

Business Operations Integration/BPO service for Regional Financial Institutions

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Abstract

Financial institutions are promoting their business process reform (BPR) in order to effectively deal with the current highly competitive market. In order to strengthen their sales performances they are focusing on the reform of their front offices by shifting from “a place of business operation” to “a base for consultation and sales activities.” The BPR will reduce the cost of staff employment and of IT facilities so that enterprises will be enabled to invest any surplus funds created by the BPR to increase profit-earning power or to create new services for their customers and they will thus be able to more easily achieve their target growth strategies. The “Business operation integration/BPO (Business Process Outsourcing) service” contributes to reduce the operational cost of non-core business processes and accelerates the business process reform. This results in the reduction of front office manpower which leads to the reinforcement of the sales performance. This paper introduces the “business operation integration/BPO service” and NEC’s approach to business operation integration solutions.

Keywords

consortium center model, BPO service, front office business operation process reform
creating spare manpower and IT cost, non-core business process operations cost reduction

1. Introduction

To cope with the current environment of severe market competition, financial institutions are facing management issues such as “shifting existing management resources to the core business domains and growing markets,” “improving customer service” and “maintaining cost competitiveness.” In order to resolve these issues, they are working on “business process reform,” “strengthening contact points with customers” and “low cost operation” as key measures.

The promotion of business process reform enables financial institutions to achieve their growth strategies. It creates spare manpower, shifts spare energy to the sales department (public relations or store lobby) and develops energy for proposal and solution-type sales activities or in-store consulting businesses. This will reform the front office from “a place of business operation” to “a base for consulting and sales activities.”

Some of the departments where various business operations are concentrated have inherited a vast amount of tasks from the past. Even though these tasks are non-core business, a large staff is needed to process them. Such business opera-

tions that do not create profit have recently been seen as a heavy burden on the company resources. The environment of industry is changing so that companies have to avoid fixed costs as much as possible.

Business process reform organically and systematically promotes five measures, these are: “integration,” “unmanning,” “mechanization,” “simplification” and “standardization.” Among these the measure awarded the highest priority is “integration,” which can be expected to bring the most effective results.

For the speedy implementation of integration measures, it is necessary to carry out sharing and outsourcing of the existing business processes that are concentrated at the business operations data center and to then shift the created spare manpower and IT costs to the newly integrated business processes.

The “Business operation integration/BPO service” reduces the operation cost of the non-core business processes and thereby accelerates the promotion of promoting the business process reform. This trend contributes to powering up the sales activities by creating spare energy in the front office. This paper introduces the “business operation integration/BPO service” and NEC’s approach to the business operation integration solution.

2. Approach to the Business Operations Concentration Solution

The environment surrounding financial institutions is changing radically. Under such circumstances, financial institutions

are promoting the expansion of their business operation domains for which operational integration can be applied in order to reduce front office business operation volumes. At the same time, business operations data centers that conduct the business operation outsourcing activities now have to handle a greater variety of types of business processes and larger

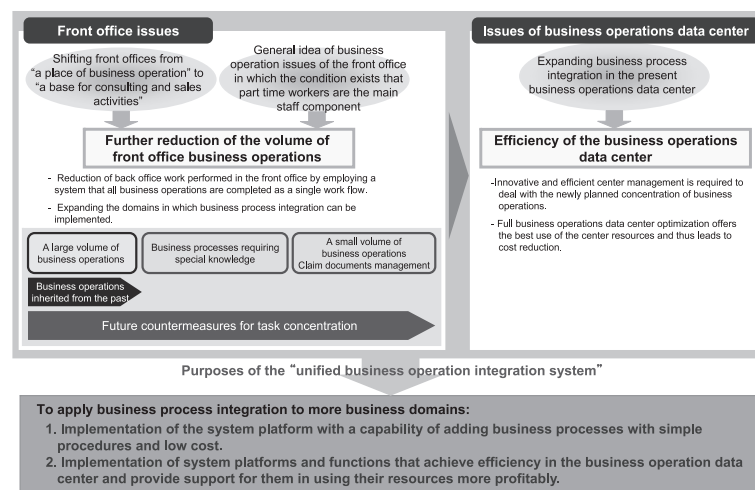


Fig. 1 Purpose of the "unified business operation integration system."

