

EXECUTIVE BRIEFING

**TRIPLE THREAT TACTICS:
MASTERING MANAGED SERVICES,
PROCESS AUTOMATION & STAFF
AUGMENTATION SOLUTIONS**

Recently, AIS hosted the latest in a series of workshops at its Dallas headquarters, convening top executives from leading financial organizations. This roundtable forum was a part of our ongoing mission to bring together industry leaders, fostering collaboration and knowledge sharing throughout the year. The focus of this particular workshop was on 'Triple Threat Tactics: Mastering Managed Services, Process Automation, and Staff Augmentation Solutions.' In this briefing, we will delve into the valuable insights and key takeaways shared by industry executives during the event.

AUTOMATION

Financial institutions are operating in an economy that demands efficiency and growth despite limited resources. There's a pressing need to balance cost controls with strategic investment to drive business expansion. The group explored the critical role of automation, its challenges, and the strategic approaches executives are adopting to propel their organizations forward.

Operational Neglect / Gaps

- Historically, certain operations, such as loan processing, have not received sufficient attention in terms of automation.
- Teams often resist automation, citing the specialization required.
- Executives express skepticism about the need for such intensive manual oversight, suggesting that automation could streamline this process.

Strategic vs. Tactical Approaches

- A focus on cost-benefit analysis is crucial to move beyond tactical, short-term fixes towards a strategic, long-term automation approach.
- The challenge lies in overcoming the initial cost hesitation from the board, as there is often a multi-year timeline for cost recovery after implementing automation solutions.
- A larger budget specifically earmarked for technological enhancements could accelerate the automation process.

Bot Maintenance and Risks

- Strong bot maintenance programs are crucial to mitigate risks. Failure to maintain bots can lead to significant operational disruptions.
- There is a delicate balance between efficiency gains and the risks of bot failure. A well-maintained bot network can prevent the large-scale fallout that occurs when bots malfunction, contrasting with isolated human errors.
- Outsourcing processes may be a more feasible solution than developing bots in-house, shifting the responsibility of bot creation to third-party vendors.

Agility in Long-term Projects

- Long-term projects are challenged by the fast pace of change in the industry. Delays often lead to scope creep, resulting in extended timelines and additional costs.
- The rigidity of set budgets can become a constraint when project requirements evolve during the development lifecycle.

Recommendations

Conduct thorough cost-benefit analysis for proposed automation initiatives to present a compelling case to the board that balances initial costs with long-term savings and efficiencies. Consider strategic partnerships with technology vendors who can provide both the expertise in automation and the flexibility to adapt to changes during project development. Invest in robust bot maintenance programs to ensure that automation tools deliver consistent performance and minimize operational risk. Consider outsourcing as a viable alternative for processes that are complex to automate, leveraging external expertise to gain efficiencies.



Vendor Selection Red Flags

- A potential partner claiming that key offerings are on their "roadmap" is a reason for pause, indicating a lack of immediate readiness.

Outsourcing Strategy

- Outsourcing non-client-facing, repeatable activities has been effective when business leaders have prior positive experience with such strategies.
- This suggests a preference for proven operational strategies over innovative but untested promises.

Traits of Good Partners

- Responsiveness, attentiveness, and speed are highly valued in a partner.
- Flexibility is essential. A good partner should offer insights and improvements on processes, sometimes even before the client fully understands the nuances of those processes.
- Ethical and cultural alignment, including the treatment of employees. For example, women's safety during night shift, is crucial. Cultural makeup has significant impact on procurement scoring.
- Awareness and compliance with regulatory requirements for outsourcing are non-negotiable.
- Understanding and operating within the client's guardrails is the cornerstone of successful partnerships.

Reputation and Testimonials

- Testimonials and reputation are significant. Trust is often built through positive feedback from other reputable sources within the industry.

Geographic Considerations

- Nearshoring is gaining traction, with Mexico cited for the value of Spanish language skills, amidst growing Latin populations in creditor customer bases.
- Selection of geographies based on language capabilities, like the use of "eloquent English dialect," indicates a strategic approach to regional outsourcing.

Data Transfer and Political Stability

- Cross-border data transfer is a highly sensitive issue, with political stability being a major concern in vendor selection.

Recommendations

Conduct thorough risk assessments of potential partners, focusing on their readiness to deliver and the authenticity of their proposed roadmaps. Establish clear criteria for outsourcing, focusing on non-client facing and standardized processes to begin with, and expand from a base of positive past experiences. Develop a robust partner evaluation framework that measures responsiveness, flexibility, ethical practices, cultural alignment, regulatory compliance, and the ability to work within client-defined parameters. Implement a due diligence process that includes obtaining feedback from peers and other financial institutions to gauge the reputation and reliability of potential partners. Integrate a geographic strategy that aligns with customer demographics and service requirements, such as language skills and political stability, to ensure seamless outsourcing experiences.



