Dynamic business process management for banking

Enabling banks to optimize cost and improve process agility

Highlights

- Automate manual processes to optimize cost in order to fund new banking initiatives.
- Collaborate between business and IT to drive consensus and effective actions.
- Increase agility to shift and adapt rapidly with changing banking regulations and competitive markets.

Introduction

The global financial meltdown of 2008-09 has awakened the financial services industry to the realities of efficient and optimal management of capital, risks and credit. Consolidation is taking place in every market around the world. New players and nontraditional banks with specialized products and services are emerging. Customers are demanding tailored products and services, greater access and responsiveness, and increased transparency from their financial institutions. And regulators are taking action to restore market confidence. The pressure and pace of change is accelerating, and only financial institutions that can adapt and outmaneuver the competition will have the advantage. In fact, a recent IBM Study found that 50 percent of customers would only give their bank two chances to meet their requests for service or new products before considering a change in banks.

Financial institutions need a way to address these challenges and to differentiate themselves through their business processes. Banking executives are looking for better ways to understand what their clients want and then deliver those products and services quickly. They understand that they must reduce the time it takes to get these products to market but are hindered by highly complex and inflexible banking processes. Similarly, difficulty in accessing real-time relevant information, the inability to track transactions through the processes and a high degree of manual intervention in processes hampers a bank's ability to implement cost efficient solutions that will increase revenues.[1]

Dynamic business process management for banking

To help solve these issues, the business turns to the IT department, but tackling these imperatives is made more difficult by the fact that research indicates that IT spends three-quarters of their budgets on maintenance and energy consumption for their existing IT infrastructure. That leaves very little funding available for strategic business initiatives like streamlining and automating processes. Getting business and IT together to deliver what customers want despite budget constraints is the key to delivering business value to clients and stakeholders alike.

Business Process Management (BPM) can help bridge the gap between business and IT by providing a common means to collaborate around business processes, make smarter decisions, implement rapid changes, exploit global business opportunities and maximize inorganic and organic growth. So no matter what the market brings, your bank can stand ready for the challenge.

To enable a bank to meets its business objectives in a dynamic environment like today, banking executives need to simplify business processes and foster innovation. Key elements of such a strategy include:

- Automate processes with manual intervention only where value is added.
- Flexibly implement dynamic business processes that can quickly adapt to changing regulations or easily implement new ones.
- Monitor customer behaviors to quickly improve existing products and create innovative new products or services.
- Identify and assess key agility indicators (KAIs) that measure, not just performance, but provide a quantitative measurement of how quickly and effectively your bank responds to change.
- Choose business rules that empower business users to rapidly respond to changing business needs through business rules policies in business language.

Automate, optimize and integrate processes.

Rather than reducing the need for technology solutions, the current global financial environment increases the urgency for banks to automate, optimize and integrate processes in a shareable and reusable fashion. Banking executives no longer have the time to implement long drawn out projects. BPM enabled by service oriented architecture (SOA) addresses this need to realize faster returns on investment by enabling you to:

• Automate critical business processes quickly to meet new efficiency objectives.
• Reuse and personalize existing banking process assets to reduce costs in a compounded way.
• Provide the foundation for business-centric IT, which allows a "sense-and-respond" business architecture to facilitate change and react to unpredictable business events.
• Expand regionally and globally through standards-based, loosely-coupled connectivity.
• Use process monitoring and governance to ensure corporate and regulatory compliance.
• Automate critical business processes to meet new efficiency objectives.

IBM® BPM leverages SOA principles and enables solution-specific content, so you can tackle your most critical process needs like:

• **Account opening:** Eliminate manual processes. Reduce processing time and increase throughput.
• **Payments:** Adapt the payment process to modify supporting applications without extensive programming. Monitor to identify payment process breakdowns, react quickly and reduce manual intervention.
• **Sales and marketing:** Gain business intelligence and analytics to drive smart business decisions.
• **Loan origination:** Streamline the processes for all media types, channels, products and regulations. Quickly locate bottlenecks, regain efficiency and change processes based on insight.
• **Fraud detection** (regulatory and compliance): Gain timely insight into potentially fraudulent activities before they become problematic.

Improve Time to Value

IBM has pre-built banking processes, service models, vocabularies, solution templates and dashboards that will jumpstart the delivery of BPM solutions. This pre-built content is based on industry standards like ISO 20022, MISMO, SEPA, SWIFT, NACHA and IFW, thereby ensuring consistency and compliance across multiple lines of businesses and geographies.

