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THE INSIDE TRACK

Future State Analysis

As with the previous section of the Current State Analysis phase, Ibacas' experience shows that there is not a "one size fits all" approach to the Future State Analysis phase. The below information shows a sub-set of the full Future State analysis model that Ibacas has developed over many years, working with a range of clients across many different types of change projects.

Having said that, one aspect that is common across every single Future State Analysis exercise we have undertaken is the need to focus on the specific drivers and objectives of the proposed change. It is too easy to fall into the trap of expanding the scope of the Future State analysis and modelling beyond the boundaries of the Defined Scope that is agreed at the beginning of the process.

Extending your analysis and the proposed solutions beyond the original scope will inevitably lead to an increase in the associated costs and delivery timelines, making it even harder to develop a viable Business Case and reducing the chances of securing the required budget.

Another core consideration is that there are always different ways to achieve the same goal. Accordingly, multiple solution options must be considered during the Future State Analysis stage and all viable solutions should be included in the final Business Case for consideration.

As with the Current State Analysis phase, it is critical that all impacted areas of your organisation are included in the Future State Analysis process. This will ensure that comprehensive solutions are developed and that all the relevant Future State costs and benefits are identified.

1 Future State Requirements

Unlike the Current State Analysis model where you start at the high level and work down into the detail, the opposite approach is recommended for Future State Analysis exercises. Understanding the lower level requirements up front will allow accurate Operational and Architectural models to be developed that reflect potential Future State models that actually deliver the required benefits.

The best way to gather this information is to execute a series of workshops / interviews. Initially, these should be held with the Asset Services Operations and Technology SME's identified during the high level analysis phase. Once that process has been completed, expand the process out to the non-Asset Services groups.

Unless you are designing a completely new process or service offering from scratch, leveraging the information captured during the Current State Analysis phase will simplify the Future State process. Use the completed questionnaires, detailed process flows, operating model and architectural / data flow diagrams to drive the workshop agendas. Identify changes to the existing process, or new requirements that are needed to meet the defined objectives for your Future State model.

Methodologies for capturing the Future State requirements will vary from organisation to organisation (use cases, business requirements documents etc.) and you should follow the standards / methodologies adopted by your organisation. However, three things that remain key, regardless of the methodology employed, are to capture as much detail as possible, ensure that you keep within the bounds of the proposed change and to prioritise each requirement in terms of criticality.

Whilst capturing comprehensive details, we recommend that you record the following information for each requirement. Recording this information will help greatly when modelling Future State solutions

- What prompts are provided to execute the function?
- What source information is required?
- Where does the source information come from?
- Are there any SLA terms in place for completing the process?
- Is an authorisation process required?
- Is a confirmation that the process has been successfully completed required?

As mentioned previously, Ibacas have developed an Ideal State model, based on the core principles laid out in the Scoring section of Current State Analysis. When engaging with our clients in Future State Requirements workshops, we use this model to drive the workshop agendas and help validate / challenge / improve the requirements that are captured. Employing this approach has drastically reduced the time taken for our clients to agree their Future State requirements as it makes it easier for them to envisage what their Future State process could / should look like.

Whilst it is not practical to show the complete Ideal State model in this paper, it is useful to be mindful of the following core principles of the model when defining your Future State requirements:

1	**Adherence to local and global Standard Market Practice Group (SMPG) guidelines.**
2	**Adoption of ISO15022 and ISO20022 data dictionaries**
3	**A scalable process with high levels of automation / efficiency and real-time processing capabilities.**
4	**Effective risk mitigation and management with comprehensive risk prioritised workflow capabilities**
5	**Architectural efficiency with a focus on real time, formatted and automated data flows between upstream and downstream systems, including electronic client communications.**
6	**Adherence to Organisational / Business Unit goals and standards / SLA terms**
7	**Visibility of the overall process for management and processors, including on demand and scheduled reporting**

Once detailed Future State requirements have been captured from both the Asset Services teams and the impacted non-Asset Services teams, the solution modelling phase of the process can begin.

2. Future State Modelling

The next stage of the process is to take the Future State requirements and the original business drivers for change and begin the work of modelling solution options.

As mentioned previously, there are usually multiple ways that the same challenge can be met. However, that does not mean that every solution can be considered viable and included in the Business Case.

A high-level analysis of the benefits, costs and delivery timelines should be undertaken for each potential solution at the early stages of the Future State Analysis phase. Whilst a potential solution may deliver the desired benefits, it may take too long / be too expensive to implement and should not be included in the subsequent detailed analysis and modelling exercises. It may still be useful to include such options in your final business case to show that they were considered and correctly rejected.

