

Letting financial services take flight

Outsourcing IT is no longer enough to achieve significant gains in terms of efficiency and flexibility. As N G Subramaniam of **Tata Consultancy Services** explains to *Future Banking*, banks need to look at ways to truly make their business processes reach new heights.



As the West recovers from the global recession, financial institutions are again looking to bring new products to market but there is also a renewed emphasis on more conservative practices and a desire to have greater visibility of risk. While banks are realigning their internal priorities, the world is changing around them and success will depend on being prepared to make the most of new opportunities as they arise.

Banks need robust interlinked processes that help manage risk and deliver efficiency, and at the same time provide them with the flexibility and agility to drive growth.

The challenge posed by expanding into emerging markets demonstrates the necessity of pursuing both goals in tandem. Despite the growing wealth of Asian and South American countries, the average consumer represents only a fraction of the value of the equivalent in Europe or North America.

The real attraction of countries like India, China and Brazil is their scale and potential for the future. To be successful, banks will have to handle large volumes of lower value transactions at the same time as rolling-out products across extensive branch networks.

Based in India and with over 20 years in the financial services industry, N G Subramaniam, president of Tata Consultancy Services (TCS) Financial Solutions, has watched the changes happen first hand. "If you want to see growth you've got to have a presence in emerging countries," he says, "but a solution that works in the US or Europe might not be fit for purpose in these markets so you've got to opt for a new local product."

His company aims to deliver what it calls "bank in a box" IT outsourcing in order to tackle both aspects of the problem. The idea is to combine proven technology with the company's expertise to implement a solution quickly, getting an

organisation's house in order and positioning it to seize new opportunities.

"Nobody wants to spend too much time and effort as well as money arriving at a fit-for-purpose solution," Subramaniam explains. "Over the past decade, several software vendors have actually come up with solutions that are market-ready. As a result, our clients tend to prefer the 'bank in a box' solution, as opposed to a two-to-three-year programme."

BaNCS, the platform supporting this high-speed approach, is a fully integrated banking transformation system. It provides financial institutions with the necessary tools for improving efficiency, meeting compliance obligations and launching an array of new products.

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TCS has identified four dimensions that it perceives as critical to the success of IT outsourcing: technology, business processes, employees and customer experiences. By addressing these areas, the company aims to reconfigure the bank as a set of interlinked systems rather than discrete business units.

Software and process architecture can be designed to realise this vision relatively easily but employees must also be trained in the necessary new ways of thinking and working. Part of the maturation of TCS has been a move away from solely providing IT services. The company has developed a knowledge management system to codify the best practices and expertise it has developed.

Building on that experience, the company's consultants assess clients' needs and identify their weaknesses, supporting the implementation of new processes and training employees in their use.

Subramaniam notes that a degree of hand-holding is necessary in the early stages to ensure a smooth transition. "Sales and services used to be separate functions, but today they are more integrated," he explains. "As you service a client you also try to sell. It requires a workforce that is well equipped with information related to the customer and in a position to offer meaningful products and services as opposed to just mass mailers."

By unifying the bank internally and equipping staff to work across departments, it is easier for account holders to see what other products are available and buy into a greater range of services. The improved structures within the bank should also contribute to greater satisfaction by increasing the speed of transactions and minimising errors. Indeed, for Subramaniam the customer should be at the centre of all thinking about process design.

While describing the approach as 'transformation' suggests it requires a major overhaul of a bank's business model, this does not have to be the case.

In most financial services organisations, Subramaniam says TCS targets between ten and 12 processes that can be improved quickly, delivering up to 70% of the benefit of the entire outsourcing programme.

"We don't want to boil the ocean," he says. "There's no need to change everything and anything, we just look at the core, putting the customer at the centre. It's not about rewriting the rules holistically, we just identify processes to attack so that satisfaction increases by a notch and profitability increases by a notch."

As the industry moves towards surveillance and attempting to identify risks before they become a threat, having complete visibility over transactions is vital.

BaNCs includes features enabling better risk management and mitigation and the software platform incorporates a dashboard that alerts the user to changing external conditions, such as currency fluctuations.

The system can also prompt operators to complete urgent tasks and provide information to help redeploy resources in case of an emergency.

Automated controls

Greater automation can help increase efficiency. Straight-through processing allows transactions to be completed more quickly and eliminates opportunities for data to be corrupted as it moves between systems.

When human input is required in a process, TCS is careful to build in rigorous controls. "We identify where things have to be done manually," Subramaniam explains, "and make sure we put in a fourth, fifth or sixth eye looking over it and identify where checks and balances can be put in."

This combination of efficiency and risk mitigation is vital as banks look to drive growth, particularly in emerging markets. To effectively serve large numbers of customers, the ability to process very large numbers of transactions quickly and accurately is vital and in markets where investment products are important, banks need to develop new product ranges.

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Global banks are also potentially at a disadvantage because regional organisations are moving quickly and have greater local experience. "A number of banks native to these markets are coming up with products that are highly innovative," Subramaniam says. "They're leveraging some of the best practices and products that are offered in the West and tailoring them to local needs."

While this poses a challenge, international banks do have experience working in emerging economies through their outsourcing providers, a relationship that Subramaniam thinks could be vital. "If they have a set-up in India, let's say, for serving their back office operations, it means there is an understanding of globally distributed work," he says. "To set up a branch in the country, they can mix these cultures."

In a changing world, banks must take control of their internal operations and optimise them to meet the demands of the external environment. Working with a provider such as TCS to achieve transformation, banks can target problems at their root and realise efficiency gains quickly. That process lays the foundation for future growth and can position institutions to strike into new markets. ■

Further information

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