



Renaissance of Banking Operations

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Panel:

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A definition for Renaissance is the rebirth of values; Operations, on the other hand can be simply defined as: “getting something done” or “achieving accomplishments” coming from the Latin “operatio”.

Combining these definitions within the context leads to the question: “Have banks in the past forgotten about achieving operational accomplishments?” or “Is a rebirth of service delivery a must to sustain in post crisis business environment for banks?”

Rethinking of the word “banking service” is required. The customer – regardless if a private individual, a SME or a bigger cooperation – has to be moved again closer in the focus of our daily business activities. Needs, requirements and expectations shall be better understood and banks shall become again rather a partner in business than the provider of cash.

We also need to understand the changes in the industry as well as any other parameters influencing banking business and banking operations.

Mobile phone providers intruding the banking market with mobile payment products. The EU-Payment act stands right in front of our doors and will cause further cuts in transaction revenues for banks. SEPA is a given in the Euro area and we have seen the income effects. Regulators require more and more investments in secure and monitored operations without any income effects.

We potentially can name even more items harming income delivered by operational activities of banks. There is an increasing pressure on banks coming from the market and from the European and Local regulators.

Understanding these effects we can either surrender and move ourselves into an area of “banking as commodity”, delivering low operational income and a very narrow range of banking services or we can aggressively attack the market and broaden our services towards areas banks have not touched so far.



Will the customer accept it's bank offering more services – even non banking services?

Yes! - because there is an initial trust between banks and their customers. Delivering regular banking services with high quality and a human touch is the foundation for this trust. Using simple methods like “Voice of Customer” can lead to a fruitful enrichment of the service portfolio provided by a bank.

Service delivery has three essential aspects or we also can name these as the values of services:

- 1.) Only the absence of service is recognized and punished by the customer
- 2.) The act of service delivery has a human factor that must not be neglected
- 3.) Service requires a sense for modesty

The key factor here is that the COO, CIO moves out of details and gets into the business side, something that is coming along slowly. There is a huge demand for flexibility from an operational as well as leadership perspective.

Every player, from inside staff to consultants must know and buy into the business needs, understanding the actual client needs and it is a matter of educating both sides.

10 years ago there were no CIOs, now there are CIO's some relabelled as a COO and some CIO's are actually COO's (coming from the business).

This requires a great deal of Interaction and communication including having operations /IT educate the business on what is hard /unfeasible for operations vs. feasible /not hard.

Banking Operations have helpers – quality methods and technology. Measuring, usage of statistical methods and a “wing to wing” process understanding at each employee's desk, gives us the opportunity to get ready for a service innovation. Technology investments allow us to deliver even complicated services to our customers. Simple to handle, simple to sell, complex in the execution will become achievable keywords using technology as a tool for service delivery.

How were banking operations affected by the banking crisis ?

It strengthened the focus on cost management, standardization, and industrialization of operations, creating global operating model centers. It also focused on moving back offices as operational service centers to other locations, primarily to the CEE.

3 to 4 years ago there were no CEE centers of this magnitude but now there are centers in Prague and Romania, but it should be said this is only in banking business operations, not in pure IT.



It is clear that local need the following localized: S & M, Distribution, even Product Management needs to be partly local. But there is no need to be local with respect to payments, IT, operations, /back office – these can be standardized.

At every level it must be clear what you know and don't know if you standardize-what does the head office knows vs. local office and this determines whether /which procedures are standardized, which are localized. The key is to retain the economies of scale (don't ruin the economies of scale).

What is the future of banking operations ?

The banking world will not be the same as it was before this crisis. Finding of new, innovative income streams is a must in order to survive the increasing market pressure. The rebirth of operations in the form of high quality services far beyond today's service offerings of banks can introduce a real Renaissance of Banking Operations.

We also see discretionary decisions will be made – such as how to handle operational functionalities with the banks own people, with consultants vs. managing a multi-network from a distance with different skills/ people.