Brickendon Journal 09

BRICKENDON

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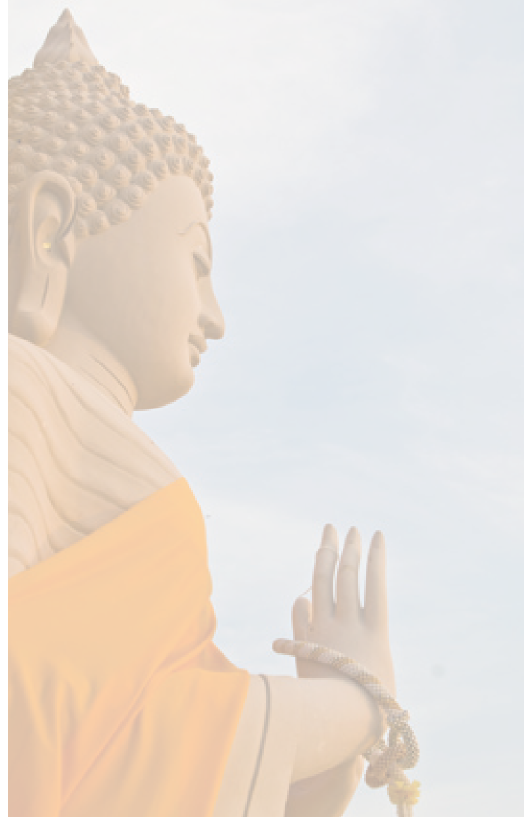
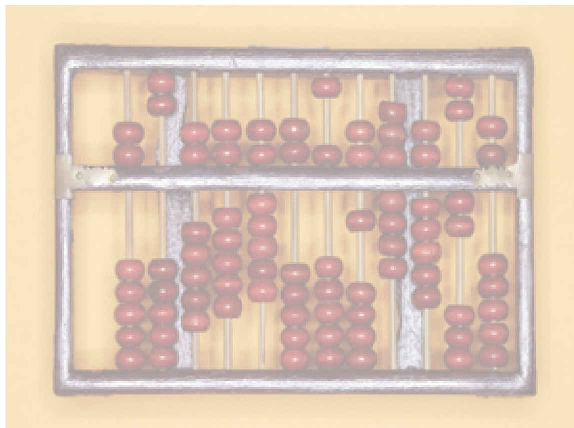
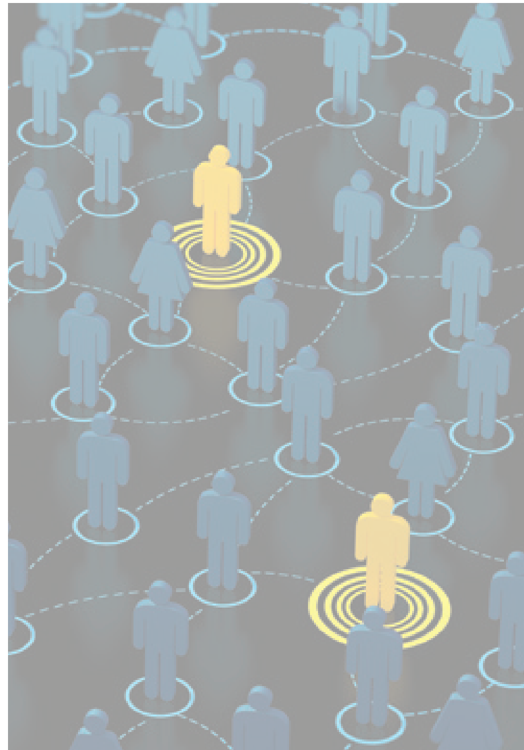






Richard Burrell, non-executive Chairman
BRICKENDON CONSULTING

COULD BRICKENDON
BE PART OF YOUR DNA?

I am delighted to have joined Brickendon Consulting as its non-executive Chairman. The business is in an exciting growth phase and revenues from its core service offerings are growing rapidly. The company has opened its first overseas office in New York, which will enable clients to receive Brickendon solutions and services on both sides of the Atlantic.

What has impressed me most about Brickendon, is the quality and experience of its people who seem completely dedicated to building a best-in-class management and technology consultancy on the back of their collective track records and individual experiences. There appears to be an embedded culture of striving for excellence and creating practical solutions to real problems.

When I talk to board members of financial services firms, the issues around risk, regulators, data and the impact of disruptive technologies are always upper most in their minds. Finding talented resources which can implement solutions to what are often complex problems, is seen as a major challenge. Organisations like Brickendon, who can deliver timely results in a cost-effective manner, are now considered critical to the DNA of a successful global financial services firm.

In my first month as Chairman, the Brexit debate and Panama have dominated the news. Add these concerns to the worldwide economic uncertainty and political instability that exists in many areas, and it is no wonder that board members of the larger financial organisations are feeling the pressure.

I look forward to working with the team at Brickendon and as the business develops beyond the existing client base and locations, my objective is to ensure that the culture and standards that we deliver today are maintained in every assignment we do wherever we do it.

LOCATION – GETTING TO THE RIGHT PLACE IN THE RIGHT WAY AND AT THE RIGHT TIME

Aysha Wahid and Rizwan Hasan

Location strategy is one of the few change programmes within the financial services sector that touches every part of the organisation. This inclusion of all parts of the business, from legal, compliance and human resources through to the more obvious business lines and supporting services, helps avoid the all-too-common pitfall of a never-ending cycle of relocation generated by a purely financial focus.

If you only look at the financial benefits, you could find yourself bringing the very same roles you moved overseas back to their original base at considerable additional cost. If you don't or can't, those services may simply fail.

The key is to do it right the first time and avoid having to do it again.

SO, HOW DO YOU DO THIS?

The aim is to get the right people in the right place at the right time and while there's no doubt that the end game is cost, there are things that should be considered along the way.

The most important thing is to focus on what is right for your business and ensure that you don't just follow the crowd. After all, what is the right location for one business, might not be the best for another. Additionally, the target location may become saturated and therefore less viable for new entry.

