

Automating the Back Office

How BPM can help improve
productivity in the back office



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The future of retail banking is going to be shaped by three major trends in the next ten years: the accelerating pace of globalization, demographic changes in populations and in the workplace, and the advent of the knowledge-based economy fueled by pervasive adoption of the internet.

In the face of intense competition, retail banks need to reinforce their global reach and develop and differentiate financial services for increasingly demanding customers who already hold a number of different banking products, often at multiple banks.

Retail banks are already leveraging the collaborative capabilities of Web 2.0 technologies to keep customers connected through multiple channels including internet, mobile phones, and call centers and by offering increasingly personalized products and solutions. In the next ten years we will witness the impact of Web 3.0 technologies, where banking services are delivered in a more intuitive manner, for example, using “electronic ink” to update contracts via Wi-Fi.

Automation of back office processes will play a key role in this evolving landscape. This paper illustrates how some major retail banks have already accomplished significant productivity and quality improvements by using business process management (BPM) to automate the back office.

1. Introduction

Visionary banks recognize the need to rationalize tasks that were previously manual and paper-based and are using business process management (BPM) software to automate and streamline back office processes. Driving factors include the desire to create enhanced cost-to-income ratios, increase operational efficiencies, and gain a greater share of the customer’s wallet. Another driver is the desire to capture business rules and previously undocumented knowledge in repeatable, automatable processes to address the potential skills shortage due to an aging workforce (the baby boom effect).

The standardization of repeatable tasks across back office service centers has enabled the concentration of service centers and harmonization of customer service levels across regions, bringing significant productivity gains and freeing up agents for higher-value-add tasks.

Benefits

TIBCO customers have achieved tangible business benefits by using BPM software to automate the back office. For example:

- By reusing technology and processes across channels, support costs reduced by 20-25%
- Up to 2,000 credit applications processed per day
- Transparency of real-time business operations used in processing 50,000 items per day
- Replaced 25 front-end retail banking applications with BPM
- Achieved 50% productivity gains on customer on-boarding process
- Debtor monitoring process now costs 50% less
- Fulfillment centers manage 10 million activities per year
- Time savings of 25% to change customer address
- Cost savings equivalent to 100 full-time employees
- Ability to approve a mortgage application within 2 days whatever the channel
- 20,000 back office activities processed per day

Retail banking is a commoditized industry and banks are focusing a lot of attention on improving the customer experience, deriving a single view of the customer and his or her transaction history, and ensuring that customer interactions with the bank are satisfactory regardless of channel.

The retail banks profiled in this paper are already experiencing the benefits of widescale back office automation in terms of improved visibility and cooperation between the front office and the back office, increased productivity, and increased levels of customer satisfaction.

2. Transformation of the Back Office

BACK OFFICE FUNCTIONS

Back office tasks are those that do not require direct interaction with customers and can be performed more efficiently and effectively offsite. Examples are account origination for new customers, account servicing, mortgage and personal loan approval and set up, succession management, exception management, and specific processes for small and medium sized business (SMB) customers. Retail banks typically have between 300 and 500 back office processes to manage and monitor. In addition to customer-centric processes, there are regulatory processes related to Sarbanes Oxley regulations, Know Your Customer (KYC) regulations, and reporting to central banks and other financial regulatory bodies that need to be accomplished to ensure compliance.

Because they don't require direct customer contact, back office operations are often concentrated in regional service centers in locations where property costs are lower and service personnel are plentiful. Back office personnel for a national network can range from 3,000 to 6,000 employees and the number of activities managed daily from 20 to 50,000, depending on the number of retail outlets.

BACK OFFICE CHALLENGES

Back office operations have traditionally been paper-intensive and labor-intensive. Requests for action arrive in multiple formats – by post, by fax, through the call center, through an internet portal, from a branch – and the resolution of a request may involve multiple steps and multiple departments. In the absence of automation, it is not uncommon for personnel to manually move paper documents around the back office or for documents to be sent by post to other service centers for further processing. The average mortgage application goes through 35 manual handoffs before completion. Manual steps such as these are prone to error

and to documents getting lost or incorrectly filed, and visibility of the advancement of tasks is limited both for the back office managers and the front office.

For some banks, the distributed nature of service centers across regions has made it difficult to balance workloads between service centers and to ensure a standard response to requests. Some major European retail banks have adopted a visionary approach to automating the back office by harnessing the power of business process automation and by associating a document management solution and digitization of documents with automation in order to have a paperless back office. These are profiled later in this paper.

