

EXECUTIVE CONVERSATIONS | SERVICE OPERATIONS

# DELIVERING EFFICIENCY AND EXPERIENCE



A conversation with  
**TIGER TYAGARAJAN**  
President and CEO  
Genpact

World-class Operations teams don't just drive cost reduction and service quality. They play a critical role in delivering on client experience and partnering with the front office to drive value.

# THE CHANGING ROLE OF BANKING OPERATIONS

The Financial Services industry is at a crossroads. Economics continue to be strained by increased regulation, a persistently low-rate environment, and weak credit growth. Digital innovations have reset customer expectations for service, immediacy, simplicity, and customization, leaving customer experience as an increasingly critical source of competitive differentiation. The shift to self-service has resulted in customers now interacting directly with a company's systems and back-end processes, blurring traditional definitions of the "front office" and the "back office."

At many banks across the globe, Operations teams are viewed as cost centers, with success relatively narrowly defined around managing efficiency and productivity. But today's environment and conditions for success make this model unsustainable. Operations teams must continue to deliver not only on efficiency, meeting evergreen expectations for cost and service quality, but also on experience, through greater speed, responsiveness, and client orientation.

A number of hurdles stand in the way. Many banks suffer from fragmented operations processes, complex

technology architectures, product and feature proliferation, siloed organization models, and talent with legacy skills, to name a few. We believe that transformation of the "back office" needs to be at the forefront of executive dialogue across the industry.

What does it mean to transform Operations? How can Operations leaders drive the journey to get there? Who better to provide a perspective than Tiger Tyagarajan. Tiger is credited as one of the industry leaders who pioneered a new global business model and transformed a division of GE into Genpact, a leading business process management and technology services company. He has spearheaded the development of many of Genpact's methodologies to make business processes more effective, and has redefined the role of Operations in driving value across a number of industries, including Banking.

In a conversation with Oliver Wyman's Vivek Sen, Tiger outlines four critical imperatives (see table below) for Banks to build Operations functions that can deliver on the efficiency and experience vectors.

Excerpts from our conversation begin on the next page.

1	<b>Connect the "front" and the "back" office</b> by organizing your work around end-to-end processes that start with the client and travel across organizational boundaries through the client journey
2	<b>Institute global end-to-end process owners</b> who are empowered to cut across functional siloes and drive standardization, automation, digitization and simplification
3	<b>Think beyond traditional process re-engineering</b> to define the right metrics, accountability model and continuous improvement ethic for sustainable efficiency and experience delivery
4	<b>Build a talent acquisition, training and partnership strategy</b> to shift the Operations skill mix to customer experience delivery, information value extraction, greater collaboration and innovation

## A NEW MANDATE

**OLIVER WYMAN:** *Do you believe banks are thinking radically enough about their Operations function? And does Operations see its mandate as delivering on both experience and efficiency?*

**TIGER TYAGARAJAN:** Banks today operate in a very different business environment compared to ten years ago, and I think most banks are well aware that they need make changes to adapt. We see a powerful convergence of shifting customer expectations, regulatory change, and the vast potential of technology enablement. This means that banks need to move more quickly than ever before to challenge fast new market entrants – in peer to peer lending, for example – and to capture value in new ways.

The response of banking Operations to this challenge has been varied. Many Operations executives have long viewed efficiency as a big part of their role. They have used traditional measurements of cost for parts of a process such as the time to fulfil a loan or answer a call. I believe the mandate of Operations goes much further.

Some banks have started to shift the focus of Operations beyond efficiency, and towards delivering on experience. However, most have focused experience efforts only on the front office, and on how the interface works with the customer during the sale. The key issue is that banks don't connect their "front" and "back" offices, which ultimately creates a fractured experience for the client even if the initial experience in the "front" is positive. This is why I believe that driving experience is as much the mandate of Operations as it is in Sales. That mandate, of driving both efficiency and experience, should be what pushes Operations leaders to drive things like automation, digitization and straight through processing.

I believe that efficiency and experience are interconnected imperatives. Driving low-cost, effective operations helps you deliver a superior customer experience, rapidly integrate new delivery methods and channels, and manage customer feedback loops. More effective processes also help banks cope with new sources of complexity that aren't driven directly by clients, such as compliance with new regulations. Similarly, focusing on delivering the most hassle-free experience helps you manage costs and complexity.

A common counter-argument is that the uniqueness of the client's needs, product, or business requires bespoke processes, systems, and data. If you look at a process from the customer's perspective, a lot can be defined as "common," alongside some necessary variation in the last 10-20%. Many banks have that ratio reversed, adding substantial cost and complexity. For example, the same customer is captured in different ways across businesses, purely because the underlying processes have been designed differently. If you start with a view of the customer, with a goal to deliver the convenience and simplicity they are looking for, you will find a very compelling business case that can deliver both experience and efficiency.

