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# Harmonising your IT landscape across markets –

## Strategic balance of maintainability and controlled TCO vs local market opportunities

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**KEY HIGH-LEVEL DECISIONS.** For a financial services actor/group responsible for multiple geographical markets, creating a strategic alignment for the group in terms of IT related investments requires robust alignment with business stakeholders. For the purpose of this article, we can consider actors with similar or to some extent overlapping financial product offerings, be it Leasing, Loans, Stock Finance etc.

Let us start with the potentially least controversial topic from a business alignment perspective, being the IT Operational setup. In this day and age, we at Banqsoft would argue that finding a supplier that offers a good end-to-end processing coverage in a SaaS delivery setup is key. Going for SaaS would make IT operational topics such as hosting and application operations be minimised from the customer perspective, by being included in the SaaS service delivery.

That noted, in most realistic scenarios the full IT landscape requirements for a financial services business is not covered by only one SaaS delivery contract, but rather a combination of offerings. Physical hosting for some application may even be needed or called for based on characteristics of legacy IT landscape components, or limitations in service delivery offerings by some vendors.

For IT operational considerations an obvious target structure would be a centralised/regional setup. Aiming for SaaS deliveries to the greatest extent, but still if/when needed, consolidating and centralising physical hosting and application operations for economies of scale and cost reductions.

Now moving on to a more complex topic in terms of harmonisation and centralisation, being the level of standardisation in application setup across markets. As is readily understandable the setup and configuration of an application that is supporting key business processes is directly dependent on the design of the business process. Let's get back to that one later....

**Approach for application harmonisation.** The three different options below can be used to illustrate and discuss how to drive application harmonisation across group of markets and to highlight some suboptimisations that are not uncommon to find.

**Option A – Vendor consolidation.** Choosing same application brand/vendor for all markets in scope, still allowing for fully market specific system setup.

- Would be regarded as minimum level harmonisation and would only give benefits in IT Operations and application vendor management.

- This option can be labeled as consolidation only.

**Option B – Full standardisation.** Same application brand/vendor and ambition to standardise setup across markets close to 100% through the system stack.

- Unrealistic path that will reduce business benefits and impede business development and productivity in recognising and materialising business value out of local market characteristics

**Option C – Tiered approach.** Choosing same application brand/vendor and a tiered approach for common- vs market specific system setup, supported by application inherent configurability and flexible architecture.

- This would be an ideal level of harmonisation to maximise total benefits in business and IT

- In most scenarios this would be the preferred approach

**Maximising value in a tiered approach.** With a tiered approach (Option C) for common- vs market specific application setup being preferred, such an approach would properly executed bring clear IT benefits such as sharing common IT delivery processes across multiple locations with ease of deployment, as well as reducing cost when implementing additional locations utilising agreed template setups and configurations.

From the business perspective, with IT being the enabler for executing business processes in an efficient way, a strong commitment from business-side stakeholders is imperative for a successful initiative in harmonising application setup across markets. Not putting needed focus on the business dimension and running a harmonisation initiative without thorough business alignment will run the risk of ending up in paths resembling options A or B noted above, neither creating necessary value.

**Business Process Management supporting System Harmonisation.** At the core of a financial services entity know-how and ownership is the design, continuous evolution and maintenance of the processes by which its business is executed. Often professionals working in this area refer to this as BPM – Business Process Management or Business Process Modelling.



Without going into all the finer details in the vast area of BPM, let's look at a fairly straight forward simplified example to clarify the connection between BPM and harmonisation of an IT landscape;

- A level 1 high-level process is spanning from Application processing, via Contract Implementation, Contract Management, End of Term and finally Remarketing.

- At level 2 the process for Contract Implementation would in turn be broken down into distinct process steps at level 3, with the steps at this level being supported by executing distinct functionality in the system landscape. See picture below.

Consequently, to successfully execute a project in harmonising system setups cross markets it is not enough to stay at process level 1 or level 2, but you need to get down to level 3 and your change management processes needs to have that perspective.

Worth noting is that for establishing a new business, or completely replacing larger components in the IT landscape of a financial services entity, the approach would typically be to use out-of-the box readily available processing standards as a starting point and then to furthest extent possible utilising pre-configured options and configurations.

However, for a new market or territory it must be expected that for full end-to-end process support some applications, integrations and/or services will in fact be market specific and in those cases the principles of level 3 BPM would be applied to define usage from a business perspective. More below on implementations based on standards.

A business benefit from a tiered approach that can be highly relevant if materialised is also the consolidation of business operations, often more straight forward for back-office operations where individual market characteristics and language barriers is less of an issue and where focus is on highly automated and scalable processes.

**Implementations based on standards.** Contract Management Systems (CMS) are at the very core of an Asset Finance system landscape, often combined with an onboarding engine driving processes in credit scoring and KYC related processing such as AML and beneficial owner verifications. To these core elements comes channel applications for new business origination, targeting retail networks or direct customer facing in B2C or B2B setups. For an auto finance business to replace their CMS and/or onboarding application is a strategic long-term decision.