AUTOMATION BENEFITS

Benefits of automating back office processes include reduced processing cycle times, improved visibility into the status of requests for front office and customers, standardization of processes across regions, and improved quality of service to customers. Management insight into processing workloads via sophisticated analytical reporting techniques has enabled dynamic distribution and prioritization of workload across service centers. Intelligent routing and prioritization of tasks to back office agents with specific skill sets has enabled tasks to be processed by skilled operators in the optimum timeframe.

Automation also reduces training time. Back office processes involve extensive human and system interactions. By automating and standardizing these processes, the contextual guidance provided by a business process automation solution through the process steps enables quicker ramp up time for new agents and reduced training costs.

ENSURING A SMOOTH TRANSITION

The cultural impact of automating back office processes is significant and requires careful communication and executive management involvement.

To ensure a smooth transition, many banks have set up a BPM Center of Excellence (also known as a BPM Competency Center) to promote best practices and to train selected "power users" who can assist co-workers in different service centers. Some banks have also set up a Center of Excellence portal to answer frequently asked questions, organize regular meetings for project leaders and interested parties, and provide in-house consulting services.

The Center of Excellence plays a key role in establishing reusable common business processes on a shared business process platform and a methodology and

processes that can be used in subsequent projects. By reusing technology and processes across channels, retail banks can reduce support costs by 20 – 25%.

Establishing a Center of Excellence is a major success factor in sustaining the momentum of complex, cross-departmental BPM projects, promoting good governance, and ensuring that the change management challenges of enterprise-level projects are overcome successfully.

3. TIBCO Customer Examples

STANDARDIZING 300 PROCESSES ACROSS 30 SERVICE CENTERS

A large retail bank in Europe is using TIBCO's BPM software to automate 300 back office processes including customer on-boarding, customer information updates, mortgage and personal loan approvals, succession management, and processes dedicated to small businesses.

Key goals for the project were to standardize processes across all 30 of the company's service centers, gain visibility into process status, and provide agents with desktop access to relevant information through a combination of BPM and document management software. The project, which affects 3,000 end users, took 18 months to deploy and is regarded by the bank as an example of operational excellence.

Highlights

- With visibility into process status and a high level of process efficiency, the bank can commit to fast turnaround on customer requests. For example, the bank guarantees a response to mortgage requests within 48 hours and maximum of two weeks to present a formal offer.
- With visibility into process status, the front office can respond promptly to customer requests.
- Efficiency gains in the back office have enabled the bank to reduce headcount through attrition without sacrificing quality of service.
- With the new system in place, tasks are now automatically triggered by the system and can be dynamically routed to specific groups of agents who have capacity and the appropriate skill set. The total workload of the back office

is reviewed twice daily and, if necessary, tasks can be redirected at peak processing times to specific service centers.

- A side benefit of this automation project is the ability to perform regular checks and generate sample reports on specific product lines to ensure compliance with Basel II regulations, thanks to sophisticated reporting and analytical capabilities of the solution.

AUTOMATING NEW CUSTOMER ENROLLMENT

A leading bank in Europe is using TIBCO's BPM software to streamline and accelerate bank operations, increase transparency, and give the bank greater flexibility in modifying processes.

The customer enrollment process was the first to benefit from automation. It consisted of multiple manual steps and paper-based transactions. Agents gathered information verbally from applicants and entered the data into legacy systems. Hard copy documents were mailed from bank branches to regional service centers. The process was time consuming, inconsistent from location to location, and produced an imbalance of workload across regional service centers.

The new process replaces nearly 25 front-end retail banking applications and addresses the inefficiencies of the previous system. It is being used by some 1,500 bank employees to enroll new customers, perform account maintenance, and handle point-of-sale transactions for a business partner.

Highlights

- By automating the customer enrollment process, banking agents can focus on advising customers rather than devoting time to acquiring information verbally.
- Over 50,000 activities are processed per day using the automated solution.
- The on-boarding process and others like it can be reused and combined into new processes because they are built using common data types.

AUTOMATING A FLEXIBLE FULFILLMENT PROCESS

A retail bank with over 3,000 branches worldwide wanted to offer packages of services (for example, checking account, internet banking, savings account, credit card, and insurance) tailored to different consumers.

Unfortunately, the bank's fulfillment centers were not set up to support packages with different terms and conditions. As a result, many activities had to be managed in the front office, which was inefficient and error prone.

Using TIBCO's BPM software, the bank has automated and standardized business processes across fulfillment centers, supporting the new packaged offerings and resulting in cost savings equivalent to 100 full time employees.

