



Why complexity hurts financial services institutions

White Paper



Challenges

Financial Services Institutions worldwide are facing a number of challenges;

- **Trust:** following the credit crunch, public trust in financial services needs to be regained.
- **Regulation:** national and international supervisory agents must regulate transparency and compliance with the legislation.
- **Customer self-service:** technological developments are prompting consumers to demand state-of-the-art self-service concepts so that they can deal with financial matters whenever and wherever they wish.
- **Outdated business model:** the costs of operations are too high and are reducing margins to critical values.

Together with the dynamic of an ever-changing environment and sometimes dramatic events, these issues are creating a complex world in which financial organizations have to operate. Traditionally, those organizations have tried to reduce this complexity by simplifying reality. But they can no longer deny that globalization is taking place or insist that customers wait patiently for their insurance claim or money order. Financial organizations need to deal with all of these issues right now.

Old versus new

Worldwide, the financial sector is on the threshold of a new era. An era in which public trust in financial services must be regained through customer orientation, transparency and compliance. Traditional financial services institutions are hesitant about letting go of the old business models and administrative processes. Meanwhile, new labels are seizing this opportunity and are offering easy-access, low-cost services through innovative channels. The ability to react swiftly to new market developments requires a flexible and interactive administrative organization. And keeping track of personnel, projects, customers, offerings, activities, positions and risk exposure and the accompanying money transfers requires decisive and agile software support.

Problems

The complexity of today's world is leading to a number of bottlenecks in financial organizations related to the way they have evolved through the years. These bottlenecks include the following:

- **Costs**
Many financial services institutions have high operational costs, resulting in lower margins. The traditional business model is no longer working. To regain their margins, these organizations need to boost efficiency and achieve higher yield through lower costs.
- **Rigidity**
Administrative processes have become too complicated. The relevant knowledge and business rules have been hard-coded into systems and processes. It has simply become too difficult to change a process or parts of a process or it takes too much time.
- **Business users are not in control**
The rigidity of administrative processes has caused business users to lose control

of their primary processes. If a process or system needs to be adapted, only a few people in the organization (usually the IT department) know what needs to be done.

- Not customer-friendly
New customer service concepts are emerging every day in every corner of society. Thanks to mobile and other channels and new media, customers now have access to state-of-the-art solutions 24/7. While producers and/or service providers are working together to win over customers, financial organizations are lagging behind in these developments.
- Not transparent
Today's complicated systems and processes are blocking transparency; customers cannot find out about the status of their request because their providers simply do not have the required information. Furthermore, legacy systems often do not provide enough information to be able to determine compliance issues.

These problems can be successfully dealt with using a new concept called 'dynamic case management'.

Using case management to achieve customer orientation

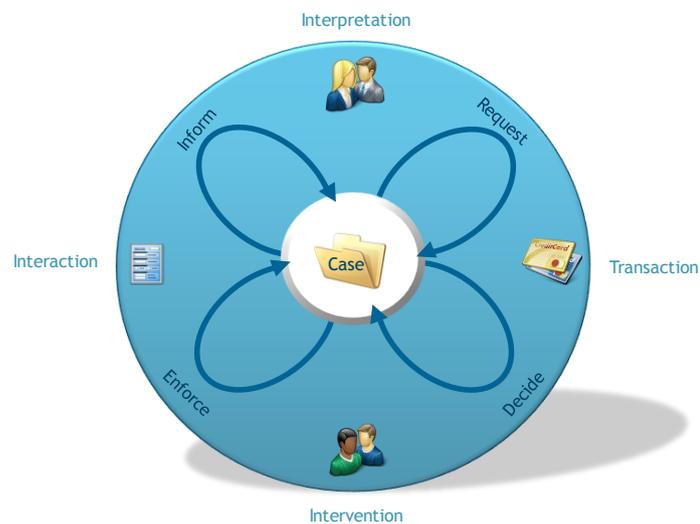
From a purely objective point of view, many administrative processes consist of just a few steps. If we focus on the process of arranging a change in a pension plan as a result of, for example, a marriage we can see that the process basically consists of four steps:

1. Providing the relevant information of the pension scheme towards intermediary or customer
2. Filing the request
3. Deciding on the request and drawing up a proposal
4. Executing the decision: i.e. sending the revised pension policy and starting to collect premium.

Every step consists of a limited set of activities that can be executed multiple times.

The center of the process is the case file that links the results of the activities. After each step, the case has a specific status, such as 'requested', 'approved', 'rejected', 'checked' or 'signed'. The rules that determine which activities are allowed by whom, which deadlines apply and which regulations apply to the specific request, are managed separately and infused into the process at run-time. Exceptions no longer exist because they are dealt with in the business rules. The data that is required for the request and is located in databases is also merged into the process so that no time is wasted searching for information that is already known to the financial service provider.

One proven way of defining the context of the applicant is the use of biographical events such as birth, studies, marriage or work. In line with these events, other events and



appropriate scenarios can also be defined that are specific to a certain type of service. By identifying the actor and the event in this way, we can deduce the rules that apply to the specific combination.

One of the great benefits of this approach is that financial services can be offered as self-service to customers and businesses. The users are then addressed in a language that they understand. Their replies and the context are mapped onto the 'financial'-speak in a very transparent and manageable way. This type of semantic interoperability is also vital for specialists in diverse disciplines that have to work together in any given situation.

Advantages

In short, dynamic case management solves all the problems facing financial organizations in this increasingly complex world by simplifying business processes:

- **Cost reduction**
With Be Informed, cost savings amount to tens of percent, sometimes as much as 60 percent compared to traditional business process management. Productivity improves dramatically and the time to change is reduced from months to days.
- **Straight Through Processing**
Be Informed achieves high STP rates, improving the efficiency of providers and the control that customers have over their requests.
- **Agile**
Dynamic case management uses a generic flow of activities, executing only those activities that are necessary to reach a decision. Rules and other relevant knowledge are stored in a repository, allowing for continuous reusability. If a requirement or any other business rule changes, one adjustment will change the process. Thus, business users are no longer dependent on IT professionals to adapt the systems because they can do it themselves. Even better, business users can test the effects of possible rule changes before they are actually implemented.
- **Customer-friendly**
One of the great benefits of dynamic case management is that financial services can be offered as self-service to customers and businesses. Users are addressed in a language they understand, and their replies and context are mapped onto the 'financial'-speak in a very transparent and manageable way. This type of semantic interoperability is also vital for specialists in diverse disciplines that have to work together in any given situation.
- **Transparent**
Customers can be given constant updates on the status of their requests. Management has access to up-to-date information on the number of requests being handled, issued, etc. Management experiences no problems in proving compliance with legislation and guidelines.
- **Guaranteed compliance and risk Management**
applying the compliance and risk management rules and regulations directly in the operational process enforces the right and consistent appliance of these rules, thus guaranteeing compliant execution. Traceability: the automatic

recording of all activities on all cases enables to trace “who has done what and when” at all times.

About Be Informed

Be Informed is an internationally operating, independent software vendor. The Be Informed business process platform supports administrative processes, which are becoming increasingly knowledge-intensive. Thanks to Be Informed’s unique approach to dynamic case management, the next wave after business process management, organizations using Be Informed often report cost savings of tens of percents. Further benefits include a much higher straight-through processing rate leading to vastly improved productivity, and a reduction in time-to-change from months to days.

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