Main drivers for such a replacement often include improving back-office efficiency and scalability, as well as more forward-leaning objectives in launching new financial product offerings to the company's customers, due to that very few initiatives are solely driven by objectives in improving efficiency. Offering new or improved services with fully digital end-customer interaction points is a given.

At the very foundation of a successful project in replacing the CMS and onboarding platforms is the partnership between the customer (in this context being the financial services entity) and the supplier of system software services and professional serv-



*Customer processing options and configuration possibilities should be continuously maintained and developed. This should be approached as an evolution, with stepwise deliveries.*

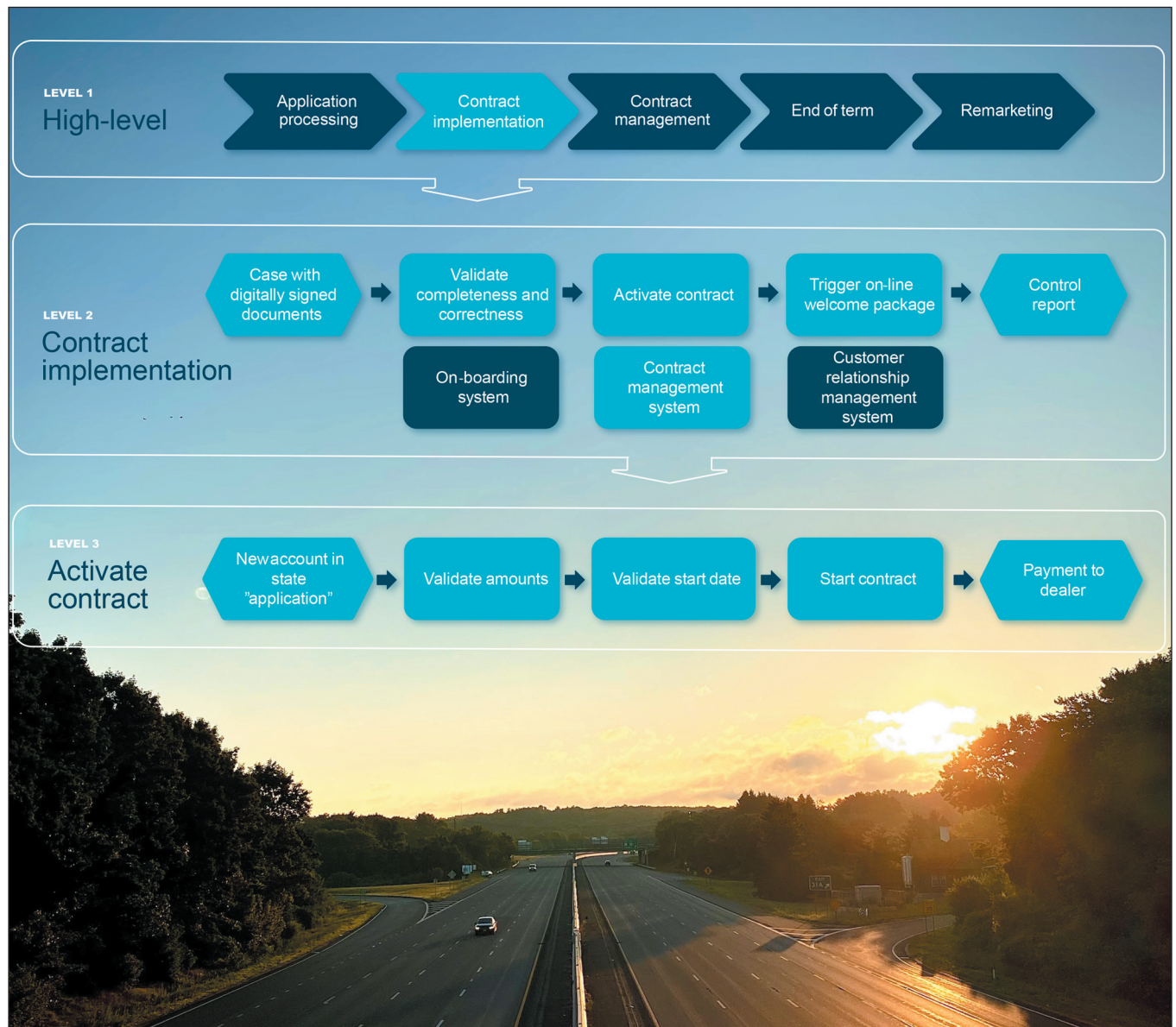
ices required for a high-quality implementation. This partnership is the foundation for robust decision making by the customer management stakeholders and workforce to ensure the final solution setup meets the defined objectives, and in which both parties are equally committed to reach implementation objectives in terms of functionality, timeline, and cost.