Every bank has a unique business infrastructure and this pre-built BPM content can be tailored quickly to your specific business needs. With this IBM content, there is no need to build a BPM solution from scratch. When the next project comes along, reuse the assets you created for those processes as well. In this way, new processes are implemented quickly and correctly the first time with fewer resources and in less time. This translates into less costly solutions that are implemented in a small fraction of the time previously required. These cost savings show up on your bottom line and allow you to start seeing the revenue on the top line more quickly.

Case Study: Standard Chartered Bank: Improving efficiency and productivity by automating the account opening process.

Standard Charter Bank is an emerging-markets bank based in Dubai, United Arab Emirates (UAE) that has more than 55,000 employees in more than 50 countries, providing consumer, corporate and institutional banking and treasury services. The bank has prominent operations in many locations—spanning from Asia, the Middle East, Africa and Latin America—and is striving to establish itself as the leading global bank in its primary markets.

Business Need:
Two hundred employees of the Indian retail banking division of Standard Chartered had been processing 27,000 applications for new bank accounts each month, with a turnaround of seven days for each application. Since the account-opening procedure is one of the costliest processes involved in the solicitation of new customers, Standard Chartered challenged the division to reduce the turnaround time on the applications and to increase the number of applications processed each month.

The retail banking division had been using a combination of 57 manual and auto-mated procedures to process the applications. For example, when a hardcopy application arrived, an employee would scan and store the document in a central data center in India; however, the bank lacked a method to trace the status of the form or the efficiency of the process. This tracing process itself required many people to handle the manual interactions, thereby decreasing efficiency and increasing the opportunity for human error.

To improve efficiency and productivity, the retail banking division wanted to fully automate its account opening process. By investing in a BPM solution to auto-mate the procedures, Standard Chartered planned to reduce staffing costs, archival and rejection expenses, and application turnaround time.

Solution:
After evaluating its options for an automated account opening process, Standard Chartered selected IBM to deliver a BPM enabled by SOA solution that would streamline and optimize its existing procedures. IBM worked to remove variations and redundancies in the process by using a suite of IBM WebSphere® software solutions, including IBM's BPM Suite, and bringing in a support team from IBM's Software Services team.

To begin the process overhaul, Standard Chartered aligned with the IBM team to solve the business issues the division had been experiencing. The IBM group:

- Engaged business teams to define the account-opening process
- Worked with the Retail Liabilities product team to build templates for the account-opening forms
- Participated in the business process reengineering
- Suggested process improvements, leveraging examples from other industries.

By implementing the BPM solution and integrating each application into the SOA, the retail banking division streamlined its outdated manual process into a seam-less account opening system with end-to-end modeling, monitoring and choreography. The automation of the process using BPM and SOA techniques enabled the division to monitor and optimize the system, component by component.

Benefits of the Solution:

By developing an automated account-opening process the retail banking division of Standard Chartered was able to reduce its staffing costs by 40 percent, its archival and rejection costs by 25 percent and its turnaround time from seven days to three. With the bank's newly compacted 38-step process, employees can now handle 54,000 applications per month, which is a 100 percent increase over previous levels. Since personnel can process the applications more rapidly, new customers receive their acceptance notices more quickly, laying the foundation for a positive customer experience. Additionally, the automated process reduces opportunities for human error and leaves an audit trail for easy status assessment.

Conclusion

In order to address the issues that financial institutions are facing today, banking processes need to be agile, more automated and responsive to change. Whether responding to the latest market demand or the latest regulatory issue, banks need to eliminate costly manual processes that hinder productivity and free up scarce capital resources for new initiatives. Likewise, Business and IT can no longer operate in isolation and must collaborate to understand one another's missions and mutual benefits to drive the priorities of the business. Business Process Management can provide a means for banks to collaborate around business processes in order to quickly react to whatever the future brings. Banks that create these dynamic business processes will be able to use them as competitive assets to not only survive, but thrive.

For more information

To listen to a podcast, "*Achieving Cost Optimization and Business Agility for Financial Institutions with BPM*" visit:

http://www-01.ibm.com/software/info/bpm/podcasts/?wm=7114001f6268&cm_sp=CTA14-_-IC810-_-6268

To learn more about *Banking Thought Leadership* from the IBM Institute for Business Value (IBV), visit:

http://www-935.ibm.com/services/us/index.wss/industry_library/imc/a1000043

To learn more about Business Process Management, contact your IBM marketing representative or IBM Business Partner, or visit: www.ibm.com/bpm

Recyclable, please recycle