The key to a positive and successful location strategy is research. The first thing to look at is your current footprint: to assess what services you have where; which clients you are serving from which existing locations; what infrastructure supports the existing services and clients; and your existing real-estate footprint.

"What is the right location for one business, might not be the best for another"

The next move is to outline where you want your business to be and what you want your target state to be. Consider where certain services are needed in order to serve particular clients and where there are options to tap into specific talent pools or hotspots.

Strategically selecting locations across the globe can help tap into new markets and clients as well as giving current staff opportunities to relocate around the world. It can also help improve global standards and is a good opportunity to get teams across a range of functions and regions to start working in a cohesive manner.

As a result, a well thought-out location strategy can in fact work as a positive marketing and public relations tool for your business, both internally and externally. It is definitely worth considering what the impact on your business would be if you relocated certain services to particular locations.

You could, for example, tap into an already-established centre of excellence and help maintain employment in that area, or even encourage the development of a new hotspot in a new area.

It is important to think about your brand and what moving jobs or services will do to your reputation. In some cases moves to nearshore locations may be a better option than offshore.

It is also important to consider regulatory and legal structures. There are compliance issues and regulatory constraints which must be taken into account and it is important to engage HR, legal and compliance from the outset. In the past banks have been penalised by the regulators for moving particular parts of their business to new locations and have later had to pull them back.

For a location strategy to be successful, it is also necessary to consider the issues around hiring and on-boarding new staff in different locations and to ensure that adequate training and business-continuity plans are in place. The sensitive nature of such a programme means that human resources plays an important part in creating a communication strategy to ensure reputational and regulatory risk is mitigated.

Carried out correctly with the right level of prior research, a successful location strategy can provide numerous benefits for your business. As well as the obvious reduction in costs and operational efficiencies, it can also help provide a more simple and transparent organisational structure, increase brand awareness and improve reputation.

So, the key is to take the time necessary to devise the right plan for your organisation and stick to it to ensure the anticipated benefits are fully realised. If an organisation is resigned to devising a new location strategy with constantly changing target locations, then maybe it's time to take a step back and look at things in a different way.

SOCIAL SKILLS, WHO NEEDS 'EM?

Claire Shoesmith

Almost two thirds of financial executives believe that strong leadership and effective communication skills are the most important attributes for success, according to a recent survey, which also estimated that these so-called soft skills are worth £88 billion to the UK economy.

Meanwhile, a separate study found that 85 per cent of job success comes from having well-developed soft and people skills. By contrast, just 15 percent comes from technical skills and knowledge, otherwise known as hard skills, according to the study by Harvard University, written in conjunction with the

Carnegie Foundation and Stanford Research Center.

"Failure to acknowledge the importance of soft skills is a mistake that a departmental head, programme manager or senior executive will likely only make once before moving on," says Brickendon Executive Director Dean Gammage. "Maybe not today, or tomorrow, but an organisation built on such foundations will most likely fail because the constituent parts aren't fully invested in its success."

SO WHAT ARE SOFT SKILLS, AND WHY DO THEY MATTER?

According to the Oxford dictionary, soft skills are personal attributes that enable an individual to interact effectively and harmoniously with another person. They help people to communicate and collaborate more easily and underpin important qualities such as the ability to lead a team, be part of a team and communicate within a team. And, since teamwork is considered to be an essential element for organisational and personal success, developing these skills is crucial.

A chief executive of a global automotive manufacturer was recently cited as saying he was struggling to grow his business as planned due to the lack of young talent with the right soft skills. Soft skills, he said, are necessary in most types of jobs, from mechanical engineer to sales or back-office functions, and they are very hard to teach.

Pierre Velinor, engagement manager at Brickendon agrees: "Good social skills are essential within any industry, but particularly in the financial services sector." He says it is often difficult to assess levels of social skills through the CV or on the phone and that for him, it is very important to meet all potential candidates in person.

Gammage agrees, saying that in the past, when organisational structures were more permanent and hierarchical, getting things done within a financial institution was more about doing what your boss wanted. Nowadays, most financial institutions employ a more balanced blend of permanent, contract and consulting staff, so building effective teams and attaining the highest levels of performance often involves the more subtle arts of influence, motivation and persuasion.

"Social skills are essential within any industry, but particularly in the financial services sector."

"Very few now wield a stick effectively, or for very long," he adds, saying: "These challenging landscapes, where the complexity is no longer just regulatory detail and technical innovation, but also culture, influence and politics, require higher levels of emotional intelligence."

"Without this, it becomes increasingly difficult to ensure that deliveries can be made, and aggressive deadlines met, without a trail of collateral damage to the team which limits future delivery capability."

According to the aforementioned survey by recruitment firm Robert Half, the most common

challenges facing financial executives are managing stress arising from crisis situations and prioritising conflicting deadlines. Learning to interact with different personalities and conveying financial information in non-financial terms were also challenges mentioned by the 200 financial executives surveyed.

Gammage believes the globalisation of the financial services industry also means that individuals and teams in high-cost locations increasingly need to provide the value to justify their costs. "Reaching these levels of performance in a sustainable and progressive manner needs a focus on people skills and really being able to understand what motivates them," he says.

Still, despite the importance of soft skills and emotional intelligence being widely acknowledged, little is being done to address the issue. Employees continue to turn up at organisations without these softer, interpersonal and relationship-building skills. At a higher level there has been an increase in executive coaching in an attempt to prepare critical leaders for role changes and promotion, enhance personal impact and adjust behavioural limiters. However, for this to be successful and lasting, the candidates need to be open to fundamental change in themselves and their behaviour, within a culture that recognises the importance of soft-skills and incorporates them into the day-to-day culture of the organisation.

TIME TO SWAP YOUR HAIRCUT

Lalin Liyanage

Change usually comes at a price, and it is no different in the financial world. However, the compulsory nature of some of the regulatory change required in the financial sector means that many of the costs and their knock-on effects are often forced upon individual markets and their participants.

