)</li> <li>▪ Business Unit costs</li> <li>▪ Data feed costs</li> <li>▪ License fee and hosting costs for software</li> <li>▪ Operational losses / near misses</li> <li>▪ Processing model scalability to cater for any increases in market or business unit growth</li> <li>▪ Time / cost to adapt the process to cater for market, Business Unit or Operational changes</li> </ul>
<b>Unquantifiable</b>	An unquantifiable benefit is one that cannot be expressed in monetary terms. For example, a reduction in risk due to automation of a manual process, will clearly be considered a benefit. However, expressing the reduction in risk in monetary terms is incredibly difficult with the tools available in the market today.	<ul style="list-style-type: none"> <li>▪ Risk exposure (other than losses / near misses)</li> <li>▪ Client service satisfaction levels</li> <li>▪ Staff retention / morale / career progression - on, near and far shore</li> <li>▪ Regulatory compliance exposure (including tax specific)</li> <li>▪ Market reputation (damage / risk)</li> <li>▪ Process resilience</li> <li>▪ Alignment with Firm technology directives</li> <li>▪ Ability to move towards “real time” processing</li> </ul>

It is critical to ensure that all possible benefits are identified, including those that can be realised outside of the Asset Services group. This is particularly relevant where the high-level business drivers are focused on unquantifiable benefits, such as “improve client service levels”, or “reduce risk”. The greater the level of quantifiable benefit identified, the greater the likelihood of your proposal being accepted.

Even though it may not be possible to include monetary values for unquantifiable benefits, other information can be included in the benefits case to assist with the decision making process.

Some examples of the type of information that can be included in the Business Case for unquantifiable benefits include:

- **Client Service satisfaction levels** – Review any data available relating to client queries / complaints and categorise them by root cause. If the root cause is addressed in your proposed solution, you can state the anticipated reduction in the level of future queries / complaints. Work with your Client Services teams to identify whether there will be a cost saving relating to a reduction in the number of resources needed to support the client query process.
- **Staff retention / morale / career progression** – Investigate staff retention rates to identify any patterns. Work with HR to establish the costs for recruiting, on-boarding and training replacements. Estimate the reduction in turnover and multiply by the costs for bringing in replacements. Ensure that your estimation assumptions are clearly stated if you need to take this route to prevent issues when presenting the final Business Case.
- **Risk exposure\*** – Review historical losses / near misses and identify root causes. If the root cause is addressed in your proposed solution, you can state the value of losses / near misses that will be unlikely to occur going forward. This does not give any indication of the overall risk exposure but will provide some useful data to include in the Business Case.

\* For further information on the issues relating to measuring Asset Services risk, please refer to this article on the Ibcas website –

[https://www.ibcas.com/\\_files/ugd/3c6aa3\\_f14d027057fa4d74aaf2c520add1c589.pdf](https://www.ibcas.com/_files/ugd/3c6aa3_f14d027057fa4d74aaf2c520add1c589.pdf)

The level of weight given to any unquantifiable type of information will vary greatly from institution to institution – and can also vary within the same institution, depending on the preferences of those with responsibility for reviewing and approving the Business Case.

Accordingly, you should be aware of who is reviewing your Business Case and speak to others in your organisation who have presented Business Cases to the same panels, to establish what level of weight is given to the different components.

## **2. Costs Analysis**

In order to identify the information required for inclusion in the Business Case, you will need to look at costs from two aspects – “Business as Usual” and “Change Delivery”

### **Business as Usual (BAU)**

The objective here is to identify the difference in costs to support the Future State Model on a day to day basis once the proposed change has been delivered. The BAU cost will be made up of Operations, Business Unit and Technology costs.

Compare the cost data identified in the Current State Analysis phase with those identified in the Future State Analysis phase and capture the deltas. Dependent upon the scope of the proposed change, it may be necessary to break this information down into sub-categories to allow easier presentation / interpretation of the data.

For example, the Operations costs could be broken down by processing location or function, whilst Technology costs could be broken down by license fees, hardware, support etc.

