Unifying Banking Across Lines of Business

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For most companies, best practices are something considered during design and implementation of a new project, service or process, and then filed away once day-to-day operations take over. We know how they benefit the institution, but the technological, cultural and strategic changes they call for make revisiting them unappealing at best. However, establishing a best practice is really just the start. There are many drivers for implementing new best practices of which competition, regulatory compliance process improvement, cost reduction, risk avoidance and new product initiatives are just a few.

In bygone days, best practices in the financial industry were simplistic and everyone understood the process. Banks kept your money safe and charged you interest to borrow it. Branch personnel knew you and you knew them.

Today, the financial services industry barely resembles the retail banking business of a hundred years ago. In today's financial environment, it's a computer that you have to impress and win over, not a bank manager. This arms-length banking environment did not happen overnight; the industry worked very hard at achieving it. Best practices of the '80s and '90s were focused on eliminating banks' dependence on "people, premises and paper," the so-called 3 Ps. Spurred on by the Internet boom of the late '90s, the demise of the bank on every corner was all but assured—everything would migrate to Internet commerce. We all know what occurred next—a return to a more balanced and personal approach to delivering services and meeting the customer's need.

Retail banks are acutely aware of these changes and have woken up to the fact that they must aggressively protect their most important asset—namely, the existing customer or new account prospect standing right in front of them, in their newly refurbished branch. But it will take more than just opening new branches or refurbishing existing offices to retain customers and grow the account base. Servicing customers with multiple relationships dictates a cross line-of-business (LOB) approach.

New best practices need to be developed to optimize cross LOB productivity while enhancing the bank's ability to better service and retain valued customers.

Historically Siloed Focus

The financial services industry is known for pioneering best practices in the use of software and network technology. However, because of the way in which banks have developed organically, best practices were developed individually for each LOB, creating what is commonly

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termed "silos." While implementing best practices for a specific line of business addressed many operational shortcomings, reduced risk and generally made the LOB more efficient, they have rarely benefited the institution as a whole. But today's silo architecture is struggling to efficiently support new business challenges. Banks need to provide a single face to their customers across business lines and channels and grow revenue, improve internal processing efficiency and quality—all this while ensuring compliance with external regulations and company policies. A very tall order, given the existing architecture!

Organic Growth Has Multiplied Inefficiencies

To illustrate my point, and with the benefit of hindsight, take a clean sheet of paper and design the optimum automation infrastructure of a bank with the traditional multiple lines of business. Would you design it in a manner that closely tracked what you have today? Probably not! Banks have been slow to evaluate the opportunity to develop a best-practices strategy that unifies the institution across all lines of business. There are at least two or even three areas that warrant consideration: the account-opening process, case file management and compliance. For the most part, all LOBs are required to address these requirements, but they do it individually. Beyond the best practice *du jour*, if one were to apply this ideal to today's bank, without starting from scratch, what would the utopian architecture look like? Let that be your "stake in the ground" and drive to it.

One way to begin is to start with the existing LOB functionality as a baseline foundation together with known enhancements—wish lists—and the current key retail banking concerns such as:

◆ Single view of customer to enable access to the entire customer relationship;
◆ Better customer authentication—a mandate!;
◆ Records retention SEC 17.4.a;
◆ Basel II and credit scoring—measuring operational and credit risk positively impacts not only risk, but reserves;
◆ Anti-money laundering—it's not just about crime; it's about terrorists;
◆ Security of customer data—not all publicity is good!;

- Cross-selling—when done well, it can deepen the relationship with the customer and generate new revenue;
- Across silo case-file management—enables better decision-making by delivering a complete view of the customer relationship with the institution across all products; and
- Compliance with SOX, MISMO, Basel 11 and other regulations—demands consistent standards application across lines of business, and quick responsiveness to regulatory changes.

With these challenges very much in mind, and going back to that clean sheet of paper, would we design a bank that continues the silo approach? Would we allow every silo to develop its own methodology for new account onboarding, authentication, access privileges, security and compliance issues? Definitely not. It makes no sense, since there are obvious economies of scale to be enjoyed by sharing information and systems.

The Best Practice
Thinks *Across* the Institution

Why not start with a common onboarding process? Banks should rethink the onboarding process and eliminate redundant customer interactions. As customers respond to cross-marketing programs, the customer experience should be efficient and painless. None of us like to be repeatedly asked for the same information.

Secondly, in light of recent inadvertent disclosures of millions of customers' private information, we know that something more must be done to secure customer data and avoid future unlawful disclosures. *Fact:* the fewer the number of customer databases under management, the less likelihood of unauthorized release. This is not technology jargon; it's plain and simple math. By design, banks must strive to avoid replication of customer data. This will bolster the business case for a single customer onboarding process and information repository approach.

Creating a common customer view. With expanding lines of business and growing customer interactions, a unified onboarding practice will give tomorrow's financial institution more opportunities to build customer loyalty. A master customer account ID used throughout the institution enables anyone interacting with the customer to view their entire relationship.

Putting unified customer view into action. Of any business, banks have the best, most comprehensive information for understanding customer intentions and needs. From payroll deposits to debit and credit card spending to cash outflows, they have access to consumer behavior and financial position information that most companies would kill for. Leveraging this information, however, requires cross silo access.

Implementing
Unified Account Onboarding

So how do you transition to best practices that benefit the entire organization? The answer is to put a stake in the ground and drive to it by implementing in stages. The next time you refresh or replace a core LOB process, consider not only addressing the particular needs of that line of business, but subscribing to the broader goal of one day enabling your financial institution to look like the one you designed on that fresh sheet of paper. Commit that all new automation projects will drive toward that ultimate goal; if not, question its validity.

Many of the same class of benefits identified by implementing a unified onboarding process can be enjoyed by taking a similar approach to compliance. There is commonality across all LOBs with many of the regulatory dictates, particularly with non-banking specific legislation and corporate governance. Case management also offers opportunity for a unified approach. In all instances, new account onboarding, compliance and case management as well as new business practices are required to set the framework of operation.

The very best "best practice" should have two objectives, optimum execution of today's business processes while driving toward an ultimate goal. Make unified client onboarding, compliance or case management your first step. ∎

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