It is not always the case that a technology solution is required to deliver the proposed change. Sometimes, effective change can be delivered through a combination of process re-engineering, combined with some system configuration changes and the provision of additional reporting. This may often be the case when there is a pressing Client Service or Risk Management issue to address. A temporary, manual fix may be required to address the issue very quickly, until a more robust systemic solution can be developed and delivered.

In other cases, the desired change and associated benefits may only be achievable through a technology delivery. For example, if significant efficiency benefits are required, automation rates will need to be improved, which is only really feasible through technology driven change.

In the cases where a technology delivery is required, it is important to consider the ways in which the technology delivery can be achieved.

- Changes to the in-house, proprietary platform.
- Development of an additional in-house, proprietary platform.
- Upgrade / development of existing third-party platform.
- Adoption of a third-party module / stand-alone platform (for example – Announcement Validation or Claim Processing platform).
- Replacement of in-house, proprietary platform with a third-party platform.
- Replacement of third-party platform with alternative third party or in-house solution.

Each of these variations of solution delivery will have different benefits, costs and delivery timelines. Providing options in the Business Case is always better than providing a single proposed solution. It allows the decision makers to determine the most suitable balance between cost vs. benefit levels from the options provided.

If a proposed solution requires the adoption of third-party software, a vendor selection process should be undertaken to establish which of the commercially available solutions is the best fit in relation to your Business Drivers, Future State requirements and overall Architecture model.

Ibacas have developed a proprietary model for undertaking vendor selection initiatives. We will not cover the details of that model in this paper but please contact us (info@ibacas.com) if you would like to discuss this subject further.

In most cases, the potential solutions will include a combination of Technology delivery and Operational changes. The following sections provide guidance on how to develop Future State Architectural and Operational models for the potential solutions.

There is an element of “chickens and eggs” with regards to whether the Target Architecture or Operational Model should be developed first. How can you determine a Target Operating Model without knowing what the supporting platform capabilities are? How can you determine a Target Architecture Model if you don’t know the Target Operating Model that it needs to be able to support?

In reality, this part of the overall process is always iterative with the two processes running in parallel with Operations, Technology and Business unit representatives participating in both aspects of the modelling exercise. Including Technology representatives in the Operating model exercise and vice versa will help to ensure the two models will be complementary, achievable, support the proposed Future State model and deliver the required benefits.

3. Target Architecture Model

The overall objective in this phase is to work with the Technology groups to develop a Future State Architecture Model, that supports the Future State Requirements and delivers a solution that is in line with the Business Drivers and any targeted benefits.

Work with the relevant Technology Senior Management teams, system owners and SME's (Asset Services and any other associated technology platforms / technology support functions identified in the scoping phase) to review and fully understand the Future State requirements.

Assist these teams with development of the different types of Architectural solutions detailed in the previous section, including delivery of the supporting Architecture / Data Flow diagrams.

If any of the proposed solutions include the use of a third party supplied solution, the same exercise will need to be conducted in conjunction with the third party / parties. Always include a cross section of stakeholders in workshops with third party suppliers to ensure the correct range and detail of analysis is achieved.

The associated benefits and costs for delivering each solution and supporting it going forward will also need to be calculated and documented (see Gap Analysis section). Remember that both Asset Services and non-Asset Services systems may need technology change. The full benefits and costs should be calculated across all impacted platforms.

The number of potential models that you will need to develop will depend on a range of factors, such as in-house guidelines / preferences for Business Case format and the size of the scope of change. Work with your governance team to determine which solutions should be included in the final Business Case.

4. Target Operating Model

The overall objective in this phase is to work with the relevant Operations and Business Unit Senior Management teams to develop a range of Target Operating Models that could be achieved and supported by each of the proposed Architectural Models.

Ensure that each proposed model delivers a structure that supports the Future State Requirements and is in line with the Business Drivers and any targeted benefits.

As with the Target Architecture side, the associated benefits and costs for transferring to and supporting each Operating Model will also need to be calculated and documented (see Gap Analysis section). Remember that both Asset Services and non-Asset Services functions may need Operating Model changes and the full costs should be calculated across all affected groups.

In addition to identifying the potential Operating Models and costs, it is useful to document the associated process flows that would support each model. This information will be useful in identifying potential benefits in the Gap Analysis phase.