### **Change Delivery**

Change Delivery costs relate to those incurred to deliver the proposed change and will include Operations and Business Unit costs, as well as Technology costs

The Operations / Business Unit costs will largely be people based, where certain resources are seconded to the project team to assist with the delivery process. A calculation based on the number of resources, their cost and the effort required will need to be undertaken and included in the overall costs analysis

The Technology costs will also include people-based costs. In addition to the types of Technology costs listed in the Current State Analysis section of this paper, the following potential costs should also be considered for the change delivery cost analysis.

- Development
- Testing
- Integration
- Decommissioning
- Recruitment
- Training

In addition to the above mentioned internal costs, there may also be some external costs to consider and include in your analysis.

If your solution requires the implementation of third-party software, there will be additional costs to consider. These costs could include consultancy services, license fees and hosting costs. Work with any potential vendors to ensure all costs are included in your analysis.

Specialist consultancy services from providers such as Ibacas may be required to support your change delivery. Whether the need to engage with external consultancy providers is driven by the size of the change, a lack of dedicated change specialists within your organisation or concerns over the impact of removing SMEs from the day to day process to support your initiative, you should work with the service provider to identify such costs and include them in your analysis.



### **3. Delivery Strategy Impact**

As mentioned in the Future State Modelling section, it is likely that the proposed change will be delivered in stages. Accordingly, you will need to breakdown the sub-set of total benefits and costs by delivery stage for each proposed solution.

Unless the scope of the proposed change is very small (in which case you may not even need to develop this type of Business Case), you will need to deliver the overall change and associated benefits in logical stages. The sequencing of the phased delivery should be included in the Gap Analysis. The sequencing will be influenced by a range of factors such as Business Driver priority, lifecycle dependencies or technology considerations. As always, work with your stakeholder group to agree the best approach.

Develop logical roadmaps detailing the delivery stages of each proposed solution. Match the sub-set of benefits that will be realised and costs that will be incurred for each stage of delivery.

This method will show Senior Management clear timelines on when benefit will be realised and how much each benefit delivery will cost to achieve. It is critical to show that staged benefit will be delivered throughout the change initiative, rather than all the benefit being delivered at the end of the initiative.



## 4. Future State Heatmaps

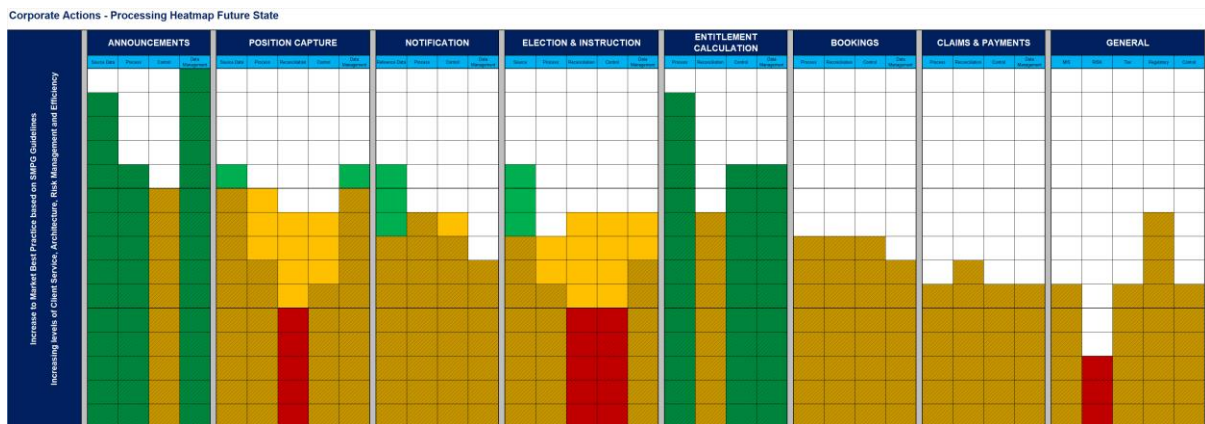
Once Future State requirements have been gathered, the associated modelling has been completed and all costs and benefits have been identified, Ibacas have found that it can be useful to represent those models in a set of Future State Heatmaps, which can be included in the final Business Case submission.

