

# CASE STUDY:

**中國信託商業銀行**  
**CHINATRUST COMMERCIAL BANK**



“ How a new approach to  
IT turned around the fortunes  
of Taiwan’s Chinatrust  
Commercial Bank ”

“A step-by-step ‘how to’ guide in using people, processes and technology to achieve world’s best practice in customer service and operational efficiency.”

## Introduction

Chinatrust Commercial Bank ‘Chinatrust’ - Taiwan's fastest growing private bank and one of the world’s largest banks in terms of capital - is also the first Taiwanese financial institution to introduce the world class BANCS<sup>®</sup> core banking system.

Despite its strength today, it wasn’t always such a rosy picture for Taiwan’s leading bank. Prior to project ‘e-enable’, Chinatrust was beset with flagging financial results and an uncertain future. This case study represents a triumph in the choice of the right technologies to match a winning business strategy, underpinned by focus, determination and outstanding human effort. As they say, the rest is history. To find out more, read on....

Following the deployment of BANCS in 2001, Chinatrust has become one of the world’s most highly awarded banks, marking the successful completion of its ambitious ‘e-enable’ project aimed at achieving world class levels of customer service and operational efficiency.

This included not one, but two Asian Banking Awards trophies in 2001, accompanied by a host of industry awards and other acknowledgements. Chinatrust’s project in "Customer-Oriented Service System" was the sole winner in the Asian Banking Awards Customer Service Program category and its project "E-pay, the Bulk Payment Solution" was a joint trophy winner in the E-Commerce Project, Product or Service category.

Among the many general awards bestowed on Chinatrust that year were "Asia's Leading Companies Award" from the Far Eastern Economic Review, FinanceAsia’s “Best Domestic Commercial Bank” in Taiwan (July 2001), the Global Finance award for “Best Internet Bank in Taiwan 2001” and "Euromoney Awards for Excellence 2001" in recognition of its quality services and a tradition for innovation.

And the awards have kept coming, with Chinatrust named “Best Emerging Market Bank in Taiwan” for 2002 and "Best Local Bank" (Taiwan) in FinanceAsia’s 2002 Country Awards for Achievement.

Whilst the growth and the success of the bank has been widely publicised in Taiwan, project e-enable had its genesis in Chinatrust’s Philippines subsidiary, Chinatrust (Philippines) Commercial Bank Corp, which was the first to implement the BANCS core banking system.

Mirroring the success of its parent, the Philippines subsidiary has also continued to prosper, surpassing all growth targets in 2003 with a 28% jump in profits compared with same period the previous year and already reaching its annual profit figure for the 8 months ended August 2003.

“ Other financial institutions are looking at Chinatrust as the model of customer service and excellence in operational efficiency. It is also an outstanding example of people, processes and technology working together to achieve an organisation’s ideals. ”

### Project e-enable: BANCS Core Banking System

This case study outlines the entire implementation of Project e-enable from the project kick off in 1997 until the go live of the BANCS system in 2001 which was achieved in four major steps.

Although the bank owes much of its success to the introduction of world-leading technology and business processes, the case study highlights the importance of people in turning goals into reality. As such it is instructive in the areas of planning, leadership, motivation and focus on core goals.

Significantly, the transformation was not built around simply introducing new technology, but using technology to reinforce new business processes. This was the key to success of project e-enable.

The main IT focus of the CTCB project was to replace the old banking systems at Chinatrust with the latest core banking technology. What made the project more unique was the fact that the bank replaced its entire core banking system in the one operation – a major undertaking for any financial institution.

The project was led by Vice President and senior IT director Ru-Tain Chang, who said the most noticeable improvement was the ability of the BANCS system to provide very detailed customer information - which was instrumental in customer acquisition and retention - and enabling the bank to offer extended banking hours and services to customers.

Moreover it has allowed the bank to be far more agile in producing and launching new products. “What usually takes 3-6 months to introduce, now only takes 3-6 weeks. In some cases new products have been brought to the market in less than three weeks,” Ru-Tain Chang said.