Take the world of swaps for example. Post Dodd-Frank, regulation to reduce systematic risk in the derivatives market has been largely achieved by enforcing mandatory clearing, ie. introducing a third party to clear and exchange contracts and cash flows between trading counterparties. However, a lack of standardisation and liquidity has rendered a significant number – as much as $127 trillion worth, according to the International Swaps and Derivatives Association (ISDA) - of derivative products ineligible for such central calculation.

After much negotiation, final versions of new rules designed to govern the circulation, exchange and segregation of margin collateral for these above-mentioned uncleared swap trades (mainly credit default, interest rate, FX and equity) have now been released and are currently being digested by the market. While the final impact is yet unknown, there is no doubt that the cost to the industry will be significant, both in terms of the price of the swaps themselves and the possible knock-on effect on trading volumes.

The main challenges faced by participants in this market include departmental silos, rule understanding, infrastructure change and costs.

The Regulatory Margin Rules are designed to bring some control and standardised processes to the market place for uncleared derivatives. They cover:

- Margin calculation methodologies
- Types of acceptable collateral
- Minimum transfer amounts
- Collection
- Segregation

These all need to be addressed if participants are to comply with the new regulatory margin rules, which in Europe were finalised earlier this year and in the US must be adopted by participants from late 2016 through to 2019, depending on their notional sizes and activity.

Cross departmental silos: The changes impact different areas, eg. front office, legal, risk, operations and documentation teams. In order for the implementation to be successful, there needs to be a coordinated approach across the different groups, including different business lines and their relative support groups. Achieving such a coordinated implementation approach is challenging given the segregated nature of the different groups involved – silos that exist both geographically as well as operationally.

Variation Margin (VM): is the change in value attributed to the derivative product since the trade was executed or collateral was last exchanged

Initial Margin (IM): is the value of the collateral required when first entering into the swap to cover close-out risk should one of the counterparties default

Costs: The complexity and reach of the required systematic and operational changes mean that the cost will be significant. Technology infrastructure change will need to be funded, as well as operating model changes, including potentially additional staff to support the new processes.

Rule uncertainty: The rules cover fine detail on a huge range of processes associated with the trading of uncleared derivatives. As a result, there is potential for discrepancies in the understanding and interpretation of the requirements and how they translate to each individual's part in any transaction.

Classification: Requirements differ depending on the classification of each trading counterparty and participants will need to gather this information prior to a trade taking place in order to ensure all parties are compliant.

Multi-jurisdiction: While most sets of regulations follow the International Organisation of Securities Commissions (IOSCO) standards, there are subtle differences in each regulator's version of the rules, particularly in relation to collateral types, haircuts and size.

Margin calculations: Each counterparty will need to review their margin calculation models and ensure they comply with the relevant regulator's requirements.

Documentation: The regulations require that specific documentation is put in place which will mean that thousands of counterparties will need to renegotiate documentation in a relatively short timescale.

Counterparty credit risk: The rules require the two-way exchange of margin. As a result, some counterparties may now have to take credit risk against a new counterparty, and in some cases, large participants may not deal with smaller participants if their credit appetite is such that they would not be comfortable with the level of risk.

Collateral management processes: the introduction of a tri-party or custodian to help IM will be a fundamental change for some. It will require an operating model to be developed to ensure collateral is paid or received from the third party on a daily basis.

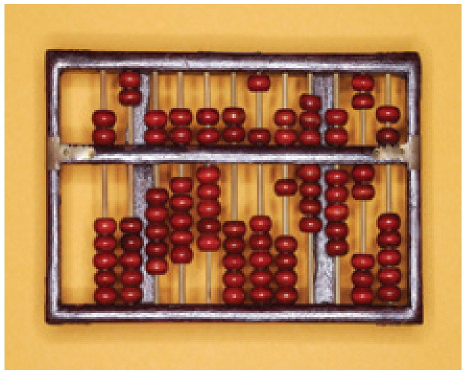
The impact of the required infrastructure changes are wide-reaching, costly and complex and there is clearly no quick and easy way for large, active uncleared swap participants to implement the changes required in order to adhere to the new rules, says Liyanage.

Participants should take a structured approach to the impact analysis, which should be centralised throughout the firm and coordinated across multiple business lines and their relevant legal, operations and risk teams.

It is important that the project team is led by change practitioners who are experienced at dealing with different business lines and understanding their nuances, rather than in-house infrastructure experts who are not familiar with other business areas.

This will lead to accurate costing and time estimation, which is crucial to understanding the business justification and commercial impact of undertaking the change.

Whether market participants are able to implement the changes in the tight timescales required remains to be seen, but in some cases there may even be a reduction in trading volumes as firms not ready to comply with the rules would be required to cease trading certain products.



FRTB: LAYING THE FOUNDATIONS

Chris Burke

The final rules for the Fundamental Review of the Trading Book (FRTB) regulations were published in January and although many questions around the detail remain unknown, we do know the changes are coming and that now is the time to prepare. FRTB, part of the Basel III rules which were finally published in January 2016, will significantly transform the way banks manage their capital requirements and how they are structured and managed internally.

"Financial institutions need to do whatever they can now to ensure they are ready"

Risk models, liquidity horizons and data for risk calculations, back testing and hedging will all have to be changed to meet the new regulatory guidelines, with a significant component of this change impacting desk structures and their oversight, management and reporting.

The rules are not yet granular enough for banks to implement them with confidence as to their likely interpretation by local regulators. While this makes it difficult to prepare, the deadline of January 2019 is not far off and considering the massive scale of the changes, financial institutions need to do whatever they can now to ensure they are ready to make the changes as soon as the details are clarified.

Below we propose some critical steps to help during this period of uncertainty:

Step one:
Understanding the scale of the changes

The implementation of FRTB will be substantial and, if you have not already done so, setting up a programme to ensure good governance and structure is critical. It is important that the FRTB team establish and maintain early communication with impacted stakeholder groups (especially Risk, Finance and Front Office) as they will be looking at potential impacts based on findings presented by the team and as well as those assessed internally. The degree to which the FRTB regulations will change these core functions should not be underestimated.

