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Rethinking Managed Services in the Financial Sector



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It's about partnership not outsourcing

Fujitsu has always had a clear vision of the proper role of Managed Service Providers (MSPs) in the Financial Services sector. We believe that the C-suite must rethink its view of them. They should not be seen as a means of outsourcing functions for a fixed period of time. Working with them is, in fact, an opportunity to enter into a dynamic partnership within an ecosystem that's geared towards challenging the business to understand a range of issues. They include choosing which technologies and platforms are needed to focus on customer value, stay ahead of regulatory and compliance demands, and innovate so that it can both compete and work with a rising tide of FinTech and Neobank organizations. Simply, it should not be a 'your mess for less' approach, but a partnership focused on getting more value from technology platforms and services.

The key words are 'partnership' and 'ecosystem'. The traditional view of an MSP – that it's a way of outsourcing a specific project or requirement – is fading fast. Most financial sector enterprises understand that the old model is no longer fit for purpose, because technology and what the business demands from it are changing too fast

to fix the scope. But there's still a reluctance to fully embrace the idea of creating a broader ecosystem of partners to focus on enabling innovation, as well as strengthening security, compliance, and achieving cost-efficiencies across the organization. Google recently surveyed the Financial Sector to see why cloud adoption was seen as risky by many institutions. They concluded that "The barriers to adoption vary, from the complexity of legacy systems, to trust and skills gaps, regulatory uncertainty, and fragmentation of compliance requirements."¹

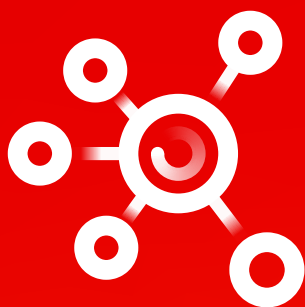
It is important that financial enterprises focus on what IT can do for their specific business needs within the unique framework of the financial sector. That means it must be completely relevant to the specific objectives and vision of each bank or insurance company. It must be strategically aligned to the competitive landscape that's relevant to that enterprise. And, most importantly, it must deliver cost benefits via digital channels as well as empowering frontline staff to deliver a quality customer experience that's compliant and competitive in an increasingly pressurized market.

Managed Services redefined

As financial sector research specialists, Finextra, found, 91% of North American and European institutions are eager to make the most of the cloud, but can't fully commit themselves to adopting its full capabilities because they know it's not a 'straightforward task.'² That's why 85% of them realize that they need external help to move forward. But what kind of external help? Defining what 'Managed Services' actually means isn't as straightforward as it seems. It is not the old model of outsourcing on a fixed contract for five or seven years to do one specific thing, like build and run

a network or transform the voice capabilities of a bank's contact centers for instance. It is about looking at what needs to be done and what legacy systems and internal IT experience and expertise is available in a less rigid way than in the past. Many financial institutions have built up IT expertise internally and they don't want to lose it. The new model of Managed Services builds on it, augments it, creates partnerships within a broad ecosystem to energize IT and make it more relevant to what's needed right now, as well as providing the ability to anticipate the future as much as possible.

²Managed Services: Helping Banks Refocus On Innovation and Growth: Finextra / Finastra 2021



The role of the Managed Services Provider

- Work with you to identify business requirements
- Build on the elements of your legacy IT and internal talent and co-create to mitigate risk and control cost, while driving innovative new ways of working and serving customers
- Help you move strategically to the cloud and leverage AI and Machine Learning across your functions to improve the customer experience
- Identify and remediate rigid, cumbersome systems to boost agility
- Be future-proofed in terms of both technologies and services to stay ahead of market disruption, new challengers, and evolving customer demands
- Provide room for growth across your infrastructure so that you can seamlessly enhance performance, cut costs, and stay ahead of regulatory change and compliance demands

Get the basics right, then go beyond them

MSPs provide a range of services which extend from the knowledge of experts to the actual hardware that does the heavy lifting each day, such as servers, network technology, applications on-premise and in the cloud (as a service), through to robust security. The MSP market has evolved at pace over the last decade. The old outsourcing model is in decline. There is a heightened understanding that MSPs are also partners able to provide insights into how to digitally transform everything from the way customers interact with banks (e.g. mobile banking) through to contact centers based on omnichannel capabilities (not just human contact but web-based AI powered ways of delivering routine functions at speed).

The MSP agrees a comprehensive set of end-to-end IT services and enshrines what it promises to deliver (within a set timeframe) and what it will cost within defined SLAs. The relationship is not rigid; it is based on advice about how the institution can flex its ability to take advantage of emerging technologies, cope with new compliance demands, and react to disruptors within the market at speed.

At Fujitsu, we define that relationship as a partner ecosystem, based on a deep understanding of each institution's needs, history, vision, and competitive opportunities and threats. We work with a lot of partners all over the world and that gives us insights into how we can help financial institutions thrive. But, most importantly, we never discount the existing ecosystems that our customers have. We work hard to integrate the best of what we have to offer and the best of what the customer already has, to drive change and innovation focused on their needs and ambitions. That is how we go beyond the basics of what people traditionally think MSPs can offer. They are a great source of capabilities focused on enabling innovation, from agile squads to innovation sandboxes, and connecting you to the right FinTech specialists.