A notable feature of the BANCS architecture was that by only changing one parameter in the product build module it automatically increases the functionality of the system, without having to reconfigure other parts of the software.

Chang added that the new system had allowed them to extend the business hours until 10 pm at their eight existing branches at Taipei Chong-Xiao SOGO Shopping Center, Dun-Nang Elite book shop and Takasimaya. Because of the system availability and real time processing, Chinatrust was considering extending their business hours still further in these branches.

The extended business hours was made possible due to the dramatic reduction in the time required for account settlement. It usually took the operator 90 minutes to do the End-Of-Day processing after business hours, however, since the BANCS system went live, the End-Of- Day processing only took the operator 15 minutes, Chang said.

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## NT \$1 billion dollar investment

The massive scale of investment in the e-enable project was the cause of much anxiety for the two key players involved in the decision to implement the BANCS system, Ru-Tain Chang and Wen-Sing Chu.

The decision to implement the BANCS system was not made lightly, with the bank spending a total of eight years preparing for the introduction of a new core banking system, prior to embarking on the BANCS project.

When the decision to upgrade was made in 1994, CTCB had only two years experience in retail banking and the business was not performing well. At that time, Chang was working with EDS Taiwan and was in charge of the Chinatrust business for EDS.

Chang quickly realised from her relationship with Chinatrust that the lack of a good core banking system was at the heart of Chinatrust's problems.

To turn around the bank's flagging performance and prepare it for global competition when Taiwan joined the World Trade Organisation (WTO), Chinatrust's President, Lian-Song Gu travelled around the world investigating banking solutions before committing to a completely new core banking system. On his return he invited Chang to join Chinatrust to help it implement the new system.

To ensure Chinatrust achieved a world class standard in its operations, Lian-Gong Gu led Chinatrust's core banking team on a visit to the United States of America in search of solutions.

### Step 1: Enterprise blue print to prepare for the e-enable project

The tour took in IBM, AT&T and well known US banks where it became clear that Chinatrust had to undergo a major restructuring of its business before embarking on the e-enable project. This led to the development of a business transformation blueprint divided into 13 key areas. The main focus was on increasing the retail banking side of the business, including the banking services, customers, products and strategies. The first stage of planning took 8 months at the end of which it was decided to rationalise the branch structure.

### Step 2: Internal workflow restructure

The second necessary action was a major workflow restructuring which took around 18 months and involved an increased number of branches offset by staff reductions in existing branches. This resulted in more than 200 staff being transferred to new business units.

Although the restructure cost millions of US dollars, Wen-Sing Chu says the bank actually saved more than a hundred million US dollars in staff expenses as a result of the internal work flow restructure.

However, Wen-Sing Chu emphasised that the restructure was not just intended to save the bank money, but to fully integrate Chinatrust's business processes and information technology systems.

Chu said in the ordinary enterprise, the business spends more IT resources on running the enterprise itself and less effort in providing customer service, but in the international financial industry it needs to be totally different.

Accenture's Vice President, Ding Ceng, an expert in e-business for the financial industry said that in the 90's most banks were facing Y2K problems and had to start restructuring their accounting systems. However, he said an accounting oriented restructure had less emphasis on customer services which restricted the scope of the IT system's expansion capabilities. Therefore, when the

bank needed to increase its services, it suffered a setback in coordinating its new services with its existing core banking system. Because of the large scale of the company restructure, Chinatrust understood that the IT upgrade must be customer oriented.

Out of the total Chinatrust core banking team of 120 people, 40 came from the sales department. Ru-Tain Chang pointed out that the change had to be business driven-rather than technology driven. She explained that the sales staff were included in the e-enable project as they were in the front line and understood the needs of customers better than anyone else in the bank.

The successful integration of technology driven and business driven strategies have resulted in Chinatrust becoming a leader in Taiwan's financial industry. Yi-Bo Lin, acting Vice President of Chinatrust said following the IT upgrade around 56% of all financial transactions were conducted 'automatically' which was very close to the corresponding US standard.