It is expected to require significant operating model changes, which will prompt substantial culture changes in the front office.

There is a degree of uncertainty around the new rules for desk definition and the need to clarify the book attribution. This is currently being worked through via the International Swaps and Derivatives Association (ISDA) panel and examples include repos for funding and liquidity purposes that should be in the banking book, but are in fact currently managed on a trading desk.

Another complication is the difference between the Volcker and FRTB desk definitions, giving rise to speculation about virtual, or "reporting desks", versus physical desks. Such an arrangement might be acceptable under Volcker but is unlikely to be valid under FRTB where desk management, P&L attribution, strategy and remuneration – all physical things – need to be clearly and singularly associated with a desk.

Step two: Get Lean Quick

It is estimated that the costs of implementing FRTB will double, triple or quadruple the cost of doing business across the bank. To stay competitive and to ensure that you have the right mix of desks to adequately operate your business, it is important to reduce costs and align procedures and systems. Streamlining and rationalising business and IT processes, implementing automation in areas such as back testing, consolidating systems and reducing your costs per trade are all critical activities. It may be that some desks are no longer viable businesses once the changes have been made, but if you know your structure, at least you will be in a better position to make a decision of which desks should and shouldn't remain.

Step three: Organise your Data

One of the main concerns the various regulatory programmes have raised for banks relates to the completeness and consistency of their data sourced from multiple systems.

Just like the 'multiple trading system issue' encountered in various trade reporting programmes, banks are about to have a 'multiple risk system issue'. This is not because those systems are deficient but because, as with the trading systems, they are generally single-purpose, operate in relative isolation, and as a result do not share a common data dictionary. This is exacerbated

by the current granularity of the data versus the required degree of granularity (i.e. risk measured at portfolio vs transaction level) under the new regulations.

What is certain, is that risk data will need to be much more granular to provide the correct inputs to calculations with new categorisations for reporting to the regulators. With banks juggling multiple risk systems across asset classes and geographies, there will be a requirement to consolidate risk data in a central repository from which calculations and reporting can be derived. Firms that have already taken steps to create central data repositories – even for non-risk data, such as trade or client data – will be in a much better position than those who have not.

In addition to these initial three steps, firms will need to engage in industry discussions with the regulators on a range of detailed topics. One such topic is the statement made by the Basel Committee on Banking Supervision

(BCBS) and the Financial Services Authority (FSA) that 'the Standard Approach will act as a floor to the Internal Model Approach'. This effectively means that regardless of what your Internal Model calculates as the capital requirement, the minimum capital will be some percentage of the capital calculated under the Standard Model. What remains to be confirmed is the level at which the percentage will be set. The higher the floor is set as a percentage of the Standard Model calculations, the less worthwhile it will be to establish and maintain an Internal Model Approach for certain desks, given the overhead involved.

"The rearrangement of trading desks will have a significant impact on a company's organisational structure.

There will also need to be a much tighter integration of data between the front office and risk and finance functions to ensure consistency of P&L attribution calculations. If these fail three times in any 12-month period, the approved internal model used by the desk will be withdrawn by the regulator, immediately increasing the desk's capital charge.

There are many other topics to watch out for within FRTB, such as multijurisdictional implementation challenges, hypothetical versus risk theoretical P&L, the move from VaR to Expected Shortfall (ES), the treatment of Non Modellable Risk Factors (NMRF), and the uncertainty around CVA calculations.

Intertwined within all of this are the 'softer side' HR impacts of the new guidelines, which appear not to be soft at all. The rearrangement of the trading desks and more stringent requirements for staff job descriptions aligned to those desks and their strategies and business cases will have a significant impact on a company's organisational structure. Anything that so fundamentally impacts a person's role, their responsibilities and authority levels, and directly links them to a reportable, regulator-approved business case and strategy is likely to cause a significant shift in where and how businesses are run post FRTB.

This has been a brief look at only some of the critical topics within FRTB. What is known is that it is coming, what is not known is how the banking world will look once all the yet-to-be confirmed regulations are finalised by local regulators.

For more information about FRTB, how it will affect your business, and what Brickendon can do to help you address these issues see our website, or contact info@brickendon.com

BASEL FOR INSURERS

Tina Lasrado

The European Union's Solvency II Directive is often referred to as "Basel for insurers." Under the directive, insurance companies must understand and actively consider their risk exposures to current and future investments over extended timeframes, and ensure they have sufficient capital reserves to cope with potential risks.

Solvency II is actually broader than the European insurance industry because it impacts the entire global buy-side of the value chain. Whenever an in-scope insurer outsources part of its asset management mandates to a third party, the related investment manager is then accountable for providing the portfolio data the insurance company must report to meet its regulatory obligations. In turn, asset-servicing firms that support the funds and insurers, such as custodian banks and fund administrators, will be called upon to provide much of the data needed to achieve compliance. Solvency II therefore requires a collaborative, community-wide effort, encompassing a range of skill sets, expertise and tools, in order that insurers are able to meet their regulatory obligations.

To address these issues, affected institutions must address a number of common challenges, including:

- Mapping risk exposure and building their internal risk models
- Following the Own Risk Solvency Assessment (ORSA) obligation
- Understanding asset and liability positions, so as to maintain adequate capital and liquidity levels to offset their risk exposure
- Providing transparency into the methodologies used to make complex calculations to demonstrate to regulators where the data comes from and how it was derived
- Maintaining a master set of data and updating it when necessary.

The key to compliance lies in timely, accurate and transparent pricing and reference data. Entity reference data supports the cross-asset roll up of investments and transactions with clients, industrial sectors, asset classes and countries. It is essential firms are able to link securities with their issuers and thereby report trading exposures, calculate capital requirements and ensure portfolio compliance. Given the regulatory burdens firms now face and the need for rapid and frequent reporting, it is vital that organisations can source and leverage the requisite data efficiently.

"Solvency II impacts the entire global buy-side of the value chain."