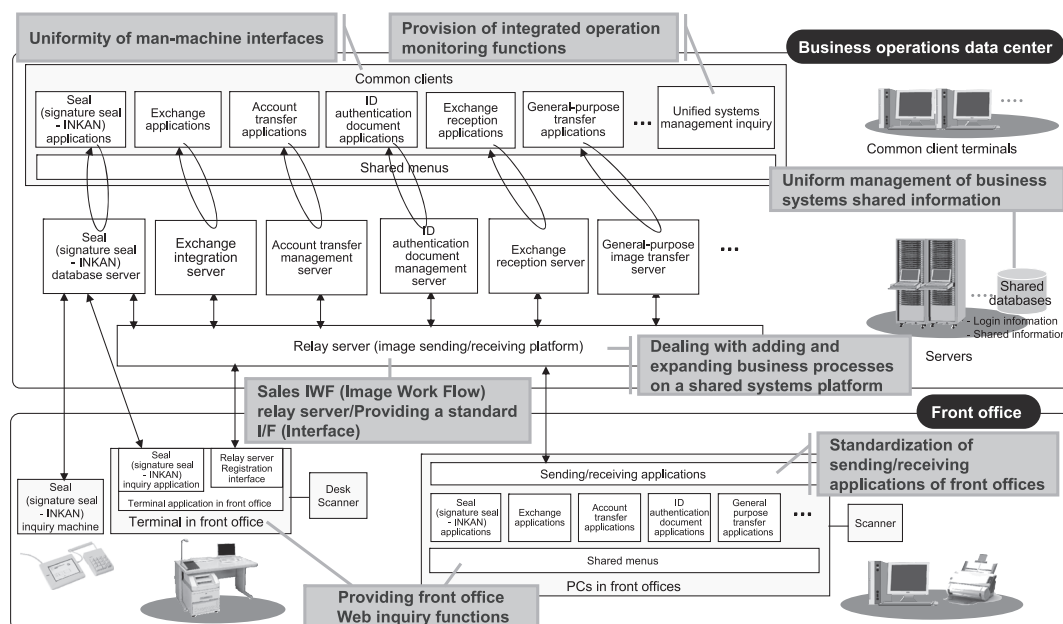


Fig. 2 Overall system image of the "unified business operation integration system."

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volumes of business operations. They are also expected to perform even more efficient management. However, the present dedicated systems and the staff members of the different types of businesses are not suitable for optimally operating the resources at the operation data center. Also, the operational management load of the center increases according to the increased rate of integration of the business processes. Such issues remain to be sorted out.

To solve these issues and to optimize the entire data center operation management, NEC's "unified business operation integration system" provides common platforms to integrate business systems and operation management functions in order to support the systems (Fig. 1).

Requirements and countermeasures for the "unified business operation integration system" are listed below and are also shown in the Fig. 2 .

(1) Easy and Low Cost Additions and Expansion of Business Processes

The interfaces with the systems (terminals/PCs) of the front offices are standardized with relay servers so that targeted business processes can be added and expanded easily.

(2) Uniform Management of Common Information between Business Systems

Uniform management of common information such as account information, front office information, financial serv-

ice information, etc. results in shared maintenance so that the operation load is reduced.

(3) Optimization of the Entire Business Operation Data Center

Integration management systems provide a function that enables inquiry of the processing status of each business system and the operational status of the client's PCs, etc. This procedure will achieve a dynamic manning allocation to match the busy or not so busy seasonal loads.

3. Approach to the "Business Operation Integration/BPO Service"

3.1 Basic concept

A "Business consortium operations integration center" will be established based on the aforementioned "unified business operations integration system" and the center will conduct an entire series of business processes as an outsourcing operation; ranging from system operation management to business process management and actual business operations (Fig. 3).