Automation of transactions was achieved in three major areas: ATM's, the Call Center and Internet Banking services. This had the effect of increasing customer convenience and reducing the cost of delivery channels and the amount of human resources required to provide banking services.

### Step 3 Project Team visited foreign countries to select the right core banking system

After completing the company restructure, the Chinatrust core banking team started looking for a new banking solution to support the new e-enable strategy. Back in 1998 the core banking team visited the US and Australia to select a system and decided on the BANCS core banking system from Financial Network Services (FNS).

Chinatrust's President, Chong-Liang Gu indicated that the most important thing for the financial sector was its customer information and channel management systems. He said FNS was very strong in both these capabilities, being able to create a large customer information database and use the database to segment customers and provide targeted products for each segment.

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Since the completion of the company restructure, Chinatrust had very clear system requirements which needed to be met. According to Ru-Tain Chang, the three main reasons for choosing the FNS BANCS core banking system at Chinatrust were:

1. The functionalities of the system supported Chinatrust's financial product needs
2. The system architecture is fully scalable
3. BANCS supports Chinese language characters

Chang's only reservation was the ability of the foreign software to cope with the complexity of Taiwan's financial acts and system – a question asked by many Chinatrust employees when the bank chose Australian company, FNS to supply its new core banking system.

Chang explained that foreign software companies had much broader experience in software development than local software companies and international best practice was built-in to the software package. She pointed to the fact that Citibank Taiwan was using a US based system and had the potential of becoming the largest credit card issuer in Taiwan. (CTCB has since gone on to become the largest credit card issuing bank in Taiwan and a winner of the Industrial Development Bureau of the Ministry of Economic Quality Management Award for Chinatrust's credit cards operation and other awards for its credit card operations from the Asian Bankers' Association).

**Step 4: Introducing the system and system localisation (duration 3 years).**

Ru-Tain Chang said foreign software still had gaps which need to be filled to meet all the requirements of the domestic Taiwanese financial industry business processes. The gap analysis and localisation process was a major part of the implementation in both time and resources, and was a key to the successful implementation of the software.

With years of preparation before embarking on project e-enable, Chinatrust had a clear strategy for ensuring a smooth implementation of the new system. This translated into four key steps:

1. Reducing staff anxiety
2. Maintaining both the old and new banking system
3. Monitoring changes in the competitive environment and adjusting business strategy to suit
4. Leadership responsibility for supervising and motivating employees

“Expandability was the key consideration, especially the relational database concept which enabled the new system to easily migrate from one OS platform to another and achieve cost benefits for future expansion.”

### Key factor 1: Reducing staff anxiety

Other than conforming to government regulations, employee attitude was recognised as one of the most important factors in taking on the Chinatrust e-enable project.

As with any change, Neng-Xian Hu from Chinatrust's Corporate Banking Administration team said the introduction of the new system caused anxiety for those familiar with the old system - some of who thought the benefits of their experience and knowledge of the old system would be lost.

This required a strong discipline in order to focus on implementing the new system even when this involved compromises such as abandoning good ideas and proposals for making improvements to the old system.

To overcome the anxiety it was considered important for management to reassure existing staff during the change process. Chinatrust's Yi-Bo Lin recalled that to convince all employees about the benefits of the e-enable project he visited 56 branches around Taiwan where he held seminars to explain both the rationale and the expected future benefits of the e-enable project.

Fu-lian Lu, the Vice President of Chinatrust Retail Banking invited branch managers to share their feelings about the project, both during the implementation phase and continued to invite their opinions via teleconference even after the project was completed.

### Key factor 2: Maintaining both the old and new banking systems

One of the major challenges of the e-enable project was running the old and new systems at the same time without interrupting the bank's daily operations. Sen-Zi Tsai, senior manager of IT system development said that Chinatrust was required to maintain the old systems during the three years of implementation of the BANCS solution.