To ensure progress in implementation projects, especially when driving the decision-making process, the supplier’s professional services project team should base the dialogue and communication on pre-set standard setups and configurations. As a general principle, asking the customer, “Which pre-defined option A, B or C would be preferred for configuration item X?” is a productivity multiplier in system implementation work – unlike asking the customer “What characteristics would you like to have for configuration item X?”. These principles are further

strengthened by the professional services team, which by possessing key knowledge about the customers business will enable them to propose clear recommendations as a starting point.

With a strong partnership and trust established between the parties, an initial agreed position to always strive for re-using proven standards and pre-defined configurations is a key enabler to reach time-to-market objectives, scope control and change management during project implementation.

**Maintaining standards.** Being a supplier of software services comes with the responsibility of continuously maintaining and developing standards in terms of customer processing options and configuration possibilities. It also requires actively, and in a planned way, decommissioning legacy setups not deemed viable for future market developments. In our minds, this process should be perceived and approached as an evolution with stepwise deliv-



The design, continuous evolution and maintenance of its Business Process Management (BPM) is at the core of the IT harmonisation landscape of every financial services entity





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eries, rather than enforcing drastic changes on an existing customer base.

With customer collaboration and advisory services, these stepwise improvements can, for existing customers, be planned and executed in a way to ensure customer financial service entity business value. Controlling long-term maintainability, and consequently your Total Cost of Ownership (TCO), is equally important from both customer and supplier perspective. However, because the asset finance market is dynamic, standards need to be continuously maintained and further developed to support these changes.

To be a long-term competitive financial services company, one must not stagnate, i.e. the business and customer offerings must change and evolve based on new market demands. Preferably, these changes can be a key enabler for progress if taken in controlled steps, in which tight collaboration and partnership with a supplier of IT system services cover a large extent of the IT landscape requirements. With deliveries through a SaaS-based model, the complexity of IT software infrastructure delivery is also taken out of the equation, and thereby enabling the finance company to focus solely on business development.

**Integration readiness.** As a supplier of software solutions in the asset finance business domain, it is important to be prepared and willing to integrate to any service as mandated by your customer, to form an ideal IT landscape that supports the customer's business in an optimal way. This is taken into consideration for both legacy customer investments as well as new components required to develop competitive market offerings.

Determining service and application integration points based on business flow and process design is, in most implementation scenarios, clarified as a deliverable from an analysis phase. In order to integrate this the best way, securing both time-to-market and long-term maintainability, the supplier should offer an open API approach based on modern industry standards.

The supplier should also be flexible enough to manage new market or customer-specific requirements with an approach of building further on maintainable API layers, avoiding tailor-made one-offs. Also, it can – and will, from time to time – happen that an integration point is discovered after the analysis phase, despite best efforts from both customer and supplier. Business will continue regardless, and creativity in business development from the customer side may thereby put new requirements on the solution being implemented. In Banqsoft, we operate with an approach of API first, meaning that everything we develop is with the end goal of API consumption in mind.

As the development roadmap and plans meet requirements from a specific customer case, we need to be fast moving and flexible in adjusting REST services exposed on our integration layer as well as modifying our robust data staging layers for reporting purposes.

**Partner ecosystem.** With cloud technology and robust integration standards such as RESTful APIs, we see increasing possibilities and potential good business cases for partnering up with software services vendors offering complementary functionality for increasing customer business value. When utilising cloud service setups as an enabler, partner solutions can be materialised

without added complexity in managing the customer IT landscape.

In the last two to three years, we have seen an increased willingness and maturity among our customers to assess the full perspective of solving business process functional requirements by connecting to and consuming readily available cloud services, rather than pushing development requirements. This also includes services delivered in partnerships with key software service suppliers.

Time-to-market as well as long-term maintainability are equally important drivers for utilising service setups in a cloud environment, in most cases from the overall IT landscape perspective, resulting in a hybrid cloud setup. So, reflecting on implementations based on standards, choice, and including partner cloud solutions to meet functional requirements can truly be a win-win for involved parties. Banqsoft partnerships in the cloud service environment have first kicked off in the AML and beneficial owner verification area, where we find how service partners at ease can plug-in to readily available APIs in our integration layer.

From our customer's perspective, this ensures compliance and increasing business value both in onboarding and contract management of existing contract stock, without added complexity.

**Banqsoft's Nordic Heritage.** Banqsoft offers a complete end-to-end software suite and service offering for the asset finance industry, with long experience from both the market leading position in the Nordic region as well as financial services businesses in more than 30 markets around the globe powered by Banqsoft's Asset Finance software suite.

Banqsoft is the *de-facto* Nordic market leader in auto finance, with experience from a large number of customer implementations projects and several success stories, where our Asset Finance software suite is the core IT platform for break-through business achievements with our customers. We are continuously building on our experience and improving coverage for our standard setups, to become more agile and fast moving, while ensuring processing quality for our SaaS customers and striving to push the envelope for time-to-market.



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