

Operations Management in UK Financial Services

Contacts:

Sharon Crawford
Quocirca Ltd
Tel +44 7989 243830
sharon.crawford@quocirca.com

Bob Tarzey
Quocirca Ltd
Tel +44 1753 855794
bob.tarzey@quocirca.com

How effectively is technology being applied to help to monitor and improve operations performance?

The extremely competitive nature of the financial services industry today and the changing landscape of customer expectations and their approach to investing in financial products, puts an onus on suppliers to consider how well they are dealing with new and existing customers' business transactions. Much is written about the frontline call centre operations, but this report focuses on the back office activities, the operational area where complex applications and enquiries are processed. This research investigates how technology is being applied to manage and improve operations.

- **Operations management is a critical business task contributing significantly to the overall performance of financial services companies**
Over 90% of UK financial services companies set and publish operational targets. Reducing processing times and costs are targeted alongside measuring the quality of work done. Production Management methodologies such as Lean and Six Sigma are being applied extensively to manage work throughput.
- **The UK has embraced the use of specific operations management systems**
85% of UK financial services companies report having specific systems in place to support operations management. Reporting, document and process management tools and to a lesser extent, staff forecasting and scheduling applications are all components of such systems.
- **Such systems have had an impact on improved operations**
The survey shows that introducing operations management systems has led to improved customer service, reduced costs and better staff utilisation. However, despite a reasonable degree of satisfaction with such systems, there is room for improvement. Also, although staff attitudes should be important, motivation and staff satisfaction levels have shown lower levels of improvement.
- **Real time visibility of work is vital**
Visibility of who is doing what at any point in time, with the ability to reallocate work during the day, is stated as being very important to effective operations management but this is not always an integral part of the operations management system.
- **Although continuous improvement to operations management performance is desired, obstacles do exist.**
The survey found that staff resistance to change and to being monitored, competing demands of other revenue generating priorities and dealing with legislation, were all difficulties faced when trying to introduce initiatives to improve operations. Against this, establishing a return on investment (ROI) for operations management improvements can be difficult.
- **Many systems in place today are based on client/server technologies but there is desire to move toward pure web applications**
This opens the door for Software as a Service offerings (SaaS). However, SaaS is not perceived as a way to support operations management systems. Is this because there are genuine doubts about SaaS or due to a lack of understanding of the potential benefits of the SaaS model?

REPORT NOTE:

This report has been written independently by Quocirca Ltd to address certain issues found in today's organisations. The report draws on Quocirca's extensive knowledge of the technology and business arenas, and provides advice on the approach that organisations should take to create a more effective and efficient environment for future growth.

During the preparation of this report, Quocirca has spoken to a number of suppliers and customers involved in the areas covered. We are grateful for their time and insights.

Conclusions

Operations management is a complex area to which to apply technology. Control and continuous improvement require effective matching of a variety of tasks and timing with resource and skills. The investment needed to put detailed applications in place is significant but has been found to be effective in many organisations that have done so. There is potential to improve further by using systems that allow real-time visibility of the progress of dealing with customers' business.



Introduction

Performance Management in the financial services industry is vital and well supported by the suites of Corporate Performance Management software that enable these companies to budget, plan and report in an accurate and timely fashion. Underpinning successful performance management is the need for predictable and controllable day to day operations management, both front and back office.

Much has been written in the media about the use of tools to achieve this in call centres in businesses today. This report is based on research was carried out to investigate the extent to which software applications are used to monitor and measure the effectiveness of handling customer business – focusing on the back office operations and specifically addressing organisations in the UK.

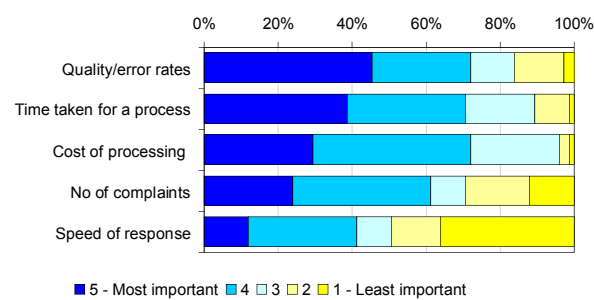
Operations Management is a critical business task

All the organisations that were interviewed set and publish achievement metrics against customer service level agreements, with 93% setting different targets for different types of customers.

95% of organisations interviewed set and publish performance levels against targets for operational staff and use both team and individual measurements although monitoring individual performance is more difficult and given a lower degree of importance.

