

Executing  
Open Banking  
at scale and  
speed requires  
a supporting  
operating model

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# Executing Open Banking at scale and speed requires a supporting operating model

**As banks look to secure their future relevance in the digital economy, Open Banking has become a key strategy for establishing credibility, developing a footprint in the data economy, and creating a stepping stone towards new business models. For a deeper analysis on the opportunities for banks, [click here](#).**

INNOPY's [Open Bank Monitor](#) reveals that leading banks are gradually maturing and expanding their Open Banking capabilities and propositions. However, many banks have been slow to recognise that Open Banking requires a new way of thinking and working, involving new client segments, interactions in ecosystems, new ways of managing data, and development of open and collaborative propositions. The successful and scalable execution of Open Banking strategies requires an updated operating model which can effectively integrate these new dynamics into the bank's daily operations. Current ways of working are no longer fit for purpose.

In this Paper, we identify six common challenges for banks as they execute their Open Banking strategies. From our experience in supporting Open Banking transformations, we know that these challenges are impeding banks from monetising Open Banking at scale and speed and hampering them from realising opportunities in new customer acquisition, retention and ultimately new incremental revenue generation.

## Open Banking can no longer be a separate 'add-on' to a bank's daily operations

For most European banks, Open Banking started as a spin-off from PSD2 compliance programmes, with the aim of seizing new opportunities that began to emerge from open business models. Typically, banks deploy a relatively small dedicated team to create an initial Open Banking programme, with the aim of scaling this up once the team starts developing successful propositions and experiences with clients and partners.

This proposed scaling-up of Open Banking activities into an integral part of the bank's value proposition requires several interlinking components, such as:

- Clear dedicated roles and responsibilities
- Formalised governance and decision-making process
- Solid alignment with revenue generating Lines of Business (LoB) to shape API roadmaps and commercial propositions
- Adjusted risk management frameworks and policies to streamline and fast-track API partner integrations

However, we see that Open Banking usually stays a relatively standalone domain within the bank. It typically remains a centre of excellence, located in the functional area where it started, such as the technology group, innovation group, strategy office, digital office, transaction banking (payments) or retail banking.

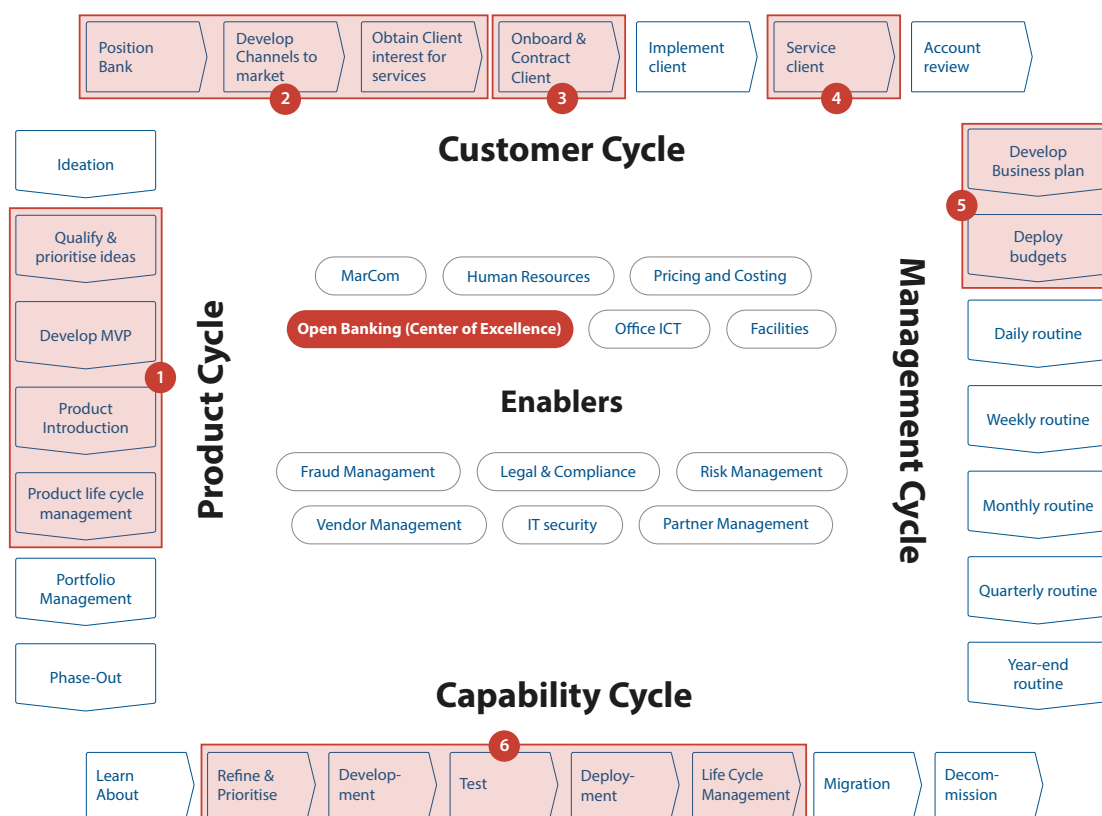
Banks need to integrate Open Banking within their daily operations if they genuinely aspire to deliver Open Banking at scale and speed – including ideation, validation and realisation of new API propositions, rapid onboarding of new clients and partners, and building a community to drive innovation. This integration implies that Open Banking becomes an indispensable part of the day-to-day value creating activities of the bank, because treating it as a standalone domain will not effectively contribute to the bank's strategic objectives. We see six challenges that are impeding banks from monetising Open Banking at scale and speed. These challenges closely align with the need to integrate important groups of activities into the existing daily value creation operations of banks.

