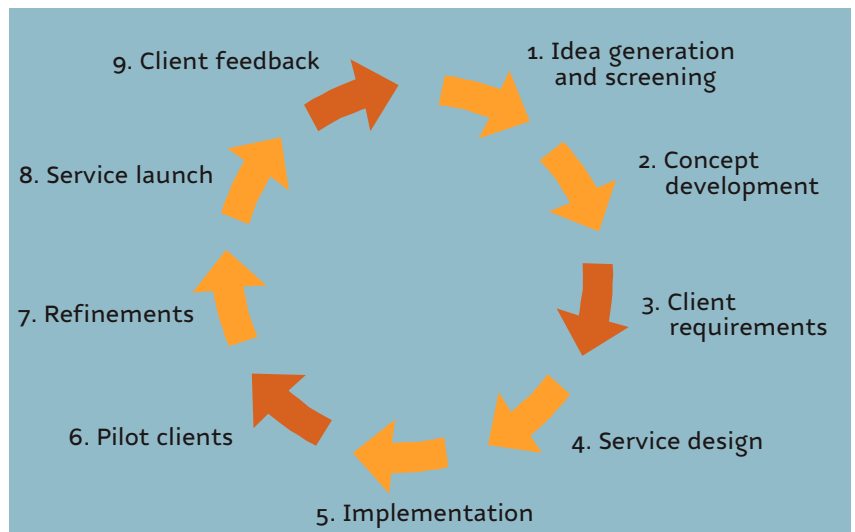


# Technology & Service: Alone Together

Bertold Brecht once wrote "Because things are the way they are, things will not stay the way they are". Anyone observing the modern banking environment would be the first to agree that change is the only constant. Regulatory requirements, industry initiatives and shrinking profit margins all conspire to make the banking environment the epitome of challenge. This challenge manifests itself in the Operations manager's dilemma: how to reduce operating costs while simultaneously improving the level and range of services provided. Interestingly, the answer to this quandary lies in the way a financial institution manages the interplay between its technology and its client service management.

## CIenT: putting the client into IT

If one considers the last 25 years of banking history, the evolution of the 'back-office' into a 'post-trade service partner' has always followed a common pattern. At each stage of the evolution, technology acted as a catalyst for change, and often the pace of change forced Operations managers into a reactive response. Today, Operations managers are able to proactively use technology as an enabler to deliver service quality to clients. This fact is supported by a trend towards Service-Oriented Architectures (SOA) where incompatibilities between the components of IT installations are broken down to create versatile IT building blocks that can be used in different combinations in order to help clients achieve different outcomes. But the use of technology to satisfy clients goes much further than this. Instead of technological developments driving the substance and selection of services



### An example from UBS

How client needs are integrated into a provider's development can be illustrated with the following example: UBS is currently replacing its decentralised payment infrastructures with a new global platform – the Global Cash Utility (GCU). Although the GCU project was primarily initiated to realise internal benefits, extensive client interviews and the use of market intelligence early on in the project are now paying untold dividends. By first understanding clients' current and future needs, the project could then be directed to expand UBS's service offering for clients as well as leveraging internal benefits for UBS.

offered to clients, clients themselves are in the driving seat. Clients' needs are the source of inspiration at the inception of a project; they are the reference point during the elaboration phase of a project; and they are the judge and jury at the implementation phase. This continuous process is illustrated in Diagram 1. (above)

### What Clients Want

Understanding clients' needs requires a closer examination of the specific business issues that form a client's potential value drivers. These value drivers fall into three categories: revenue; cost; and risk. This could be

claimed to be common sense, and it is, however it makes service development highly effective when one sees what tasks/outcomes a client is trying to achieve through the medium of clients' principal business drivers. By taking this approach, the service provider really does become a business partner to the client in the sense that the service provision becomes an enabler for the client to increase revenue and/or reduce cost and/or better manage operational risk. An example from UBS illustrates how clients can leverage the capabilities and infrastructure of their service partners to expand their own service

offering. Through its e-banking solution UBS has white-labelled services such as CLS 4th party and multi-currency clearing. Clients can therefore rely on the tools and applications of UBS to roll out new services to their own end-clients without any infrastructure investment or project management necessary.

**Outlook**

The French Revolution featured the motto “Liberté, Egalité, Fraternité (Liberty, Equality, Fraternity); this motto was intended to remind society of what was important. The developments in the Banking Operations world over the last 20 years have been nothing short of revolutionary. In fact the landscape would be totally unrecognisable even to an Operations time-traveller from ten years ago. Surely the new society of Operations managers requires its own revolutionary motto. We propose, ‘Flexibility, Simplicity, Capacity!’

● **FLEXIBILITY**

Further breakdown of product silos is inevitable as financial institutions’ organisational structures must become more flexible in order to meet client needs (e.g. just as there is a trend toward SOA, there needs to be a concept of Service-Oriented Organisation). This is a challenge for large providers with a decentralised organisation, since those who cannot evolve their organisational structure fast enough may find more agile entrants taking control of niche markets.

Service delivery must also be flexible in terms of the extent of integration (e.g. Business Process Outsourcing, and Business Component

Outsourcing) since tailored solutions are vital to engage precisely with a specific component within one of the three business drivers.

● **SIMPLICITY**

“Make your solutions as simple as possible, but no simpler” said Albert Einstein. Service solutions must be simple to implement, regardless of the complexity of the client’s IT infrastructure and/or business model. The dynamic between banks and their clients has changed, and the responsibility for a successful delivery of a service now sits solely with the service provider. Operations services should not only help clients to better manage their cost/risk drivers related to the existing complexity within their infrastructure, but the services themselves should help reduce that complexity (or at the very least - not add to it).

● **CAPACITY**

In our introduction, we cited shrinking margins as one of the elements of the challenging modern business environment. There are only two ways to maintain or improve profitability in such a business environment. One option is to try to grow market share (i.e. increase the volume of transactions faster than the margins are shrinking). The second option is to expand into other less mature product lines/business areas where margins are not yet under attack. The pre-requisite for successfully following either of these tactics is to generate Operations capacity, since both a growth in volume and an expansion of activity would naturally require additional resources.

Flexibility, Simplicity, Capacity!



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