One of the major challenges during this time was the need to implement major changes to the old system to avoid the Y2K problem. Chinatrust's Vice President, Ru-Tain Chang, likened this to driving a racing car, where you need to focus on getting ahead, but must also stop to make tyre changes.

### Key factor 3: Adapting to the competitive environment and making adjustments

Because of the intense competition in the Taiwanese financial industry with competitors also introducing new e-business products, Chinatrust's Chong-Liang Gu decided to kick off an Internet Banking project as part of project e-enable.

This involved taking a top level management team to the US to investigate the latest concepts in Internet banking, which was a 'brain-expanding' experience for the more senior managers not familiar with the technology, according to Fu-lian Luo.

Accenture's Vice President Ding Ceng, identified Internet banking as the best channel to expand banking business, but said the restrictions in existing core banking systems presented difficulties in integrating Internet Banking for many banks.

However, the strong functionalities of the BANCS core banking system were able to drive the Chinatrust Internet Banking business forward. This enabled banking transactions normally done within the branch to be conducted on the Internet, and some business to be conducted over the Internet which could not be done in the branch.

The Chinatrust Internet banking business was performing very well since its launch according to Fu-lian Luo. Customers who had registered for Internet banking and made credit card transactions were able to receive e-mail

**Key Factor 4:  
Leadership  
responsibility for  
supervising and  
motivating  
employees**

confirmation of their transaction records the next day. This was seen to not only increase the security of the credit card, but also assisted account holders in better managing their money.

Fu-lian Luo pointed out that this level of service well exceeded the world standard where transaction records were sent monthly to customers.

When the new BANCS core banking system went live in January, 2001, it did not spell the end of the project, but the beginning of a difficult time for the team to both adapt to and refine the new system.

Because of the large scale and complexity of the project, employees put in very long hours during the run in period which took almost one year after the initial go-live. During that time, employees developed a strong sense of 'family', driven by the desire to achieve a common goal.

Team leaders shared the workload and sent letters and gifts to family members in recognition of the long hours put in by Chinatrust's employees during the extended systems testing period. Chinatrust also set up a day care centre to allow employees to bring their children to the company's offices during the weekend, and some of the team members helped 'baby sit' other staff members' children during this time.

Chinatrust also took the unusual step of mounting a massive television advertising campaign to publicly thank its employees for their monumental efforts and personal sacrifices in seeing the project through to a successful conclusion.

The advertising campaign generated a large amount of discussion within the Taiwanese financial services industry, ranging from support for the bank's acknowledgment of its staff's efforts, to criticism of its 'capitalist' exploitation of labour.

“ Restrictions in existing core banking systems presented difficulties in Internet Banking for many Taiwanese banks. However, the strong functionalities of the BANCS core banking system were able to drive the Chinatrust Internet Banking business forward. ”

### New core banking system delivers benefits

After almost one year's live testing and refinement, the system was enhanced to be smoother and reliable, and all the anticipated benefits of the BANCS system have materialised. This has since culminated in a host of awards for strategies, technologies and overall banking performance.

As a result, the new core banking system has been described as the “secret weapon” to gaining competitive advantages over Chinatrust's competitors in the Taiwanese banking sector.

Chinatrust's President, Chong-Liang Gu, said Chinatrust's staff were not only responsible for the successful completion of the e-enable project but had ensured a bright future for Chinatrust. In turn, Chinatrust's employees felt a tremendous sense of achievement in helping the company gain new ground as a result of their efforts.

Chong-Liang Gu said the next important step for Chinatrust was using the new BANCS system to make more improvements to business process workflows, and extend the bank's e-enable benefits to their customers and strategic partners to ensure the bank's continued success.

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### BANCS modules deployed:

- BANCS Loans
- BANCS Deposits
- BANCS Customer Information File
- BANCS Branch GL and Contingent Account

“ The banking solution which automates every aspect of a financial institution’s operations in the one fully integrated solution. ”

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