Solvency II seeks to tackle systemic risk by introducing more onerous capital adequacy ratios and modelling requirements to ensure insurance companies have sufficient reserves to cope with financial stresses.

To be compliant, insurers must:

- Undertake market-based valuations of their assets and liabilities on a security-by-security basis
- Calculate their Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)
- Profile their risk exposures out to a maximum of 120 years
- Map the necessary identification codes required for reporting purposes
- Obtain "look-through" data on funds and other investment structures to identify the ultimate asset and their resulting exposure
- Complete the Quantitative Report Template (QRT)
- Generate a composite rating or provide a Credit Quality Step (CQS)

Meeting this complex array of requirements presents insurers and their service providers (i.e. the third-party investment managers, fund administrators and custodian banks) with a host of data challenges.

Whatever the service support chain looks like – whether it is a Tier 1 insurer handling all the investment management and ancillary services in-house, or a smaller firm outsourcing some or all of these functions – the actual dataset required to achieve compliance will be the same. So what are the core data elements needed to meet your Solvency II responsibilities?

To power the capital adequacy calculations, risk mitigation, disclosure tools and workflows demanded by the directive, market practitioners need access to a comprehensive range of pricing and reference data capabilities:

I. Complete coverage of the Complementary Identification Codes (CICs), Legal Entity Identifiers (LEIs) and Nomenclature Statistique des Activites Economiques dans las Communaute Europeene (NACE) datasets, along with the global ratings data to formulate the Credit Quality Step (CQT).

II. Fund Look Through – Insurance companies need full details of their holdings within each fund, in order to aggregate their exposure to assets held both directly and indirectly by those funds, and thereby optimize their capital requirements.

III. Benchmark Curves – Solvency II-specific benchmark curves are needed to perform more accurate risk calculations, better manage capital adequacy requirements through accurate valuations, and assist in meeting the Quantitative Report Template (QRT) reporting.

Coverage, quality and timeliness of the requisite data will be essential. This means having access to prices for the full array of liquid and illiquid securities traded on listed markets, as well as timely and transparent pricing spanning the gamut of hard-to-value securities.

Full reference data coverage is similarly vital. For example, many of the Solvency II disclosure tests depend on proper instrument classification. This classification requires 11 different data elements, including name, duration, currency, maturity date and CIC. Other key content sets include identifiers to specify each issuer (such as LEI and issuer name), issuer sector, geography, collateral posted, and credit rating. Given the global nature of insurers' portfolios, coverage across securities, issuers, and markets must be both global and able to support multiple code standard variations for cross-referencing.

"Solvency II puts a premium on data quality in terms of the accuracy and reliability of data items"

As with other regulatory initiatives being introduced, Solvency II puts a premium on data quality in terms of the accuracy and reliability of data items, as well as clear provenance of the information used. Asset and liability valuations, which serve as the foundation for a firm's risk assessment and capital adequacy calculations, are under particular scrutiny. Justifiable and auditable prices based on clear methodologies are now a must-have. In addition, the relevant data needs to be properly formatted and mapped to the QRT template to ensure accurate and timely reporting.

Ultimately, no single provider is likely to have a complete solution to meet all the data challenges industry participants will face. Instead, a collaborative approach built on partnerships between data vendors, analytics providers, ratings agencies, asset servicers and the insurers themselves is essential for complying with Solvency II.

SPAGHETTI JUNCTION

Bryan Adare

Repetition might help when it comes to learning lines for a play or practicing for a music concert, but is a hindrance when it comes to financial data. A period of consolidation in the banking sector has left a handful of large players controlling many of the world's financial transactions and with them the related data, be it personal details, monetary value or exchange rates. This means that each institution has several sets of similar data which is unruly and difficult to handle - effectively a pile of spaghetti.

"The key is to remove the spaghetti architecture that currently exists in many banks"

The key is to merge this information into one system and eradicate any duplication. As well as improving regulatory compliance, reorganising the different data channels helps businesses gain a better understanding of their operations, enabling advanced analytics, better customer service and enhanced cross-selling capabilities.

"The key is to remove the spaghetti architecture that currently exists in many banks as a result of years of mergers and acquisitions," says Brickendon Executive Director, Nathan Snyder. "Many institutions have too much duplicated information housed in too many different places and it is time to address this issue."

So how do you go about doing this? After all, old habits are hard to break, especially when legacy systems are already in place.

The first step in the data consolidation process is to analyse the existing data types and storage methodologies. The most common are:

Centralised data stores: a one-stop shop for data capture, on-boarding, data storage and distribution for the entire firm.

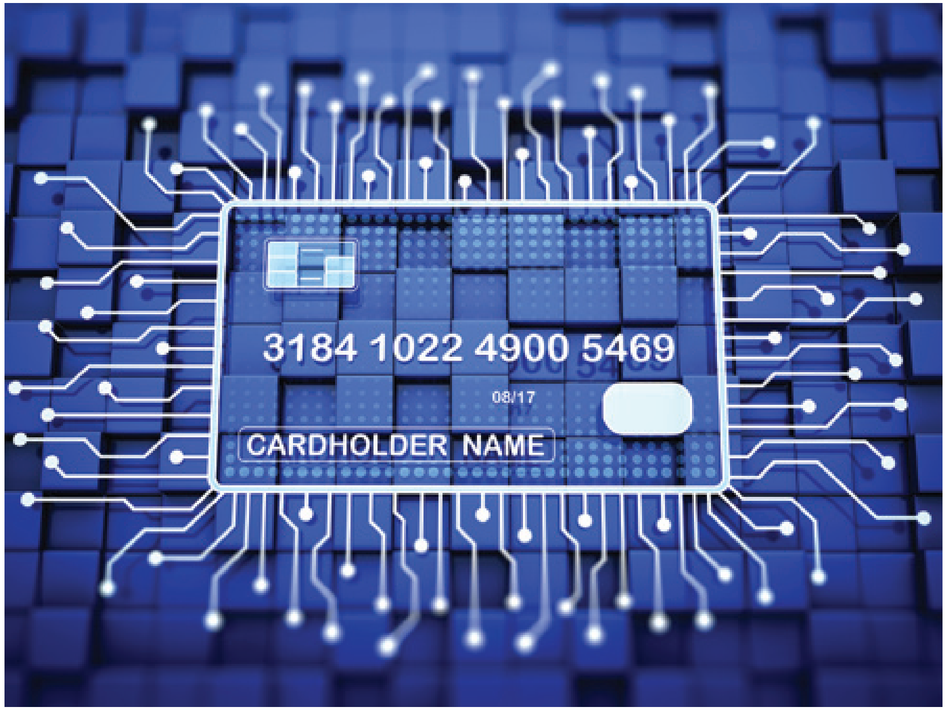
Standalone databases: the data contained within these stores will generally be specific to the requirements of the respective system. ie. a database which feeds into a single trading system and only contains information for that specific system, product or asset class.