It is interesting to note the types of measures that are used and the research found that there is an increasing focus on measuring the quality of work alongside the expected measures of costs and speed of processing work (figure 1).

Figure - 1
Prioritisation of operational factors measured



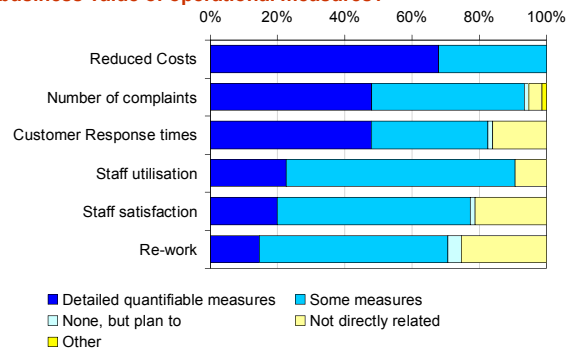
Although quality of work is ranked as being of the highest priority, the performance targets set for both team and individual measurement still put productivity above measurements of quality and good customer service. This could be because productivity is easier to monitor or because, in reality, cost measurements are associated with the level of work throughput.

Measuring staff satisfaction is given a much lower priority in general, with only 24% of organisations stating that this measurement is very important for teams, 11% for individuals.

There is evidence however, that organisations are aware of the costs of re-work and of handling customer complaints. When asked about establishing a return on investment for operations management systems, many organisations are

attempting to include some measurements of the costs of re-work, (figure 2).

Figure - 2
Do organisations attempt to quantify and measure business value of operational measures?



There is some weight given to measuring staff satisfaction and linking this to financial returns for the business. Quocirca believes that it is important to consider the impact of systems on staff satisfaction and that any attempt to apply technology to improve operations management should take account of the way in which the system impacts on the staff dealing with customer business.

Production control and continuous improvement

Operations management is often associated with production of physical goods and methodologies such as lean and six sigma are used to address quality and efficiency improvements. These approaches study the work stations, the efficiencies of moving work from one to the other, space and time improvements and so on. The philosophies can arguably be applied to moving paperwork through an office, each work station being a person with specific skills. Quocirca tested this with the Operations Managers in the survey and a surprising 100% say they operate a philosophy of continuous improvement, with 66% using either lean or six sigma approaches.

Use of these methodologies has changed since they were first introduced by Frederick Taylor, when employees were often considered to be a liability, with organisations applying streamlining and lean manufacturing principles to keep employee costs down. The approach to increasing productivity was based on a carrot and stick approach - reward success, punish failure - together with making the tasks quite granular so that individuals could become extremely quick and skilled at a limited set of tasks. Today employees are considered to be assets – the only appreciating asset in many organisations. Organisations use words like engagement, empowerment and job satisfaction when talking about their approach to employee productivity. And in general, although it is easy to forget that this is not true of all employees, staff do like to feel that they can add value and participate in decisions that may affect them.

Gaining the buy-in of employees is an important factor when introducing systems to monitor staff productivity and the quality of work being done.

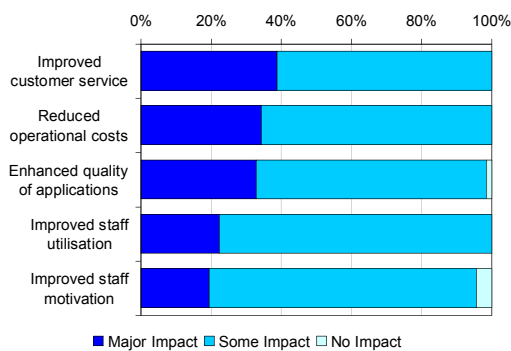
Use of software applications

85% of those interviewed have specific applications to measure and monitor operations with over 80% expressing that these systems are satisfactory or very satisfactory.

Some shortfalls were noted which included the difficulties in monitoring individual performance and in measuring the qualitative aspects of work.

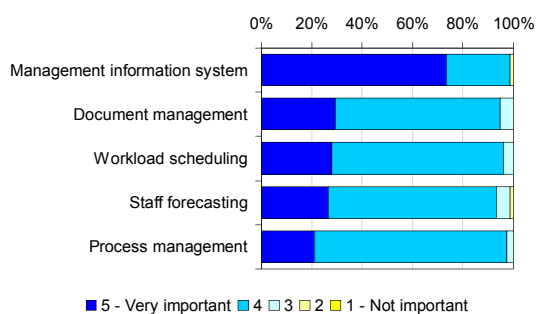
Those that have these specific applications report significant improvements (figure 3) but it is surprising that the use of an application does not have a more far reaching impact, despite being considered to be successful.

