

## **F** Buy versus Build

### Part 6: Agility is the key



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Innovation, control and integration lie at the heart of the buy v build decision. Equally important is access to the the data itself, whether structured or unstructured and whatever its source or format. But what about product change, i.e. when the product does not quite fully meet the customer's requirement and needs modification, or when the platform must evolve in line with industry change?

Here we are talking about product functionality and technology that should probably be met in the base product, not specific to the customer added value layer; the features that are part of the commoditised pipes and plumbing offering. This can be a source of a classic mistake where banks believe they are building competitive edge on top of a vendor product, when in fact all they are doing is making it fit for purpose.

Product evolution is a fundamental part of a vendor's value proposition, proof that it is always moving forwards and definitely not standing still. The reality of this isn't found in roadmaps or PowerPoint, but by having hundreds of product developers turning out valuable functionality every day.

But just building new code is the easy part. Enabling customers to get the benefit from new product development requires a short, direct path between the development effort and customers' live systems.

There are two key aspects to solving this:

1. The product development itself needs to be agile, responding to market evolution and customer demand with a 'small and frequent' cadence of delivery. This is made possible by adopting technical practices from the DevOps and lean software movements, including continuous process improvement, automated workflows, continuous integration of new code into automated builds, automated testing, version control of all configuration, and automated release tools.
2. To take advantage of this faster cadence of release it must be possible to upgrade the customer environments frequently and efficiently whenever a new release becomes available. This links back to the approach for customer innovation, using a loosely-coupled architecture that is 'upgrade proof', i.e. customer innovation must continue to work, without change, within the new upgraded product. In addition, customers need to have comprehensive automated regression testing in place.

This approach significantly increases the frequency and throughput of product development and enables large banks to take full advantage of a large development team within a vendor. As well as being hassle-free, these upgrades should also be baked into the price, just like the apps we upgrade daily on our cell phones.

As discussed before, global equities trading is central to the successful operation of many banks' capital markets operations. Not only is it the most visible, but it also feeds and underpins so many other parts of a full service investment bank. So much so that maintaining or growing share of the global equity trading market is essential. This is challenging on many fronts, not least of which is that growth can only come at the expense of others and so competitive differentiation is key.

As with many other industries, technology can be a vital source of such differentiation, but just throwing bodies at the problem simply doesn't stack up in today's economic environment. And, in fact, fails to realise that bragging rights will actually go to those firms with the smartest, not the largest, in-house technology teams. These individuals will focus on what makes the firm really different while leaving the delivery and heavy lifting to others.

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