In those cases where a phased delivery is required, you can produce Future State Heatmaps for each corresponding delivery phase to show the levels of process improvement over time.

As with the Current State Heatmaps methodology, Ibacas compare the Future State model to the Ibacas Ideal State model.

In the example shown below, the proposed Client Service driven change focused on improving the Election and Instruction process.

### Future State Heatmap



The above heatmap shows the original values from the Current State Analysis phase, indicated by the shaded boxes. The improvements in the proposed Future State Model are shown by the non-shaded boxes.

In this particular example, it was established there were underlying issues with validating the entitled positions for elective events. This resulted in incorrect / late notifications being sent to clients, affecting their ability to accurately submit their election options.

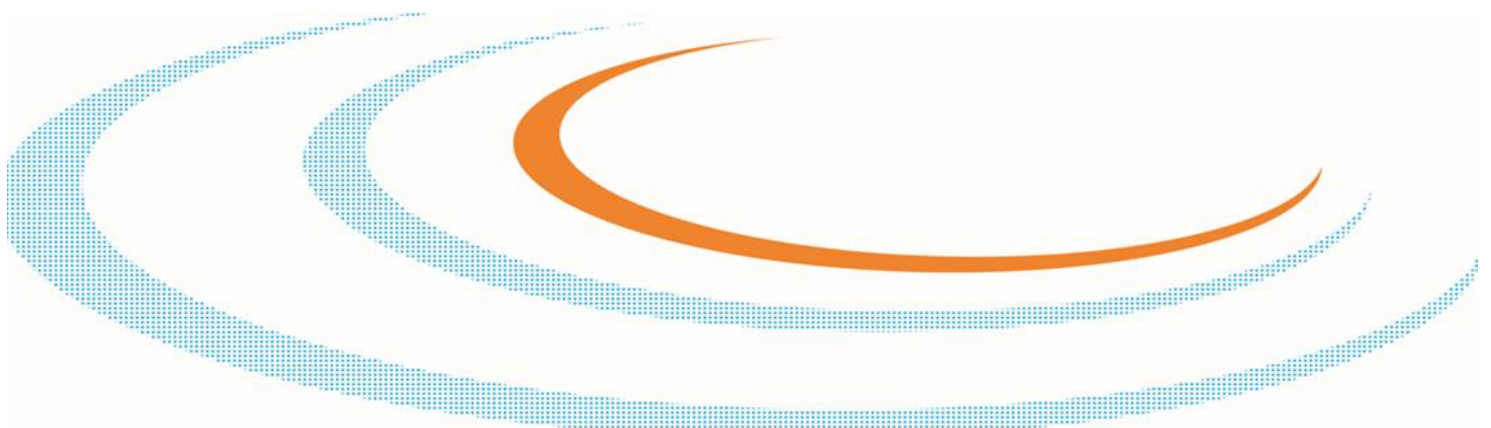
It was necessary to improve the Position Capture / Reconciliation process and the Notification process in order to provide the foundations to achieve the end goal of an improvement in the Election and Instruction process.

- Work with the owners of the underlying position keeping systems to improve the inbound entitled position information
- Improve the aggregation and reconciliation of entitled positions within the Asset Services platform
- Update the content and display of entitled position information in notifications to holders

Once these underlying issues were addressed, work could be undertaken to improve the Election and Instruction process.

- Upgraded functionality within Client Portal
- Automated receipt of inbound electronic Election Option messages
- Automated allocation of Election Option instructions
- Automated generation of outbound Instruction messages to agents / depositories

This is a good example of why it is important to look at the bigger picture when developing Business Cases for Asset Services change to ensure that the optimal solution is identified and implemented.







