

THE DIGITAL TRANSFORMATION OF MKB BANK AND ITS JOURNEY

Introduction of the Bank's BPR Project and its Core System Replacement Project

As a topic for my Finance degree Capstone project, I have chosen the most engaging experience I have had as of yet – replacing the core system of MKB Bank and the involved preparation tasks. This involved multiple projects: a BPR project (Business Process Redesign) and a core system replacement project that involved introducing Flexcube system of Oracle Financial Services.

The digital leap received major publicity especially in local media, however there was some international publication of the success story. The project was conducted in a record time within 2.5-3 years.

The document describes the project in the below segments:

- Presenting the base situation
- Business Process Redesign phase i.e. 'Change Our Brain'
- Transformation Project i.e. 'Replace Our Hearts'
- Conclusion highlighting the author's point of view and the learning curve that was associated with the whole endeavor

Presenting the Base situation

MKB Bank is a major Bank in Hungary that has had quite a long history in the region. It was founded in 1950 as a commercial bank – as its name also suggests – Hungarian Foreign Trade Bank. It was owned by the government until 1994, when it was privatized and then it was bought again by the government in 2014.

Due to this long history the Bank had a quite complex business process portfolio and IT structure. The management of the Bank realized early on in the digital transformation phase that is overtaking the market and has as such decided to start with the basics: change its business processes and replace its core system with another system.

The Project was very complex – there were actually two projects right away, since changing its business processes requires a business mindset primarily to make it lean and IT oriented only secondarily. Before the IT focused core system replacement project, this business oriented BPR phase was required to lay down the bases for the IT specification during the transformation project. As such, the second step was the actual replacement of the core system, with applying the new processes that are also adapted to the system that needed to be implemented.

The Bank had a clear cut strategy when they were planning the two projects that would lead to the creating the digital base of the new modern Bank that the top management wanted to form. Several advantages and disadvantages were assessed before starting the project and after over three years the feat was successful.

The goals were rather all revolving around being more efficient and a more digital institution that would be able to implement what customers would expect their financial partner to be able to provide. Not lastly customer experience enhancement was also amongst the goals, for which this digital basis that was created is essential.

Introducing a more digital platform and processes that support this same digitalization tendency is more of a starting point rather than the destination. Many projects were already making plans based on the final delivery of this very Transformation Project, even when the deadline was well ahead of us.

Business Process Redesign phase i.e. 'Change Our Brain'

Business Process Redesign (BPR) stands for the re-planning of existing processes in any organization. Starting such a major redesign is not easy in any organization, even less so in a heavily regulated industry like banking. The methodology of the redesign is quite complex and application wise can be multi-fold:

- Define goals, KPIs of new processes
- Assess AS IS operations
- Design TO BE processes
- Implement TO BE processes
- Improve the design of new processes

There were multiple business oriented teams set up for all departmental units that were taking part in the Project – basically across almost the entire banking portfolio that the Bank was offering to its individual and corporate customers.

The process of BPR was in practice performed with multiple deliverable products and in two primary sub-processes:

- Product portfolio revision
- Process portfolio review

The final BPR concept deliverable that was the output of this phase was summarizing information that was based on these two review activities; suggestions for change were formulated for both products and processes which were meant to standardize and make the Bank's operations more efficient.

During the next phase in the overall digitalization phase of the Bank, the suggestions were implemented in the new system. This often required some changes to be adapted to the system that would be implemented; requirement specification on the business side was started early next on in the Transformation Project.

Transformation Project i.e. 'Replace Our Hearts'

The Transformation Project was a very intense project from multiple points of view, just to name a few:

- Ambitious goal
- Intense pace due to tight deadline
- Many streams in the project
- Lot of involved colleagues
- Vendor management was complex due to many involved parties

The streams that were set up were changing throughout the lifetime of the Project, the below graph shows the various streams and focus points as the Project was getting closer to its end.

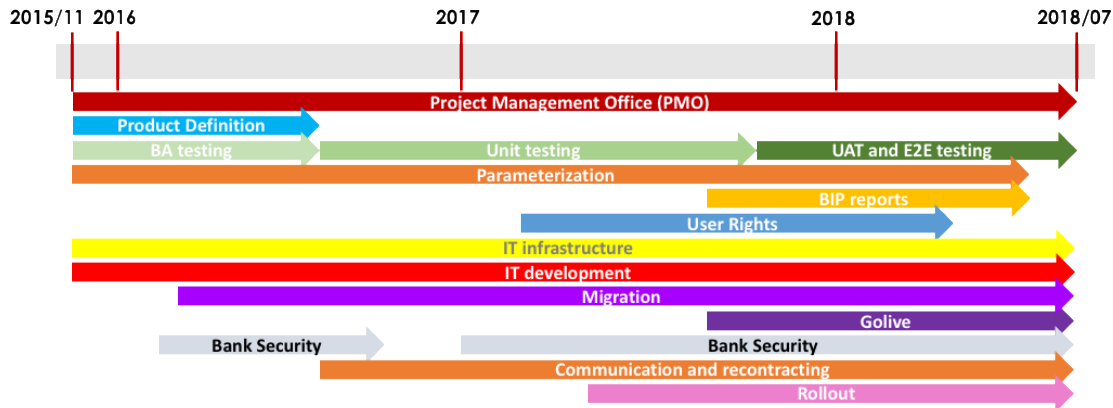


Figure 1: Project timeline and streams (Prepared by author based on experience)

These sub-projects are presented at varied level of details depending on the involvement of the author in each stream. Most detailed ones are BIP reports (Business Intelligence Publisher), User Rights and Rollout, where my involvement was more prominent than in others.

Conclusion highlighting the author's point of view and the learning curve that was associated with the whole endeavor

This was my first such big project – and I can safely say that the human aspects were a lot more complicated than the technical part, which might be considered ironic with such an IT-heavy project.

My part in this was the 'pushing along' of things. As a project manager, the requirement towards me was not to simply get things done but to have others do their own job as well, in order to achieve faster results. It was often the case that although I finished my part, I was instigated to push others to do their job faster than they were comfortable with. This resulted in various clashes with the teams, since pushing someone to work faster when they were already tired from having to work on live and test issues at the same time was challenging.

I had to realize that project management is a lone ranger show. In order to get results quickly and efficiently, you need to be confident enough and goal oriented enough to clash with people in order to reach your goal. Goal oriented attitude is unique and needs to be treasured – it's what motivates us and gets things done in an exceptional way and at a faster than average speed. It's all in our heads – we need to have a growth mentality (as in always believing in progress and development) while also believing that anything is possible if we want it hard enough.