Manual static data: data is stored in plain text, comma-separated value (csv) or Excel documents and is maintained and manipulated by one or many operators. This data type has many inherent and complex risks associated with it, in particular the possibility of human error. Many legacy systems and processes rely on static data which is manually maintained.

The next stage in the consolidation process is to develop a business plan to show the impacts and benefits of migration.

ADVANTAGES:

- Simplified architecture: a logical data model can be adapted to accept both data sets and data can be stored in a more efficient structure. Reduction of orphaned items and simplification of data architecture will enable more straightforward data extension and distribution to the systems and processes which leverage it.



- Reduced complexity: consolidation of systems reduces the complexity of data storage, on-boarding and distribution.
- System decommissioning: obsolete, outdated and surplus systems can be decommissioned.
- Lowered costs: a single system requires less maintenance and has lower technical operations and service costs.
- Streamlined distribution: easier distribution to systems and processes which require the data and faster on-boarding of additional systems.
- Enhanced data: data remediation efforts are often required when consolidating data and this can improve accuracy, as well as providing an opportunity to revisit data architecture to ensure the best fit.

DISADVANTAGES:

- Delivery risk: overly ambitious timeline and delivery expectations can lead to the risk of project failure or inability to deliver on proposed scope.
- Cost of migration: migrating data can be expensive.
- Resources required: significant project and delivery resources will be required to complete the programme.
- Project management capabilities: Lack of onsite capabilities to manage such a sizable and complex project can significantly hinder the ability to successfully deliver the programme.

Once the business is convinced of the merits of consolidating its data, it is necessary to consider which methodology should be used. This depends on the type, size and complexity of the data, as well as the fit within the existing architecture.

THE AVAILABLE OPTIONS INCLUDE:

- Overwrite: a complete overwrite of data can be useful when migrating from obsolete systems which were previously primary data stores.
- Compare and combine: this is most appropriate when there are two (or more) data sources for consolidation and their data type and architecture are aligned. IT enables a complete data set to be created which contains all the data from both (or all) previous sources. A Comparison Engine tool is utilised to automate much of the comparison process, while human operators will view and decide on any duplicates or exceptions which are identified.
- Maintain separately: There will be some situations where it is beneficial to maintain data sources separately, but to consolidate into one system to leverage the benefits of integrated systems (different data types, architecture, regulatory or Chinese wall rationale).

Irrespective of which option you decide to go with, it is important to ensure that the change plan is communicated well to the key people in the business. Training will need to be provided and the necessary tools made available for staff to familiarise themselves with the new system and processes. Once in place, the new data system will require ongoing support and, where necessary, upgrades.

"If less is more, then preparation is paramount."

As with anything, dealing with fewer systems should be easier, however the importance of thorough planning, preparation and equally importantly, communication, should not be underestimated. If less is more, then preparation is paramount.

TESTING + OPERATIONS = TESTOPS

Bala Ethirajalu

Traditionally testing and operations are two different things carried out in isolation with an imaginary wall between them. Testing is done on one side, and once complete, the testers effectively throw the delivery over the fence to the operations team who deploy it into production.

As a result, no one individual or team is accountable for the high quality end-to-end process, from requirement, through development and testing, into production. Failure to combine these activities leads to an extended time-to-market, higher costs and an increased likelihood of defects being found once the programme is in production.

Without the knowledge of the production environment, testing will always be some way short of where it needs to be. As a result, more defects are likely to slip through the testing net and only be found once in production.

There is also a concern that a testing team that doesn't have the knowledge of the production stage, will not be able to think of all the necessary scenarios that need to be tested.

In order to address these issues, Brickendon advocates a TestOps approach, which combines the worlds of testing and operations to showcase what is currently seen as the standard of best practice for technology testing.

TestOps means that there are no walls, gates or transitions between testing and operations. The two processes are integrated into a single

entity aimed at producing the best software system as quickly and efficiently as possible and the key is ownership and accountability. The client knows they have a team who is accountable for the quality assurance of the whole process from end-to-end: requirements, through development, testing and into production. The end result is much more efficient and effective.

Adopting this approach to the testing process will remove most of the disadvantages associated with traditional testing, in particular:

Higher Quality at Lower Cost – The net long-term costs are likely to fall as a result of:

- Increased confidence in delivery as less defects are introduced into production.
- Less man-power required to carry out testing and operations as the teams are integrated.
- Cheaper to rectify bugs as they are identified earlier in the lifecycle, allowing more time for project resources to focus on delivery.

Faster Time to Market – Faster releases and development of standardised and reusable automated tests, which allow development teams to run automated testing and validate code as they are developing. Hence it reduces the SIT/UAT timeline.

Lower Business & Reputational Risk – Reputational risk and business risk is reduced by:

- Implementation of high-quality testing as a result of increased production knowledge.
- Faster, smaller and safer releases.

By adopting this approach, banks and other financial institutions can save themselves considerable amounts of time and money and rest assured that the testing is of a highly superior quality because the whole testing team is fully aware of what is happening at each stage.

"It's all about ownership and accountability"

Another advantage to this approach is the ability to divide releases into modules, meaning that sections of the programme can be tested and released into production in stages, giving less opportunity for error. The traditional approach is always bigger releases and the bigger the release, the more risk you carry.