IN-OFFICE VS REMOTE STAFFING

Roundtable attendees engaged in discussions regarding staffing models, particularly contrasting in-office and remote work arrangements post-COVID. The hybrid model has been widely adopted, though some institutions have reverted to entirely in-office operations. Challenges in staff recruitment have opened discussions around outsourcing, while productivity remains the central focus, irrespective of the physical work location of employees. Additionally, there is a growing interest in leveraging AI and ChatGPT for internal support functions to optimize resource allocation.

Hybrid Work Models

- A majority of institutions are employing a hybrid staffing model, while a few have mandated a return to 100% in-office work post-COVID.

Recruitment Challenges

- The difficulty in hiring staff is leading institutions to consider outsourcing as a viable option, with the added benefit of demonstrating cost savings.

Outsourcing as a Response to Staffing Constraints

- The reluctance of employees to return to in-office work is indirectly promoting outsourcing, as it becomes a simpler option compared to enforcing in-office attendance.

Offshoring Advantages

- Offshoring is frequently cited as a solution to staffing shortages, due to the quicker fulfillment of Full-Time Equivalent (FTE) positions compared to onshore hiring.

Productivity Over Presence

- Financial institutions prioritize meeting productivity goals and are generally indifferent to whether employees meet these goals through in-office or remote work.

AI and Site Strategy

- Some institutions are incorporating AI into their site strategy, using it as a tool to reduce or reallocate headcount, especially in large facilities
- Pilot programs using ChatGPT for internal support roles such as helpdesk services are being tested, reflecting an innovative approach to internal resource management.

Recommendations

Continue to explore and adapt hybrid work models that align with employee preferences and organizational productivity goals. Embrace outsourcing strategically to address recruitment challenges and achieve cost efficiencies, particularly for roles that are difficult to fill domestically.

Implement robust systems to measure productivity that can be agnostic to employees' physical work locations. Expand the use of AI to streamline operations, reduce reliance on large-scale physical sites, and reallocate human resources to more critical tasks.

Continue piloting AI tools like ChatGPT for internal support functions to enhance efficiency and provide timely assistance to employees.

DATA & ANALYTICS

The discussions wrapped up with leaders emphasizing the role of data and analytics in enhancing operational efficiency and competitive positioning. The use of PowerBI is abundant, signifying its importance in data analysis. Financial operations teams are seeking detailed and stratified data to benchmark performance, drive strategic partnerships, and make informed decisions regarding vendor management, especially in the face of regular price increases.

Widespread Adoption of PowerBI

- PowerBI has become a standard tool across financial institutions for data analytics, reflecting its capability to meet industry needs.

Data Needs for Operations

- Operations teams are not content with surface-level data; they demand in-depth data to drive operational improvements.
- There is a clear need for peer-level data, which is used to benchmark their operations against the market and guide partnerships with vendors.
- The specific data of interest includes comparisons between Subprime vs. Prime, Portfolio sizes, recovery rates, and processing times.

Skepticism of Overly Positive Dashboards

- Executives expressed disinterest in dashboards that only portray positive metrics ("everything is green and 99%"), indicating a desire for realistic and actionable insights.

Data Sharing Sensitivity and Data Stratification

- Caution is advised when vendors share data across clients, which may lead to potential confidentiality and competitive issues.
- Data stratification is a valuable tool that helps clients better understand their vendors, enabling the reassignment and optimization of processes based on performance reports.
- Regular reporting enhances transparency and assists in managing expectations around the perennial issue of vendors raising prices.

Recommendations

Develop a comprehensive approach to utilizing granular data analytics to improve operational decision-making and market positioning. Foster a culture of critically analyzing performance dashboards to ensure they reflect realistic operational metrics, facilitating actionable intelligence. Establish stringent protocols and agreements with vendors to safeguard against the unauthorized sharing of sensitive operational data. Leverage peer-level data to set benchmarks and performance goals, fostering a competitive yet cooperative environment with vendors. Use detailed reporting and analytics as leverage in negotiations to manage and mitigate annual price increases by vendors.

CONCLUSION

As financial institutions gather their resources and insights to navigate the year 2023, they collectively dubbed it a 'year of pivot.' In a landscape where roadmaps continuously evolve, they have mastered the art of doing more with less while making strategic and informed decisions. Looking forward to 2024, the financial services industry anticipates yet another pivot, albeit in a different direction. These are indeed intriguing times in the financial services arena, where adaptability and intelligence are key to thriving amid change. As organizations gear up for the challenges and opportunities ahead, one thing remains certain: the financial services industry will continue to evolve, and those who stay ahead of the curve will emerge as leaders in this dynamic landscape.

ABOUT AIS

AIS is a professional services and technology company that reduces operating costs, improves compliance and mitigates risk for service businesses through automation and low-cost, high-quality labor. AIS manages the day-to-day work so our clients can focus on growing their business. We review processes, eliminate non-value adds, and help your teams work smarter and faster.

We build and deploy technology to automate and increase controls in your back-office. We recruit, train, and manage specialized human resources to meet your immediate staffing needs and increase your organizational bandwidth.

We equip decision makers with deep data sets and forward-thinking analytics so they can make smarter business decisions and create better customer experiences. We serve a variety of industries including banking, automotive finance, credit card, mortgage, insurance and telecommunications.

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