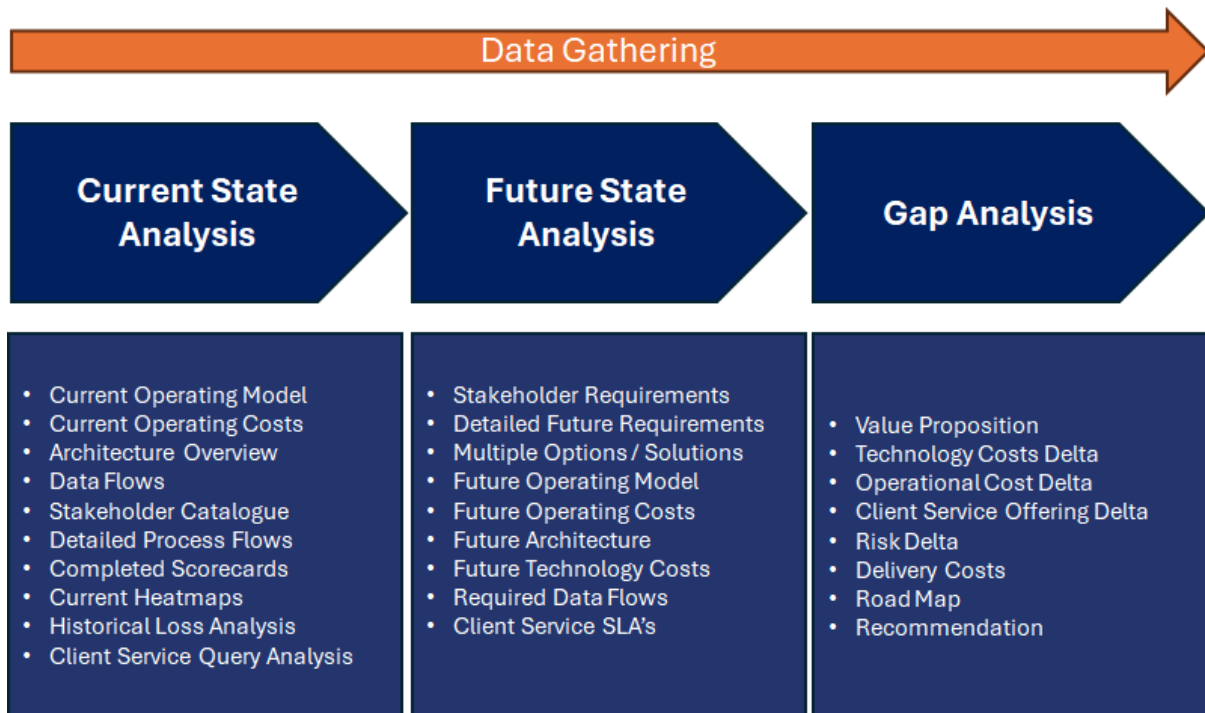
## **Business Case**

If you have made it this far – either through this paper, or through the process of building your Business Case – congratulations!!! You have done all the hard work.

The previous sections of this paper were designed to give some ideas and potential tools to identify and gather the information required to make a viable Business Case. This section will simply focus on pulling that information together into a single, coherent document.

This White Paper does not profess to be the only way to build a Business Case. It was written to share some of the experience Ibacas’ Directors have gained over the last 20+ years working as consultants with our clients across the industry.

The tools discussed are some of the options available in the overall Ibacas model. They can be employed to collate data that explains the current issues, model options for creating an improved Future State process and identify the benefits / costs associated with moving from the Current State to the proposed Future State.



**Summary of potential outputs from each of the Data Gathering Stages**

When writing the formal Business case it is important to understand your target audience and what information they like to see in a Business Case.

In the very early stages of your initiative identify who will be reviewing your Business Case. Then speak to others in your organisation that have presented to the same panel. Find out what works and what doesn't work for that group. Do they prefer hard data or pictures? Do they focus on certain aspects of the Business Case? Are they Ops, IT or Business Unit focused?

