

Business Transformation in the Asia/Pacific Financial Sector

Bank Mega: Competitive Growth Through Strong IT Partnership

Case Study
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Situation Overview

Bank Mega is one of Indonesia's fastest growing banks. Since the bank's acquisition by the Para Group in 1997, Bank Mega has seen its assets grow from a meager US\$25.6 million to approximately US\$3 billion today. This staggering growth is partially attributed to the bank's determination to leverage technology in order to compete with the major players in the industry.

Moving forward, Bank Mega's expansion effort is not simply focused on growth for its own sake but instead is more strategic, with the aim of increasing the bank's market presence. Bank Mega's traditional business focus has been in retail and mass market banking and in the last two years it has sought to expand into small and medium enterprises (SME) and commercial banking. Along with its expansion into other business segments, the bank also seeks to expand its network by seeking to grow its branches to 250 by the end of 2009 and its ATM network partnerships that currently allow its customers access through 20,000 ATMs nation-wide.

Technology has played a vital role throughout the organization's growth. Along the way, the bank has gained the ability to deploy and manage complex IT projects that make the bank one of the country's most technology-savvy financial institutions. Some of the bank's main technology achievements over the past two years are:

Disaster recovery mirroring system: Bank Mega is now one of the few banks in Indonesia with a hot backup capability

Internet banking: Expansion of retail internet banking functionality and introduction of corporate internet banking

Credit card system upgrades: Hardware and software upgrades to accommodate chipped EMV cards

The Challenge

In 1997, Bank Mega was regarded as a minor player in the Indonesian banking industry with a relatively small asset base and a branch network of a mere 13 branches. Under Para Group, the new management agreed that strategic organic growth with the ultimate aim of increased market share was necessary to ensure the bank's success. However, this goal was hindered by the fact that operations within the institution were not very sophisticated with many of the processes still manual whereas other banks in Indonesia had already begun to leverage technology since the early 1980s to improve levels of service and overall competitiveness.

To compound matters, the Asian economic crisis was also taking its toll on the banking industry, forcing numerous banks in the region and in Indonesia to collapse. It was in this turbulent environment that Bank Mega realized it had a very small and critical window to catch up with its competition. Management was determined to not only ensure the bank's survival but also its prosperity, starting by overhauling the bank's technology infrastructure.

The Solution

In 1998, Bank Mega partnered with Silverlake to implement the Silverlake Axis Integrated Banking Solution (SIBS) on IBM's System i platform. According to the President Director of Bank Mega, Mr. Yungky Setiawan, Silverlake Axis' core banking solution was chosen because it was a solution that could clearly support and effectively carry out the bank's goals.

The bank was impressed by Silverlake's strong references in Indonesia. Silverlake Axis had significant experience in Indonesia in 1998 with credible banking customers. What was particularly enticing was that Silverlake Axis themselves were known to be reasonable in pricing the solution in a tough economic environment.

The Benefits

Strong Support and Rapid Implementation – With the guidance and support of the Silverlake team, the SIBS solution was deployed across the organization within six months allowing the bank to focus on its business growth strategy. Since implementation, Bank Mega has been very satisfied with the continued support provided by Silverlake.

Strong Platform – IBM's System i platform was a strong selling point for the bank. The System i platform proved to be scalable, supporting the bank's growth aspirations. The platform allowed the bank to grow from 13 branches in 1997 to more than 200 branches in 2008 with minimal capacity issues.

Flexibility – At a time when many financial institutions were choosing other systems for core solutions, Bank Mega went with the System i platform because it valued the flexibility the platform offered.

The Future

Bank Mega aims to have 1000 branches nation wide by the year 2018, an asset size of US\$83 billion allowing it to be one of the five biggest banks in Indonesia. Mr. Setiawan agrees that none of this is achievable without the SIBS solution and its System i platform. Silverlake is a partner that has supported Bank Mega continuously throughout the years allowing the bank to run efficiently and competitively. In fact, Bank Mega's Islamic subsidiary, Bank Syariah Mega, also implemented the Silverlake Axis Integrated Islamic Banking Solution (SIIBS), continuing the IT partnership into the bank's other segments. Bank Mega plans to continue this fruitful relationship for many years to come.

Mr. Setiawan summed up the true benefits of the SIBS solution when noting, "In a crisis environment a bank's actions should never be dictated by its technology. Instead, the bank should dictate its technology's actions. Silverlake's SIBS solution and IBM's System i platform has allowed us to do just that."

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