At Brickendon we have experts who can transfer the process from traditional testing to TestOps in stages. For more information on how using Brickendon's TestOps approach can benefit your business, contact info@brickendon.com

DO YOU KNOW HOW AND WHEN TO SWITCH OFF?

Danielle Loblack

Stress, fatigue and anxiety are all words with which we are becoming far too well-acquainted in the workplace. In the current economic climate, more is required from employees, with increasing workloads leading to longer hours; while requirements for business control and regulation still need to be satisfied, often with fewer staff.

> *“There are multiple drains on our concentration, most of them electronic”*

Quantity is starting to take precedence over quality, with many workers rushing between tasks to fit in as much as possible. The belief that this is an efficient way of working has become the norm.

In this electronic age where we are spending 10 hours a day at a computer screen, looking at mobile phones on the commute home, and spending the evening watching TV and online shopping, it is difficult to switch off. There are multiple drains on our concentration - most of them electronic, which when combined, cause a strain on the senses. As this happens, the brain begins to fight back, leading to exhaustion.

A growing number of businesses are beginning to recognise the benefits of so-called mindfulness, what it can offer their employees and what benefits it can bring them as employers. But firstly, what is mindfulness?

Mindfulness is a simple form of meditation that allows you to build awareness of yourself and the world around you, focusing on the present moment. Meditation allows you to observe thoughts entering your mind and then to slowly let go of these negative thoughts. In essence, mindfulness is a way of putting yourself in control of your emotions and life.

Mindfulness however, is the subject of much scepticism, mainly due to common myths. Meditation has been touted as a religion, an act that requires you to sit cross-legged on the floor, as time consuming or simply something that is too complicated. These arguments do not hold much value as mindfulness can be practiced anywhere: walking to work, on your daily commute or simply whilst waiting around. Mindfulness does not require a significant amount of time, however persistence and patience are essential qualities required to reap all the benefits.

> *“Mindfulness is a way of putting yourself in control of your emotions and life!”*

Mindfulness is a powerful tool that allows you to train the mind, and to pay close attention to your body and the world around you. It reminds you that you have the power to control your thoughts and choose how you respond to them. It can be a coping mechanism for the daily complexities of life, or difficult topics where openly discussing them is not always an option. Mindfulness also provides an improvement to physical and mental health with an increased ability to be resilient and manage stress. For employers this equates to an

increased quality of work, and amongst other things, a reduction in stress-related sick leave.

Transport for London (TFL) introduced a stress management course in 2013, following a conclusive review that revealed mental health issues were one of the top two health problems affecting their employees. Since the introductions of this course, the company has seen a 71 per cent drop in absenteeism caused by stress, anxiety and depression. More than three-quarters of participants claim to have experienced an improvement in their diet and drinking habits, while more than half had experienced improved sleeping patterns.

"As the pressure increases at work, many employees are struggling to secure an appropriate balance between their work and personal lives"

Although there are many potential benefits to mindfulness in the workplace, it also comes with some potential risks. Individuals may misuse the benefits provided, such as avoiding essential tasks or making poor decisions to avoid stress, resulting in less productivity. There is also the risk that employees feel pressured into participating, which is the opposite of what mindfulness courses should provide. It should always be self-chosen and personal.

Moreover, there are also potential risks for the employers, with the possibility that it could be interpreted as conveying the message: 'it's ok to be overworking our employees because we are offering courses to counteract the long hours and the additional stress'. In actual fact, employers should be ensuring mindfulness courses are not provided as a means of getting even more out of their employees, rather they should be used as part of an overall way of improving quality-of-life in the workplace.

Introducing mindfulness into the workplace could not come at a better time. As the pressure increases at work, many employees are struggling to secure an appropriate balance between their work and personal lives.

In a time where such open-mindedness is welcomed, companies should be taking advantage of such workplace benefits to boost morale, decrease stress and increase overall productivity; surely a win-win for both employer and employee.

IS THERE A HIPPO IN THE ROOM?

Claire Shoesmith

What happens when the elephant in the room is the hippo outside the room?

We've all seen it happen. A team of junior employees has brainstormed on an idea and together come up with a possible solution to a problem. In walks a senior member of staff and the idea, which had been reached by a consensus, is usurped by the opinion of one individual, just because he or she happens to be higher up the company food chain.

"All too often the HiPPO can prove to be wrong"

Introducing the HiPPO, or the highest-paid person's opinion, a reference to the tendency for lower-paid employees to defer to higher-paid employees when a decision has to be made. Traditionally, authority for the most important strategic decisions has been left to the person in the most senior position within a company, namely the HiPPO. But all too often the HiPPO can prove to be wrong.

Take JC Penney for example. The disastrous decision by the US department store to abandon its budget-conscious customer base and attempt to move upmarket was driven by Ron Johnson, a $52 million-a-year-earning HiPPO who single-mindedly pursued his own ideas without considering whether the decisions were having the right impact on the business. The effect: revenue fell by a quarter and the company's market capitalisation almost halved in one year alone, proving that Johnson's gut instinct was one that was better not followed.

In reality, these so-called HiPPOs don't make ill-informed decisions on purpose. It just highlights the fact that relying on the judgement of one person, or a very small team, based purely on seniority is likely to lead to trouble.

To be fair, business culture is changing. Where hierarchy was in the past given a lot of prominence, today, new ideas such as social platforms and crowd voting are helping to turn decision-making into a more group-led activity. Companies are seeing the benefits of integrating the expertise, knowledge and perspectives of many more people both inside and outside an organisation, and acknowledging the likelihood that widening the net at the input stage has the potential to vastly improve the success of the output.

After all, a new product that is chosen by one individual is likely to adhere to only their requirements and desires, whereas one chosen by a crowd, should, in theory, be free from individual biases, misinterpretations and overly zealous personal opinion. The message here is that just because you are in charge, doesn't mean you have better opinions or ideas.

This is becoming increasingly apparent in the business world today, particularly in technology companies, where a lot of the good ideas come from new employees and not necessarily the highest paid person.