NEC is currently providing its "currency exchange business process integration BPO service" to the SHINKIN BANKS (regional cooperative financial institutions). With the

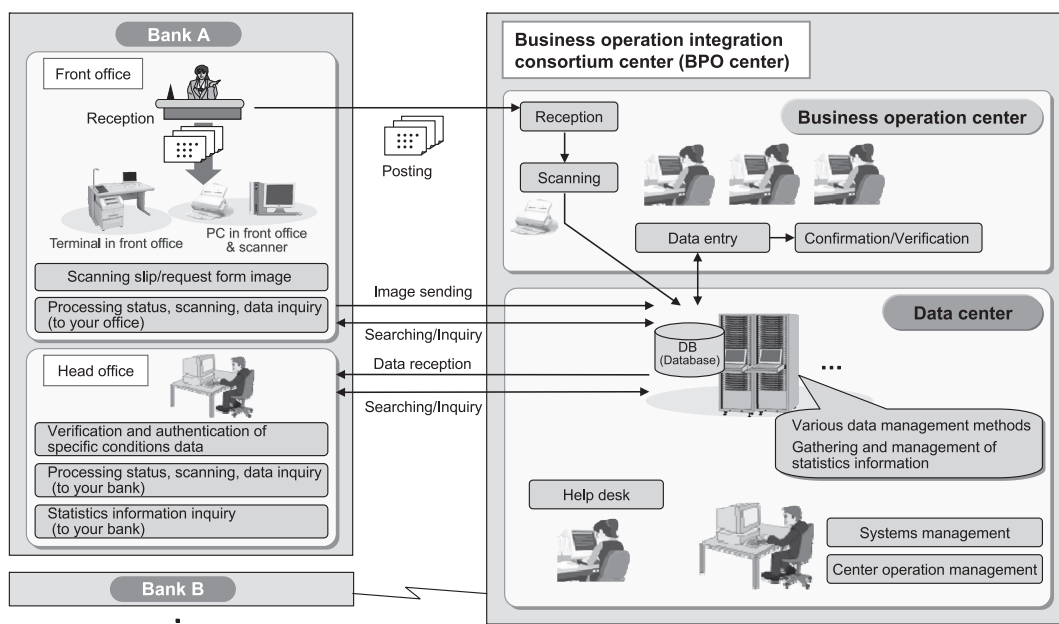


Fig. 3 Overall diagram of the "business operation integration/BPO service."

best use of our operation and management expertise that has been proven by its service record we aim to provide our services in order to increase the number of our types of business processes and expand targeted industrial fields.

We are planning to provide scalable BPO services to cope flexibly with business expansion, as well as to achieve efficient business operations data center management by implementing center systems based on the “unified business operation integration system” platform.

3.2 Outline of the “Exchange Business Process Integration BPO Service” for the SHINKIN BANKS

In cooperation with SHINKIN BANKS, NEC has established a “SHINKIN back office center” and has started an “exchange business process integration BPO service” in July 2008. The “SHINKIN back office center” undertakes both the introduction of the “exchange business process integration system” and running its operational businesses.

The “exchange business process integration BPO service” provides various operation processes such as money transfer over the counter, multiple money transfers, payroll transfer, etc. that usually consume a vast amount of man hours. These processes are operated exclusively by staff at the “SHINKIN back office center” established by NEC. The center employs the latest image processing systems that enable efficient and

secure business process management.

With this service, the SHINKIN BANKS can resolve issues regarding the employment and management of working staff members for exchange operations, the volume consumption of which varies depending on the market situation. Moreover, the investment cost of the systems and IT infrastructure as well as the labor costs can be reduced, and resources can be shifted to more profitable core businesses and to empowering new businesses.

The center is run under a highly reliable security control system subject to the FISC (The Center for Financial Industry Information System) standards. Its great advantage is its ability to resolve the burden of system operations and maintenance costs as well as manpower.