Getting the most from your MSP

It is a relationship not just a contract. An ecosystem not just a service. So, to get the most from your MSP it's important to work with them to identify the specific business requirements that are most relevant to your organization right now. Do you need to transform your payments platform, boost customer experience across your branch network, or rationalize your data storage and processing to yield greater insights for innovative products?

The board will have set specific KPI's which seem clear but can be contradictory. Its members are often seeking to reduce headcount while boosting customer service, at the same time as trying to manage costs but still drive innovation. All those things are vital, but they have to be balanced. Working with an MSP helps because you get a deeper perspective from an outsider into what's really happening within your business.

Enabling the MSP to understand how your business really works, which systems and technologies are too rigid, which need to be replaced, which work well, and what skills and talents you already have in-house, means that you can hit the ground running when it comes to transforming specific areas that urgently need attention. You can achieve quick wins for specific KPIs while offering a different perspective on which are more urgent within the current competitive environment.

That's what a partnership ecosystem delivers; a deeper understanding of how your institution works and which processes need to be transformed, and which can keep going because, well, they just work. MSPs, like Fujitsu, which have a track record in financial services will also bring a deeper understanding (and experience) of driving change while keeping pace with the regulatory and compliance landscape.

Avoid the 'big bang' – do things one at a time

It's not about technology. It's about your strategic needs and long-term vision. The right MSP will encourage you to keep what works and build on it. Find what doesn't work and replace it. Keep an eye on the future as well as the market and innovate in focused ways. 'Transformation' isn't an all-or-nothing concept: when it's incremental it's often more robust. Your people adopt new ways of working faster when they're gradually introduced and supported by internal expertise as well as external MSPs.

It might be controversial to claim that some financial institutions can actually be afraid of MSPs. But when you examine it closer, it makes sense. They are nervous about risk and want to avoid turning old ways of working upside down, ripping out technologies (which work fine right now), and losing internal knowledge. At Fujitsu we always stress that the new kinds of MSP out there don't do that. They are partners who build on the world to bring in the new at a pace that suits each institution.

A good MSP will focus on different elements of what needs to be done individually and then ensure that they are transformed successfully so that they become foundational. They add to the strength of the institution and therefore make it easier to deliver change and innovation going forward.



The Fujitsu definition of the MSP

- It's a focused partner ecosystem: our partners and your partners working together
- Nothing is 'off the shelf' - we co-create solutions tailored to your specific needs
- Integrate technologies which are geared to your specific value chain
- Driven by your KPIs
- You challenge us, we help you think differently
- Focus on risk, cost, and security
- Drive innovation through agile squads, innovation sandboxes, etc.
- Prioritize investment to create the right capabilities
- Work with you to engage with the right FinTech challengers

Define the value chain and rebalance the vision

The advantage that the FinTech community seems to have – and we stress seems – is that they aren't as regulated as the more established institutions. But that's changing. Fast. Their agility might be based on their size and lack of rigid internal structures or legacy systems, but many more established institutions are using MSPs to free their people and their processes up so that they can compete at speed. Regulators are looking to bring new entrants within the sector into line with their legal frameworks and customers are voting with their feet: they want their money to be protected.

A well-balanced partner ecosystem will enable you to focus on your value chain and understand your true place in the market. That means you can balance how you achieve the KPIs set by the board: if you cut costs in one place how does that affect your competitive agility? What specific outcomes are needed from technologies to differentiate customer service, and where do you place those new systems, so they work with the legacy systems which are still fit-for-purpose? Also, how can you actually make the most of FinTech innovation internally and externally? A good MSP will unlock the promise and potential of FinTech's, securely and safely.

At Fujitsu, we co-create the solutions to those considerations. We listen to your concerns as well as your ambitions. And we want you to challenge us to deliver that value in innovative ways. The point is to go beyond the old inflexible definition of what a Managed Service is and create a dynamic partnership that can scale up and down as and when conditions (or objectives) change. We want to ensure that our customers stay relevant and offer the service catalogue which gives them what they need now, but also create a pipeline for the things that they are going to need as they change and as the market changes.

Fujitsu's partner ecosystem encompasses all of the names you'd expect - Microsoft, AWS, Oracle, Google etc., but also a host of other providers which can be aligned together to achieve specific outcomes. As mentioned before, our ecosystem works with your existing ecosystem to integrate capabilities and expertise so that each partner's offering can be leveraged at the right time and place to deliver on specific KPIs.

In the end, it becomes one integrated ecosystem that's totally flexible so you don't have to start again or recreate teams or technologies, you can deploy them with more agility to new projects as and when you need to.

Beyond Managed Services The Co-creation partner ecosystem

Is 'Managed Services' the right term for what MSPs provide? Yes and no. It's much more than 'managing' a service or a group of services. At Fujitsu, we see it as a partnership. An ecosystem. A dynamic relationship in which both sides challenge each other based on the demands of the marketplace.

It's not just about delivering technologies, but about achieving increased agility and operational efficiency, maximizing ROI while controlling costs and driving sustainability, and enabling faster growth and innovation. All those objectives are underpinned by mitigating operational risk on an ongoing basis.

It's time to think differently about managed services and change the paradigm to get the most from the partners in your ecosystem.



Discover how partnering with Fujitsu can help your business with managing services in the financial sector:
www.fujitsu.com/global/services/infrastructure/



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