Having this information will help you write a more "recipient focused" Business Case. More importantly, it will allow you to tailor your underlying analysis, focusing on the required data needed to make the decision on approval and funding of the proposed change.

Deciding the amount and level of information that should be contained in the Business Case can be a juggling act. Trying to include all the relevant information without producing War and Peace to present can be a challenge.

Some general tips in this area are:

**Review sample Business Cases** – when speaking with others in your organisation, get copies of successful Business Cases. Leverage the format and style to assist with completing your own documentation

**Less is more** – try and reduce the amount of information contained in the main body of your Business Case to the minimum. Only ever include summary information in the main body of the document but make use of appendices to include more detailed data and analysis

**Use pictures** – a picture can speak a thousand words.....Use graphical representations of data to summarise complex information. Use colour coding to easily identify positives and negatives points (for example the Current and Future State Heatmaps).

**Practice document review** – undertake "dry run" presentations of your business case with senior stakeholders. This will not only give you practice at delivering the final version, it will also drive out some likely questions that you will face in the formal review and give time to prepare answers to those questions or update the Business Case accordingly.

**Back-up data** – Have all of your back-up data to hand from each phase of the process. This will allow you to answer any questions thoroughly and provide supporting data.

As stated previously, there is no agreed standard for the format or content of a Business Case document. However, we suggest that you include the following components for completeness:

- Statement of objective – based on business drivers / initial brief
- Approach summary – overview of the process
- Current State summary – Heatmaps have proved very useful
- Future State options – Heatmaps have proved very useful
- Value proposition – cost / benefit analysis per option
- Delivery methodology – explain staged delivery if relevant
- Recommendation – state a preferred solution with reasoning
- Agree next steps – often overlooked but keeps the process moving forward

Select relevant data from each phase of the process to include in the relevant sections, to build the overall picture and “tell a story” about what is wrong and the best way to fix the issues and deliver improvements.

Once your first draft is complete, arrange a review with key participants and stakeholders. This will not only ensure that all stakeholders are in agreement with the final version to be presented, it will also give you a chance to practice delivery of the Business Case and to pre-prepare some answers to likely questions.

When presenting your Business Case, ensure that key stakeholders from Operations, Business Units and Technology are also present to support you as required, by providing specialist input and responding to questions in their areas of expertise.

Presenting a Business Case, especially for larger Asset Services initiatives, can be a daunting prospect. This is largely because of the level of up and down stream dependencies but also because of the complexity of the Operational process itself.

There is also increased pressure from Ops Management to improve efficiency and reduce costs whilst also reducing risks, along with demands from clients and Business Units to improve the service offering.

Accordingly, the need for viable Business Cases to be developed becomes more important, so that those increased pressures and demands can be met. Hopefully this paper has given some insight into the process and provided some useful tips.

At Ibacas, we never underestimate the effort involved in this complex challenge. However, our extensive experience in this area has allowed Ibacas to develop a comprehensive model and accompanying set of tools that helps make the process more manageable and we hope that sharing this information will assist you in your own efforts to build Business Cases.

If you want to discuss the ideas mentioned in this paper, or need some support in your Asset Services related Business Case development or any aspect of Asset Services change delivery, please visit our website – [www.ibacas.com](http://www.ibacas.com) or feel free to contact us directly via [info@ibacas.com](mailto:info@ibacas.com)

## **About Ibacas**

Ibacas Consultancy Limited is the leading, independent Corporate Actions specialist consultancy firm that engages with the major Financial Institutions in the market on a range of Asset Services related projects.

Since being formed in 2002 we have worked with our clients to help optimise their Asset Services processes. These engagements have ranged from data vendor rationalisation engagements, right the way through to front to back process re-engineering of existing systems, as well as full implementation of third party processing platforms.

We have worked closely with our clients to help develop the business cases that have secured the funding to deliver the required improvements.

This broad experience has enabled us to successfully build a tried and tested flexible model and supporting tools to drive the business case development process. The core model can be adapted to suit the individual needs of each client, regardless of the client type / size, or scope of the required change.