The system connects the SHINKIN BANKS’ front offices and NEC’s “SHINKIN back office center” via the Internet. When a money transfer request sheet is accepted at a SHINKIN BANK front office, its image data will be sent to the center. At the center, the transferred image data is verified sequentially as entries (i.e. entry 1, entry 2, ...) and the verified exchange data is sent back to the SHINKIN BANK terminals. This data is supposed to be automatically dispatched to the accounting system at the SHINKIN Business Operation Consortium Center as long as such data satisfies the conditions specified by the SHINKIN BANKS in advance (Fig. 4).

This system is now delivered to four SHINKIN BANKS

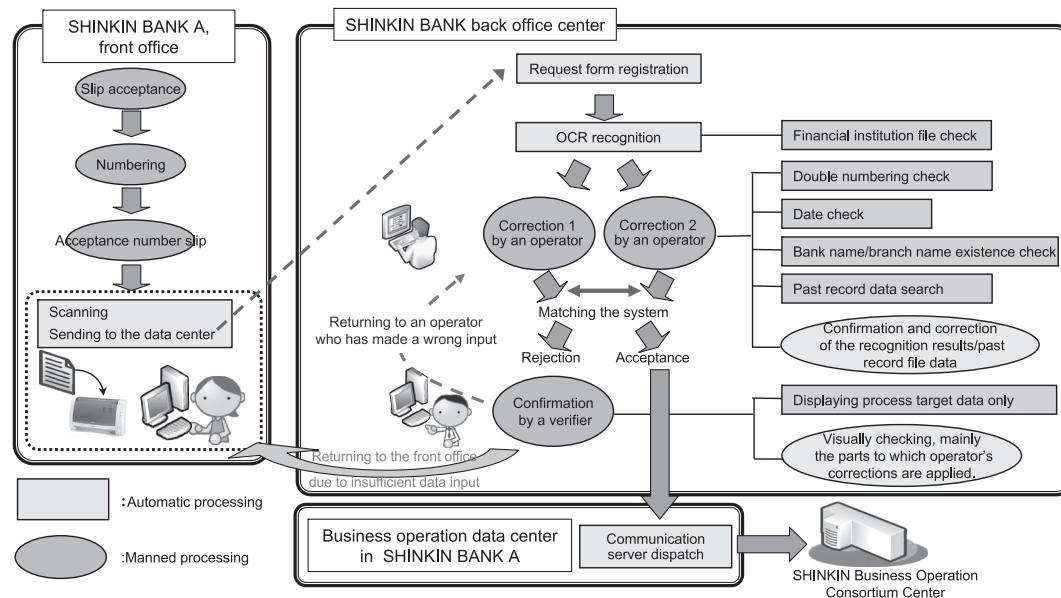


Fig. 4 Outline of the exchange business process integration of the BPO service process flow.

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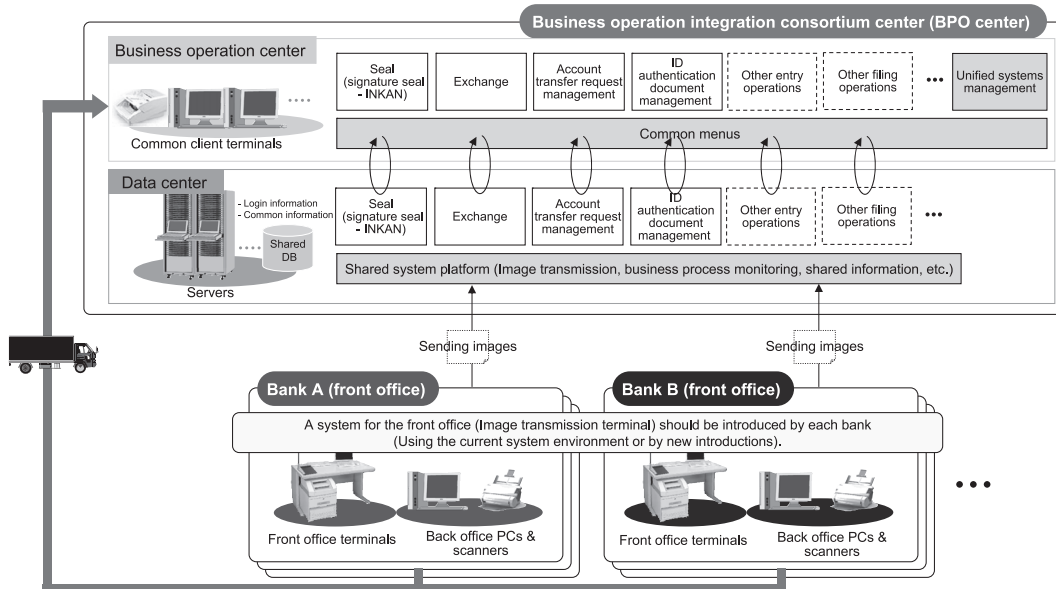


