



Overview

Many banks appear out of shape and unhealthy as they emerge from the global financial crisis. As they recover from this experience, they must embark on a new fitness regimen that includes tighter regulations and increased oversight. Battling toward a healthy future, banks must act today to redefine their business models, restore client trust and understanding, and reform their risk management culture.

IBM Institute for Business Value

Fit, focused and ready to fight

How banks can get in shape for the battle ahead

The battle ahead

As the world recuperates from its recent economic malaise, bankers face numerous challenges to sustainable profitability. Banks must simultaneously focus on strengthening their balance sheet and raising capital. However, investors are wary of weakness in banks' loan portfolios, and equity markets are constrained by an overall decline in public wealth. Further, current bank business models include operational and regional silos that are cost intensive and misaligned with the needs of the emerging financial order.

With all this in mind, how can the industry regain its stride and restore prosperity? Banks should begin by radically reducing costs and seeking sustainable new revenues. Specifically, we believe banks need to:

- Significantly transform existing business models to focus on select areas of specialization
- Restore client relationships
- Reform the risk management culture.

Business model innovation

Our analysis of 139 financial institutions worldwide confirms what past IBM Institute for Business Value studies have indicated: that business model specialization is a winning theme within the ecosystem.¹ In the post-crisis environment, banks must rethink their business models to identify select areas where they can excel and outperform the competition. Banks should then focus on these areas and target their efforts on those customers, markets, products and distribution channels they can