# Six common challenges for banks when embedding Open Banking in their daily operations

Under the new strategy, people and organisations will have not only legal but also functional control of their data and will easily be able to re-use their data elsewhere. This concept is also referred to as 'data sovereignty'.

of specific activities – or groups of activities – within this holistic overview that banks need to consider with particular regard to their Open Banking initiatives. Are these activities, and the teams which conduct them, fully integrated within their way of working?

Figure 1 visualises the four Cycles and their key Enabling functions which constitute the common components



Source: INNOPAY analysis, Crosslinx Framework®

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Figure 1: Six challenges in embedding Open Banking in banks' daily operations

Let's review each of the six challenges and their associated activities in some more detail:

## 1. Product Cycle – API proposition development & management

This spans the end-to-end process from initial API ideation through to incubation and realisation of new commercial propositions. Revenue generating LoB are responsible for the definition of the product strategy and own the budget and resources to develop and manage their product portfolio and monetisation strategy. However, they typically lack the expertise to thoroughly understand the implications

and opportunities that Open Banking enables to drive impact and value creation for their customers and partners. Open Banking teams tend to be decoupled from the LoB and lack the mandate to influence product portfolio decisions and prioritisation. This prevents Open Banking teams from helping LoB to innovate and act in new ways to future-proof their products and services.

## 2. Customer Cycle – API pre-sales & business development

This includes all go-to-market and commercial activities. The LoB have the go-to-market responsibility for their

products and services with related budgets and resources. Open Banking teams typically have no ownership or control, and time-to-market for Open Banking propositions is often delayed. This challenge is reinforced as Open Banking teams typically have limited business development capacity to support the LoB in API use case development, pre-sales activities to uncover new digital partnerships, and evangelisation of the business benefits to customers and partners.

### **3. Customer Cycle – API onboarding & risk management**

This spans all activities and decision-making moments from the initial registration of partners on the developer portal through to the use of APIs in a live production environment. Open Banking teams are typically involved in complex discussions with the LoB as well as Risk and Compliance teams. Differing risk policies and risk appetite across these teams complicates and lengthens the API partner onboarding process.

### **4. Customer Cycle – API service, support & relationship management**

This covers all activities once a partner is onboarded and ready to engage with the bank to innovate based on its APIs. Banks that seek to reinforce their position in the Open Banking landscape will need to move beyond merely offering high-quality documentation, sandboxes, developer tools and seamless access to APIs. Banks need to build, grow and nurture their Open Banking community to strengthen their position and accelerate their commercial efforts. Open Banking teams typically lack a solid operational support model and infrastructure to deliver on market expectations for clients/partners consuming APIs, impacting overall service level, engagement and end-to-end experience.

### **5. Management Cycle – API business plan, budgets & incentive schemes**

This includes all activities from the initial definition of the Open Banking strategy and prioritisation of strategic initiatives to the translation into budgets and incentives for the LoB. Open Banking is typically integrated into the corporate strategy of the bank by committing to bank-wide modernisation of the technology foundation. However, it remains unclear as to what type of digital partnerships banks seek to establish and under which conditions. Nor is the strategy sufficiently embedded in the underlying business plans and KPIs of the LoB. This leads to Open Banking teams battling for adequate management attention from the LoB. They remain stuck in a 'push approach', trying to convince stakeholders of the opportunities and value creation potential of Open Banking.

### **6. Capability Cycle – API platform capability**

This covers all technology capabilities and necessary activities to support realisation of Open Banking initiatives. Technology teams formally work for the LoB as they are the

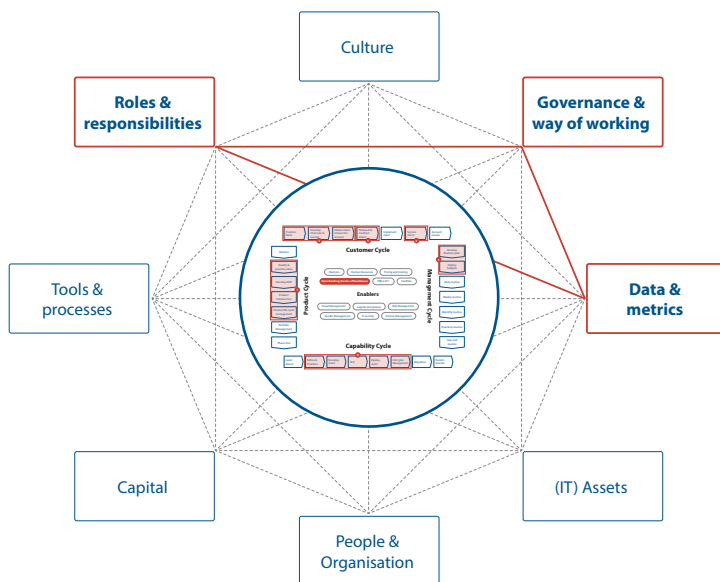
primary budget owners. Therefore, Open Banking teams do not always get appropriate support and priority from the technology teams to design and build APIs. Nor is it always clear where funding for APIs should come from and which technology team(s) need to be involved to develop the APIs.