Fig. 5 Overall system diagram of the business operation integration/BPO service.

(including ones scheduled to start using the system). We are planning to further improve the system and to expand our list of targeted industries.

3.3 Outline of the “Business Operation Integration/BPO Service”

By fully using our experience and expertise accumulated from the abovementioned “exchange business process integration BPO service” for the SHINKIN BANKs, the BPO service targeting regional banks and the second association of regional banks is examined. The service will be equipped with more expandability in its business operations and more efficient data center administration by employing a data center system based on the “unified business operation integration system” (Fig. 5).

(1) Targeted Business Processes and the Service Menus

The BPO service targets mainly business operations for which their process procedures are easily standardized and involves data input operations for system introductions.

With regard to the “cash handling operation,” only those operations that do not include time or geographical concerns are considered to be suitable for being targeted for the

BPO service.

The business operations that require complicated judgments or negotiations with customers are excluded from the BPO service target list.

The BPO service also provides outsourcing services such as IT operations (system platforms, operations, maintenance) business processes and business operations.

The service menu is classified mainly in two categories: “entry service” and “image registration/storage service.”

The details of the services and the menu are planned to be carried out as explained in Table 1 and Table 2 .

(2) Features

The features of NEC’s “business operation integration/BPO (Business Process Outsourcing) service” are as follows:

1) Optimal solutions suitable for user enterprise conditions will be provided for the office work processes reforms (BPR for office work) and for the IT infrastructure (BPO services) in the front office and at the business operations data center.

2) Front offices are allowed to use their current resources (systems, business forms, etc.), so that the cost and labor for data migration can be reduced. This strategy also results in data migration to the BPO service without modifying

Table 1 Entry service.

Service proposals	Menu
Exchange integration system service	(1) Exchange correction/verification service
	(2) Registration type remittance form creation service (optional)

Table 2 Image registration and storage service.

Service proposal	Menu
Seal (signature seal - INKAN) system service	(1) Seal (signature seal - INKAN) image storage/management service
	(2) Seal (signature seal - INKAN) image registration service (Optional)
Account transfer form management system service	(1) Account transfer form image storage/management service
	(2) Account transfer form image registration and contract data creation services
	(3) Original form storage service (Optional)
ID authentication document management system service	(1) ID authentication record form image storage/management service
	(2) ID authentication document image registration service (Optional)
	(3) Original form storage service (Optional)

current operations in the front office.

3) By making the best use of our administration experiences at the “SHINKIN back office center”, the BPO center will provide high level and highly efficient business operation services by employing the superior performance of the “unified business operation integration system.”

(3) Service Administration System and Targeted Domains

The BPO center provides services by configuring administration systems complying with regulations employed by financial institutions such as security control, business operation risk control, contingency plans, etc.

Examination and preparation items of our administration system are;

- 1) Business process system: Clarifying organizations and systems (segregations, roles)
- 2) Security control: Strict control of compliances, entering and leaving controls, etc.
- 3) Document management: Clarifying details of the business processes and services of the BPO center
- 4) Business operation risk control: Avoiding operations accidents and errors in the processing of data reception, corrections and dispatching.

