

Channels Methodology: Feasibility Study Internal Analysis

Use this document as a guiding tool to facilitate
assessment of internal capacity

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Overview of Internal Analysis Objectives and Scope

This document serves as a guiding tool to facilitate the internal analysis for implementing a new channel initiative.

- The document aims to help a financial institution [MFI]:
 - Review the readiness of its current internal infrastructure (policies, technology and business operations) to support the new channel.
 - Outline the required additions or changes to that infrastructure to successfully launch the channel.
 - Assess the stakeholder buy-in and existing human resources capacity (availability and know-how) to support the different aspects of implementing and launching the channel.
- By responding to the questions presented in this guide, [MFI] should be in a position to map out the different internal factors that can affect implementation.
- As there are many variations to the potential answers to the questions presented in this guide, the experience of the team conducting the internal environment analysis is key to synthesize and properly quantify each finding.

Vision for Channels Strategy in [MFI]

[“vision statement”]

E.g. *“Use technology enabled channels to support bank expansion (geographic and customer numbers) in a manner that is both cost efficient for the bank and convenient for the customer.”*

Internal Analysis: Policies, Process and Procedures

- Assess existing operational and business processes* w.r.t. the new channel:
 - What are the business processes that will be affected by the new digital channel?
 - Are there any maps or flow charts for those business processes? When was the last time that those maps/flow charts were updated? If not, which department or business areas will be in charge of updating those processes?
 - Which specific areas in the business process flow will be affected by the new digital channel? Are we automating, replacing or adding new processes? Which department or business area will be in charge of making those revisions? Do any policies or procedures conflict with the new channel objectives? How can they be reconciled so that incentives align with requirements for project success?
 - Are new products needed to support the channel, e.g. agent float account?
 - How would [MFI] communicate the proposed changes in the business processes to staff and to clients? What would be the training needs? What is the estimated expense for that training?

*A detailed process mapping is not necessary at this stage. The idea, however, is to have an outline of the key process changes that the new channel will require and how those changes will be communicated to staff/clients.

Internal Analysis: Channels and Technology

- Evaluate the current IT infrastructure and any existing channels to determine if [MFI] has the capacity to implement and operate new channels, or what additional IT investments are necessary.
 - Does [MFI] have a core banking system? Is this core banking system ready to accommodate digital channels without any customizations? If not, what are the potential system integration needs? What would the potential costs be for that integration?
 - Is the core banking system ready to take the additional transactional volume resulting from the new channel? If not, what changes would be necessary for this?
 - Is the current server infrastructure in a position to support the new channel volume? If not, what additional investments in servers will be necessary?
 - What other software (database, operating systems, etc.) would [MFI] need to acquire to support the new channel?
 - Have all technology risks been considered, e.g. do we have disaster recovery in place for the channel components, how will the channel behave when the CBS is offline for daily processing, etc.?

Internal Analysis: Channels and Technology

- What is the current availability of the communications network? Does the current network infrastructure provide adequate connectivity to support the channel? Does the channel requires 24/7 network availability? What would be the alternatives for offline transacting? Would there be any need to upgrade network links or acquire additional bandwidth and/or availability for some/all branches?
- Does [MFI] use transactional and administrative platforms for the current channels/digitized services that can be deployed and/or customized for the new service (i.e. a BUS, Transactional Switch, Channel management system, etc.)?
- How will the current core banking system integrate with third party solutions such as ATMs, national switches and/or using mPos/POS/ mobile platforms for agents?
 - For example, communication bridges between solutions/platforms will need to be created that direct and settle transactions properly, manage fees, reconciliations, etc.
 - Integration with a 3rd party agent network system may be required - to manage agent activity, commission payments and reporting, fees, etc.

Internal Analysis: Diagnostic of Existing Channels

- A new channel will be most successful if it complements, rather than conflicts with, current channel offerings. The channels strategy should articulate the overall goal and describe the features, target market and challenges/risks of existing channels, in order to understand how they interact and determine the optimal provision of products and services across the business.

Describe your overall current channels strategy:			
Channel	Features	Target market	Challenges/Risks

Internal Analysis: Human Resources and Leadership

- Assess [MFI's] current human resources capacity to determine what (if any) additional resources or knowledge needs to be acquired, from IT to business operations and management. Equally important are an organizational culture and leadership that incentivize innovation.
 - IT department:
 - Does the current IT staff have the relevant skills and expertise to develop, support and manage the new channel? If yes, in which areas?
 - If not, how does [MFI] plan to acquire or build that knowledge? What would be the cost? Are local vendors able to offer the required services?
 - Is any member of the IT staff in a position to take the role of technical lead? Does this person have experience interacting with business users to articulate their needs to technology providers, etc.? If not, how does [MFI] plan to cover for this role? What would be the cost?

Internal Analysis: Human Resources and Leadership, ctd.

– Business requirements:

- Does current business team (operations, commerce, marketing, HR, legal, etc.) have skills and expertise required to implement the new channel? If yes, in which areas?
- If not, how does [MFI] plan to acquire or build that knowledge? What would be the cost?

– Project management:

- Is there any business side staff in a position to take role of project manager? If not, how will channel project be handled? Under which business department(s) or area?
 - Does the financial institution plan to use an external consulting firm to implement the channel? What would be the cost? Who will be the internal champion and project liaison?
- Who will be the team for this project? Would these staff be solely devoted to the project, or is the project an addition to their current responsibilities? What specific incentives do field, branch, back office staff and management have to promote, explain and drive channel adoption?
 - If using an agent network, will there be dedicated staff to either manage the 3rd party agent network manager, or directly manage the network? Would the branches be required to support nearby agents?
- Who should be part of the steering committee for the project? Who are the key stakeholders? Do the Board and senior management support the project?

Internal Analysis: Budget

- Successful implementation of a new channel requires dedicated resources. It is essential to ask whether budget has been allocated for each of the following:
 - Conducting market research to understand client expectations and validate assumptions on needs?
 - Implementing the new channel, in terms of acquiring technology, hiring external experts to train staff, etc.?
 - If implementing an agent network, additional costs include training, licensing, commission fees and incentives, marketing materials and other support provided to agents.
 - Monitoring and evaluating a pilot and then rolling to scale to reach break-even?
 - Marketing the new channel/services across all customer touch-points?
 - Providing consumer education and client protection? What new materials need to be created?
 - Offering appropriate customer service with adequate channels to address requests?
 - Initial capital expenditures versus ongoing operational costs?

Internal Analysis: Evaluating Strengths and Weaknesses

- Based on your initial assessment of the organization's resources, culture, leadership, operations and technical capacity, you can begin to perform a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis by identifying areas of strength as well as where are there potential gaps. To complete the SWOT diagnostic, you must also consider opportunities and threats, which will be addressed in the External Analysis. Develop a plan to address weaknesses as part of your new channel strategy.

Internal Analysis: Evaluating Strengths and Weaknesses

Strengths	Weaknesses
Opportunities	Threats