Highlights

- Automation of the fulfillment process gives the front office full visibility of each business process and the ability to prioritize tasks and manage to service level agreements (SLA's).
- All incoming orders are handled in a standard, automated fashion regardless of channel of origin (letter, fax, phone, email, internet banking).
- The bank has added additional functionality over time. Initially a workflow implementation, they later separated business rules from processes to make it easier to change rules or process steps. In a subsequent enhancement, they replaced agent-controlled decision steps with a fully automated capability across channels.

SETTING UP A BPM COMPETENCY CENTER

A major European bank had over 20 business process automation projects in progress across four different divisions, including Corporate Investment, Insurance, Corporate Banking, and Retail Banking. To support reuse of technology and processes across divisions, the bank set up a BPM Competency Center.

One of the projects in the Retail Banking division includes automation of nearly 200 back office processes involving 3,500 personnel. Key objectives are to improve customer service levels and satisfaction, increase productivity, and standardize on core business processes.

Highlights

- The Competency Center has pulled together a BPM community within the bank. The Competency Center facilitates sharing of information and best practices and promotes the use and development of corporate standards.

- The Competency Center staff provides advice on an ad hoc basis and manages a portal that provides access to online services such as an evaluation methodology to establish the suitability of a business requirement for business process automation.

4. The Future of Back Office Automation

DYNAMIC WORK ALLOCATION FOR BETTER CUSTOMER SERVICE

Some retail banks have taken back office automation one step further to enable dynamic allocation of work as it arrives from multiple channels (fax, scanned documents, internet, information systems, call center) to teams with the right combination of skills and capacity to process. As activities are initiated, such as new customer set up or risk calculation, an assessment is made in real time of the current work capacity of all the service center teams, taking into account the size of the team and the skills required to accomplish the activity. Based on this assessment, work is allocated dynamically to the right team at the right time.

Dynamic work allocation is made possible by harnessing the power of business rules: an algorithm is applied to calculate the capacity of each team to take on additional work and their capacity from a skills-match perspective. A team with capacity and the right skills will receive a new activity in their incoming queue of tasks. Rules defined in advance are evaluated on a round robin basis to assess the capacity of teams. Alerts can be issued when teams are over or under capacity. A team with a temporary incapacity to work (a natural disaster for example) can be withdrawn from the total available workforce to avoid the dispatch of new activities to them.

The flexibility of this solution and continuous evaluation of capacity as new activities are initiated enables the operational managers to be proactive in balancing the workload and ensures that customer service levels are not compromised. Multi-dimensional analysis of current back office activities enables the bank to visualize activities from multiple perspectives: the client perspective, the business perspective, the workload management perspective, and the current activities perspective.

LEVERAGING PROCESS AUTOMATION TO SUPPORT SELF-SERVICE CHANNELS

Multi-channel integration opens up opportunities to move more processes to self-service channels, reducing costs for the banks and increasing access for

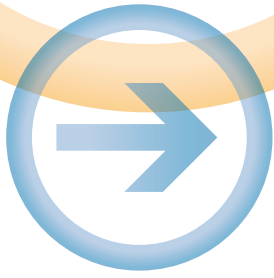
customers. Leveraging process automation to support multi-channel integration is an opportunity for retail banks to standardize and automate business processes (for example customer on-boarding) that contribute immediate value to reducing short term costs. Online customer portals represent an opportunity to involve the front office and customers more actively in the banking processes and reducing the load on the back office.

5. Conclusion

Automating back office processes not only enables retail banks to standardize operations across channels and geographies and operate more efficiently, it also improves customer service, by enabling the front office to focus on providing highly personalized services to their customers.

For example, BNP Paribas is using TIBCO's BPM software in combination with a leading document management solution to automate their retail operation. The BPM system will initially be used by the service centers responsible for payments, account opening, and account modification.

"We look forward to enjoying more reliable and automated reporting with traceable and standardized processing, thanks to the pooling of information from multiple applications and faster management processes," said Pierre Payen de la Garanderie, BNP Paribas



6. About TIBCO

TIBCO Software Inc. (NASDAQ: TIBX) is a provider of infrastructure software for companies to use on-premise or as part of cloud computing environments. Whether it's optimizing claims, processing trades, cross-selling products based on real-time customer behavior, or averting a crisis before it happens, TIBCO provides companies the two-second advantage™ – the ability to capture the right information at the right time and act on it preemptively for a competitive advantage. More than 4,000 customers worldwide rely on TIBCO to manage information, decisions, processes and applications in real time. Learn more at www.tibco.com



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