Figure - 3
Impact of operations management system on:



It is perhaps the complexity of what actually comprises such an application – which includes management information systems (MIS), document and process management as well as scheduling and forecasting capabilities. Quocirca believes that it is complex to bring such technologies together into a comprehensive application supporting the full requirements of operations and there is room for those vendors that focus on specific elements to develop a purpose built product to support operations management.

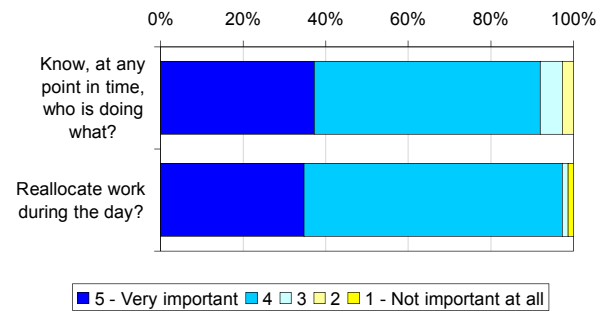
Figure - 4
Essential components of an operations management solution



Real-time visibility of work

Applying production management techniques to work throughput should mean that it is possible to know exactly where a piece of work is at any time. The key issue is whether this would apply to tracking a piece of customer business, be that an application for a new product or a query or claim against a product. The survey found that having real-time visibility of work and being able to re-allocate to the appropriate person was important. This may mean an overhead of logging individual actions on an operations management system, but it is clear that this is perceived as beneficial.

Figure - 5
How important is it to:



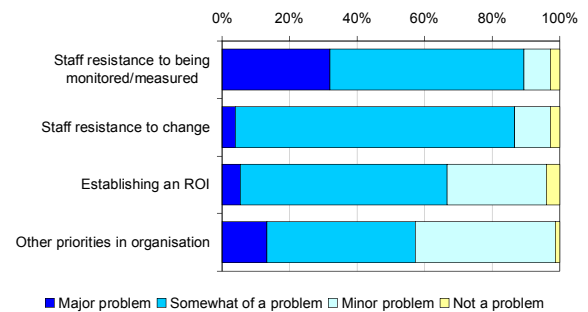
This is likely to require specific systems focused on defining the steps involved in a process and then measuring throughput, over and above the use of standard BI (business intelligence) tools to measure the overall metrics of work throughput.

Obstacles to improving operations

Despite the high level of importance that this survey found was attributed to operations management improvements, and to investing in specific systems to enable this, obstacles do exist, notably:

- staff resistance to change and to being monitored
- other priorities in the organisation which included dealing with legislation and responding to introduction of new revenue generating products
- establishing an ROI.

Figure - 6
What are the main obstacles to improving operations management?



Technology usage

The operations management systems in use today are predominantly client/server (61%) but when asked what technology would be expected to be in use in two years' time, there was a shift to pure web technology (91%).

Respondents were also asked about hosted offerings either as pure hosted or as software as a service (SaaS). Neither of these was perceived to be important to operations management delivery today or in two years' time.

Technically there is nothing to prevent the move to SaaS applications and it could be a lack of awareness of what the benefits of SaaS are, that produced this response. However, it is likely that operations is perceived as very specific to each financial services organisation and that this would put it behind other areas of the business in the move to SaaS technologies.

Interview Sample Distribution

The information presented in this report was derived from 75 interviews with senior IT influencers and Operations Managers completed in May 2007. It was important to get an even balance of views so 46% of the respondents were directly involved in operations management with 54% representing the IT function.

The sizes of the organisations contacted, selected by the number of employees to be a representative sample of UK Financial Services organisations, were 5000+ employees, 57% ; 1000 – 5000 employees, 43%.

The Financial Services organisations were spread over Insurance and Assurance, Retail and Investment Banking, Pensions and Building Societies.

About eg

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For more information, please contact:

Sophie Goodwin
Spreckley Partners Ltd
T: +44 (0)20 7388 9988
E: goodwin@spreckley.co.uk

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Sponsorship of specific studies by such organisations allows much of Quocirca's research to be placed into the public domain at no cost.

Quocirca's independent culture and the real-world experience of Quocirca's analysts ensure that our research and analysis is always objective, accurate, actionable and challenging.

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Contact:

Quocirca Ltd
Mountbatten House
Fairacres
Windsor
Berkshire
SL4 4LE
United Kingdom
Tel +44 1753 754 838