5) Contingency plans: Countermeasures for emergencies and plans for emergencies

The service provision range (shared between the financial institutions and the BPO service provider) in the exchange dispatching operation is shown in Fig. 6. The items mentioned above are also prepared for each business process and service menu.

(4) Effectiveness of the Service Introduction

The advantages and effectiveness of introducing BPO services are shown below.

- 1) Reduction of IT investment costs and running costs
- 2) Reduction of labor costs
- 3) Equalization of investments and recording IT assets & liabilities in an off-balance sheet
- 4) Being released from manpower control and center administration work
- 5) Quick action on social regulation changes, etc.

The introduction of the BPO service is expected to reduce the cost of the system introduction and its management by about 10 to 15% compared to the cases for which financial institutions prepare their own systems.

Moreover, the spare manpower and IT costs created by introducing BPO services can be shifted to the new integration business processes or others that are expected to be executed when they are ready. This will result in the enforcement of an integration policy more rapidly and will strengthen the sales effort by making available the surplus manpower and money created in the front office.

4. Conclusion

In order to cope with the severe and drastically changing business environment, NEC will continue to support our customers both from the aspect of business process reform (BPR) and with IT systems.

In order to achieve the projected growth strategy of the financial institutions and to thereby change the concept of the front office from “a place of business operation” to “a base for consultation and sales,” we will provide total solutions by which business process reform promotion plans and system reforms are executed jointly.

We propose the “business operation integration/BPO service” as a solution to support low-cost operations and to rapidly achieve the aims of our projected growth strategy. It remains our intension to continue to challenge the provision of optimal services to our customers.

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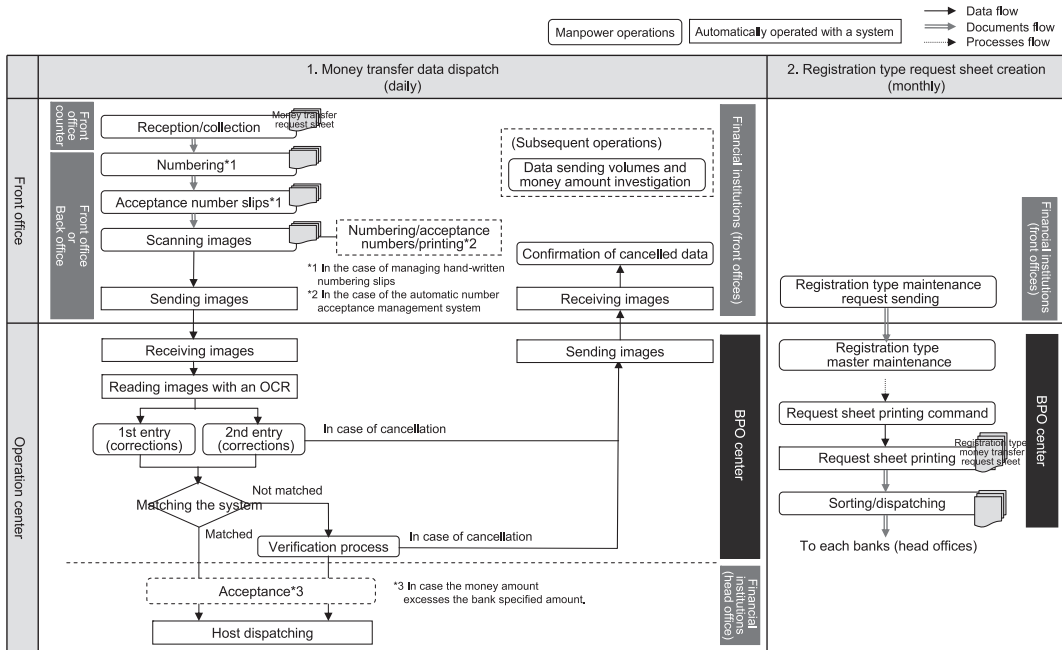


Fig. 6 Service provision domains for exchange dispatch operation.

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