## Three operating model modifications will support the integration of these six groups of activities

Banks need to develop an operating model that will address the challenges and integrate these six groups of activities, thus enabling them to operate Open Banking at scale and speed, and ultimately to deliver on their strategy and drive value for their clients.

The challenges raised by these activities point to a series of fundamental changes if banks are to integrate Open Banking into their daily operations:

- It is essential that management recognises and openly commits to the belief that Open Banking is not only relevant for modernising the technology foundation but that it is key in establishing credibility and a footprint in the digital economy.
- From a management perspective, the LoB should be incentivised for pursuing Open Banking initiatives. As long as Open Banking KPIs and budgets are decoupled from the 'regular activities' of the LoB, there is limited incentive to prioritise Open Banking over the going concern.
- The LoB need to understand the added value of Open Banking to their existing commercial offering, products and services. The LoB need to recognise that Open Banking is also an opportunity to innovate (parts of) their current way of working, so that both teams will start to reinforce one another.
- There needs to be shared responsibilities and decision-making between the LoB and Open Banking team to progress Open Banking initiatives at speed and scale.
- Once the challenges of scaling Open Banking at an activity level is understood, and the necessary changes are recognised, it is possible to identify the required impact on a bank's existing operating model. Figure 2 presents eight core elements of a typical operating model and highlights three elements that predominantly need to be adjusted to successfully embed Open Banking into the bank's operations to drive scale and speed.



Source: INNOPAY analysis, Crosslinx Framework\*

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Figure 2: Three elements of operating models which will drive the effective integration of Open Banking in daily operations

**The three key elements include:**

- Roles and responsibilities
- Governance & way of working
- Data & metrics

Let’s look at a couple of tangible examples of how a thorough review of these elements will deliver benefits:

- We identified in challenge #1 that the LoB typically lack the expertise to thoroughly understand the opportunities that Open Banking enables, whilst the Open Banking team often lack the mandate to influence product portfolio prioritisation. By properly intertwining the *roles & responsibilities* of both teams, as well as making *governance and decision-making processes* more collaborative, banks will significantly increase the potential for innovation in new products and services.
- We identified in challenge #5 that Open Banking strategies are not usually sufficiently embedded in the underlying business plans and KPIs of the LoB. By effectively using *data & metrics* to quantify the potential value of Open Banking within the overall strategy, and adjusting KPIs accordingly, the LoB leaders will be more invested in dedicating adequate management attention to Open Banking initiatives that impact their respective business domains.

**Explanation of operating model elements**

- **Roles & responsibilities** relate to the position teams, functions or individuals assume or are assigned in the organisation and the specific tasks or duties that they are expected to complete according to their roles and responsibilities
- **Governance & way of working** relate to how the decision making by various stakeholders of an organisation is structured to enhance the prosperity and viability of an organisation and how the activities of an organisation are organised and carried out within boundaries of that agreed governance
- **Data & metrics** relate to facts and figures that can be transformed into useful information for an organisation and can be consistently measured via agreed metrics (KPIs)

**The challenges of capitalising on Open Banking opportunities can be overcome by using a structured approach to integrating key activities**

By applying this structured approach of linking the key Open Banking value-add activities to the bank’s core operating model elements, it is possible to manage changes in a consistent manner and to maintain a coherent operating model that ensures effective and efficient daily operations and support of the agreed Open Banking strategy.

And the Open Banking journey has only just begun, so banks will need to balance and adapt the interworking of their eight operating model elements seamlessly on an ongoing basis.

INNOPAY has supported several banks in their Open Banking transformation, bridging strategy and scaled execution by establishing a coherent operating model that supports defined business objectives. To further discuss your own case and how we can help you, do not hesitate to contact [Josje Fiolet](#) or [Mounaim Cortet](#).

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### **About INNOPAY**

INNOPAY is an international consultancy firm specialised in digital transactions. We help companies anywhere in the world to harness the full potential of the digital transactions era.

We do this by delivering strategy, product development and implementation support in the domain of Digital Identity, Data Sharing and Payments. Our services capture the entire strategic and operational spectrum of our client's business, the technology they deploy, and the way they respond to local and international regulations.

We have grown from strength to strength since our foundation in 2002 and operate from our offices in Amsterdam, Frankfurt and Berlin. Our head office is located in The Netherlands, where we have the #1 market position.

We are a founding member of Holland FinTech, a financial technology hub with links to the rest of Europe, the US, the Middle East and Asia. Our team consists of over 60 experienced domain experts who regularly advise a wide range of global organisations.