



Process Management in Financial Services

Few industries have seen more changes in the last 25 years than financial services. Deregulation, mergers and new technologies have combined to change the face of competition. These factors have triggered the biggest single issue reshaping today's marketplace: *Commoditization*.

Commoditization in a marketplace often leads to damaging price-based strategies. (Think airlines.) Product/service differentiation would be a better strategy...but how do you differentiate financial service transactions?

Process management offers three solutions:

- 1) Enhance the customer experience
- 2) Convert cost centers to profit centers
- 3) Expand processes into your customer's shop

Solution 1: Enhance the Customer Experience

In Virginia Beach, a Bank of America billboard trumpets "*The Mortgage with 80% Less Paperwork*." Bank of America is selling mortgages; their customers are buying relief – relief from forms, documentation requests, last-minute snafus and overall frustration. Homeowners want to move into their new home immediately, and with as little hassle as possible. Selling that process capability differentiates Bank of America from the numerous other mortgage providers available today.

On the New Jersey Turnpike near Newark Airport, Bergdorf Realty has a similar billboard. "*You Worry About The Porch, We'll Worry About The Process*." The intended message is clear — with Bergdorf as your realtor, all you need to do is focus on the house; they'll make sure you get it. While Bergdorf's message may not be as direct or

(continued on page 2)

Navigating Your Organization's Future

Process Management in Financial Services *(continued from page 1)*

quantifiable as Bank of America's, it too is selling the superior delivery of service rather than the service (commodity) and its price. Better product/service delivery processes can differentiate your company from the competition.

Solution 2: Convert cost centers to profit centers by:

- A) Lowering costs; and/or
- B) Increasing revenues

Every process is either a competitive advantage or an economic drain. While simple sounding, this statement's ramifications are far-reaching.

Whether it's financial services or any other business, the ability to execute a common task at lower cost or for a higher price than your rival gives you a competitive advantage.

Even if you have not adopted a price-oriented strategy, the competitive nature of financial services demands your processes work at peak efficiency. Reducing cost is a classic goal of process improvement initiatives, as has been successfully demonstrated at USAA, Capital One, Credit Counseling Centers, Janus, Bank One, BlueCross Blue Shield and others. Better management of your process(es) for payroll, benefits, advertising or other business functions means it is costing you less than it is for your competitor. If your costs are lower, your margins are higher; or your margin can be the same and your price lower. Either way, a competitive advantage, to be sure.

In the never-ending search for competitive advantages, one option that has received more and more consideration over the past few years is outsourcing — giving an outside organization that specializes in a particular area (payroll, for example) responsibility for handling that need for your organization. However, by achieving outstanding process performance, your organization can convert an otherwise costly support operation into a revenue generator.

A great example of turning a cost center into a revenue generator can be found in the healthcare insurance business. A major provider found that its call center processes were not cost-effective. Rather than outsource this function, the company redesigned its processes. The results were so impressive, that they started offering these services to other, similar organizations.

Not only was the company able to keep its call center operations in-house, they were able to turn a cost into a new revenue source — plus they could amortize the cost over a greater base, and turn a profit.

There are few shareholders who can complain about lowered costs and increased profits.

(continued on page 3)

Sarbanes/Oxley Requirements and Process Mapping

Trouble Getting Your SOX On?

H.R. 3763, more commonly known as the Sarbanes-Oxley Act of 2002, was intended to protect shareholders and employees from the types of wrongdoings and misdeeds that brought about the collapse of Enron.

The law (look at <http://news.findlaw.com/hdocs/docs/gwbush/sarbanesoxley072302.pdf> if you really want to punish yourself) lays down all sorts of rules, regulations and stipulations. The documentation requirements are enormous and burdensome. Indeed, the deadline for complying with the requirements of just Section 404 Management Assessment of Internal Controls has already been extended twice.

A survey conducted by the Financial Executives International has shown that the cost of compliance is far more than what was originally estimated, and that maintaining compliance is a constant effort.

While exceptionally valuable before the enactment of this landmark legislation, process mapping is now more value-adding than ever before.

To learn more about how process mapping can help you with your Sarbanes-Oxley requirements, contact Orion Development Group at (800) 510-2117, or log-on to www.odgroup.com

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Process Management in Financial Services *(continued from page 2)*

Solution 3: Expand processes into your customers' shop

Even an organization that has improved all of its own business processes will eventually become limited by its suppliers' abilities. A key supplier that is rarely thought of in that way is the customer; after all, it is the customer that is your *Supplier of Need*.

By expanding your process into your customers' business and improving it, you are not only providing value, you are also providing a point of differentiation that is very hard to duplicate.

Orion Development Group helped make this very thing happen with Citibank back in the early 1990s, with great results.

At that time, Citibank's commercial customers were being served by product managers, where each product had its own manager. A twelve-product customer had twelve Citi representatives. Not only can such an arrangement lead to customer frustration — think about a right hand not knowing what its eleven left hands are doing — but it severely limits cross-selling opportunities; if you only know one product, you can only sell one product. It was determined that each commercial customer would get its own Customer Relationship Manager (CRM) who would be responsible for understanding all of that customer's financial needs.

Citibank set up a six-week boot camp to train its CRMs about all the products Citi had to offer, and also taught them about the company's back-office transaction processing. Then, working with Orion, Citibank taught its CRMs how to anticipate the future needs of their customers, reasoning that knowing a client's need before the client does is an exceptionally effective way to ensure customer satisfaction.

(continued on page 4)



University of Texas Comes To Denver

Orion is pleased to announce that the University of Texas (UT) will offer its Process Management Certificate Program seminars in Denver, Colorado beginning in April 2005. UT will recognize participation in previous Colorado State University (CSU) seminars toward completion of the Texas certificate.

The UT Process Management Certificate is structured similarly to the one CSU had offered since 1999. UT requires completion of three core seminars and two electives. Most of the seminars are interchangeable. The first UT seminar in Denver, Process Mapping, will be held April 26-27.

For details on the University of Texas program, visit www.utexas.edu/cee/pdc/denver. If you have started the Series with CSU and have questions about how to earn the Certificate through UT, contact Susan Whelan of Orion Development Group at (800) 390-0003.

Process Management in Financial Services *(continued from page 3)*

Orion developed an extensive Process Management toolkit to equip the CRMs not only with the skills to manage the handoffs between Citibank and its clients (System Mapping and Service Level/Handoff Agreements), but to also better understand how their clients' business processes worked, and to improve those processes through the use of Process Mapping tools.

By enabling CRMs to analyze and improve customer processes, Citibank effectively controlled more links in the value chain than the competition. That differentiated Citibank in a way that was more appealing to the customers than the promise of lower service costs.

Conclusion

In the early 21st century, financial services are in danger of becoming commoditized by myriad sources of new competition (e.g. internet banks, budget brokers, equipment manufacturers). Process Management gives you the tools to defeat this trend by creating and delivering services and products that are of higher value to your customers, and of higher margin to your company.

In the next issue of the *Orion Constellation...*

- Virtual Teams and Collaboration
- The Importance of Team Facilitation

Here Is Your Newsletter

inside...

- Process Management in Financial Services
- Sarbanes/Oxley Requirements and Process Mapping
- University of Texas Comes to Denver

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