Take Amazon for example. The online retailer has fostered a culture of experimentation in which leaders at all levels are encouraged to test ideas in the marketplace and then let data – not senior leadership, guide implementation. Furthermore, it has even opened up the process to customers. Back in 2014, Amazon launched its Kindle Scout Programme, whereby readers are asked to look at excerpts from unreleased books and vote on which ones they think deserve a shot at being published and sold through Amazon. While a positive vote from readers doesn't necessarily equate to publication – the final decision remains with the Kindle Scout team – it does give Amazon an idea of what its audience wants to read.

Lego is another company which relies on groups of people to decide which products are likely to be successful. Last year the Danish firm announced a crowdsourcing business model, whereby any Lego fan can submit a product design which is then voted upon by an open community of fellow Lego fans. When a product submission reaches 10,000 votes or more, it gets a formal review and, unless there are any legal issues, moves into production.

This business model means that by the time the product reaches the shops it has already been thoroughly vetted and is in demand. It also effectively allows Lego to employ thousands of designers, without actually having them on its payroll.

It is basically a form of crowdsourcing with the aim of avoiding the HiPPO and creating a more level and open playing field. Crowdsourcing has become a bit of a buzzword lately, taking on various different guises, ranging from raising money from individuals for small projects through to using expert computer programmers and data operators to crack codes and find solutions to problems posed by anyone from the NHS, large retailers or government agencies. (See our article on Kaggle in the previous Brickendon Journal (08) and on our website.)

"There is a tendency to move towards a more open and consensual way of working"

It is effectively creating a virtual workforce. Generating a model for experimentation, innovation and creativity that achieves unprecedented engagement and scalability. While it is unlikely that the HiPPO will be wiped out any time soon, there is definitely a tendency to move towards a more open and consensual way of working. After all, the current emphasis on data and metrics will make it difficult not to succumb to the need to test and quantify the actions you are taking. And in today's cut-throat penny-pinching business world, it is too late to find out at the end, that it hasn't worked.

In short, it is about time the HiPPO followed in the footsteps of its namesake, the hippo, and became a team player. According to an animal fact website, hippos live communal lifestyles and are by no means loners. They like doing things together.

WHAT WE CAN LEARN FROM DONALD TRUMP

Chris Burke

For the first time in many years, the US election has innocent bystanders transfixed. Whether by choice or simply by association, the events of the 2016 election campaign have taken much of the world by storm. Why? Because it is not like any other.

Donald Trump has struck a chord with the western world, saying that he will fight for them against ISIS, immigrants and the rich and this, so it seems, is what the world wants to hear. He has played the people's representative role so beautifully that he, a man who inherited his fortune, has succeeded in positioning himself with many as the man who will take on their fight against the elite. Moreover, his use of the aspirational phrase 'make America great again' has allowed him to tap into large parts of the electorate who like to reminisce of better times and see the tough years since the financial crisis as the ones they would rather forget.

So instead of viewing Trump as an ignorant buffoon as many commentators already have, we should be considering what we in the financial services sector can learn from him. How can we take what he has done and apply it to the challenges we face in our working lives?

I for one like to view Donald Trump as political disruptive technology. He has offered something different and shaken the political industry up substantially. He has provided a new way of dealing with challenges and by not adhering to the politically correct norms he has shown that things can be approached in a different way. This will not only change the

current election, but by showing such a strategy can attract a large number of voters, it will change the political parties offerings as they try to attract these people in the future. Within our working lives we too need to look for radical solutions to problems which can turn things on their head.

One such solution would be testing in production. It is so radical and so fraught with concerned faces when mentioned to IT and business stakeholders that it could easily be ignored. However, it is a solution which would drastically reduce time-to-market for new improvements for the customers we serve. If solutions such as those developed by Brickendon were adopted, the implementation costs and competitiveness of our clients would drastically improve.

Trump has used the media to perfection by, at little cost to his campaign, constantly saying outlandish soundbites that have drowned out any other voice in the contest. During late May 2016 both he and Hilary Clinton were running events on the same day. Three major US networks covered his event live and none covered Clinton's despite the fact that Trump had already secured the Republican nomination. Again this is something we can all learn from when positioning our programmes for our clients for internal funding. Ensuring we are meeting both the needs of our stakeholders and the needs of those providing funding can deliver rapid benefits to our clients. Our Brickendon roadshow packs are designed to highlight the programme benefits to a wider audience and not just those involved in the programme.

Furthermore, Trump has, from the outset, set the tone of what he wanted to discuss and has refused to be thrown off track by someone else trying to set the agenda. How often as change professionals have we run a meeting or an event and seen someone try to change the topic or focus? Whilst Trump's technique of shouting over people and hurling abuse is not one I would encourage, we can still manage the agenda and keep people on topic. By using our basic PMO techniques and setting clear guidance on meeting agenda and topics ahead of time, we can politely avoid any additional

topics to ensure our meetings remain focussed on the job in hand. In the event of extremely senior stakeholders changing the agenda during a meeting, we can alter the topic to suit his or her agenda and postpone what we wanted to cover until another time.

Trump, it seems, is a force that is not going to go away. He has shaken up the political classes and has been resolute in not allowing his agenda to be moved. Whilst his techniques may not be something we would like to emulate, his ability to keep the spotlight on his project and gather the momentum needed to deliver his aims are something we can all learn from.

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Brickendon is a management and technology consultancy firm that provide solutions to solve our clients internal and external challenges. Founded in 2010, Brickendon has grown rapidly and now has a broad and growing client base for whom our main aim is to improve their business.

Through our Advise, Change and Do categories, we foster a culture of innovation, constantly challenging our consultants to think laterally and develop new approaches to solve problems in new and innovative ways. We continually invest in research and knowledge management to ensure that Brickendon consultants are informed, motivated and expertly trained to deliver high-value services to our clients in the ever-evolving business and IT landscape.

We are committed to our people and fulfilling our goal of providing bespoke, innovative solutions for our clients.

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