I like to use the term "effectiveness" to think about the true value of a process in delivering both efficiency and experience. Take commercial lending,

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## RETHINK, DON'T RE-ENGINEER

where the decision is typically partially manual and partially automated. A more effective process that enables a bank to arrive at a decision an hour faster than its competitors has tremendous economic value, not just a lower cost. That value needs to be understood, measured with an “end to end” viewpoint in mind, and rewarded accordingly. I believe that managing with effectiveness metrics can help you deliver five or ten times more in value.

**OLIVER WYMAN:** *How do you achieve connectedness between the front- and the back-office, so that you deliver on both efficiency and experience?*

**TIGER TYAGARAJAN:** My fundamental belief is that banks have to rethink how they are organized and governed. Banks should manage their work around end-to-end processes rather than break up ownership of processes across a variety of different departments and functions. Take the activities around a loan, from origination to funding. A functional model would include individuals in the sales, risk, and operations organization to sell the loan, verify documents, adjudicate and fulfill, and ultimately book the loan. In today’s model, each node of the end-to-end process is managed separately. Instead, banks should define those big end-to-end processes, and then identify global process owners. Global process owners are leaders with teeth who drive standardization, hand-offs that work, automation, and simplification, and who are empowered to cut across functions and make decisions to drive process improvement. Each of the CEO’s direct reports should own an end-to-end process.

Most banks have done some form of process optimization, using traditional re-engineering tools like Lean, defining performance metrics at each step, and so on. Related to process ownership, the part they have struggled with is ensuring that every functional owner is accountable not just to their piece of the puzzle, but also to the final outcome metric. For example, a hiring manager is responsible for hiring on time, hiring to the right requirements, and hiring at the lowest cost possible. A training manager’s role is to train on time, train for the right skills, and manage the cost of training. Ultimately, however, the outcome you are driving across both functions is people productivity and output.

We worked with a bank on their commercial lending process. There were 75 fields of data required to book and service the loan through its lifecycle. Only a few fields were needed upfront, so originators would often send loans through with incomplete information to meet volume targets. We looked at the problem end-to-end, and it showed a staggering 85% error rate, not in the booking and funding areas as originally presumed, but in origination. Rather than think in silos, we looked across the full process and oriented all functional owners and their goals to common outcomes. Within six months, through careful auditing and performance measurement, we reduced errors to 5%.

It can be difficult to drive meaningful continuous improvement in silos. By contrast, we encourage clients to work on end-to-end processes with the right metrics, a customer-focused mindset, and with continuous improvement champions embedded in the teams. This allows firms to drive sustainable improvement aligned with the most important customer and business priorities.

“Banks should manage their work around end-to-end processes rather than break up ownership of processes across a variety of different departments and functions.”

# THE TALENT IMPERATIVE

**OLIVER WYMAN:** *We are talking about a very different way of thinking about Operations from what most banks do today. This would suggest a very different talent profile and set of skills from what most Operations functions have today. How do you drive the people side of the transformation?*

**TIGER TYAGARAJAN:** Operations leaders need to attract individuals who understand customer experience, are innovative, are world-class collaborators, and who understand how to use information in predictive ways. At GE, we ran Operations as a business. We had contracts with the front office, measured outcomes, managed demand and supply, and drove incentive measures in the style of a front-office. This helped us attract more than “routine” workers – we had individuals with business knowledge, innovators, streamliners, quants: people able to understand wider business imperatives and the impact of well-run Operations on business outcomes.

Operations leaders should be investing more time, both in sourcing new talent, and in providing tools to help those within the existing workforce who possess the curiosity, ambition, and desire to change. They also need to create flexible career paths and talent bridges to and from the front office. These changes need to be supported by much greater emphasis on rewards and recognition for collaboration between functions with shared outcome measures. At GE, the value of incentive programs in the salesforce and those in Operations were fairly similar. Operational excellence was valued and it provided a path to leadership roles. You could be a hero in Operations.

I would also point to the value of partnerships in helping to address the talent challenge. Firms like Oliver Wyman help inject talent in the short-term, and help organizations learn from practitioners who have seen the transformation journey. These firms provide not only insight, but they also teach and transfer knowledge to help up-skill their clients. Firms like Genpact provide the option to access Operations competency externally. With an outsourcing partner, you are accessing their “front office” – a talent base that has the skills, tenacity, and desire to succeed (and that the old guard struggles with), and using them to free up internal resources to focus on other priorities. Striking the right arrangement is critical of course. You need partners who are transparent and who measure their success by your success.

Ultimately, I believe this is a C-suite and Board conversation. But the COO has to be the enabler, paint the vision, and energize the senior team. With engagement and leadership, I believe the people side of the equation can be addressed. There is no doubt that some difficult decisions need to be made along the way, but the burning platform necessitates it.

Finally, I think we need to stop using the term “back office,” because it suggests that the job is not important. Think about the competitive advantage that the best factories provide in the automotive industry. Auto manufacturers invest in world-class Operations as much as they do in sales, marketing, and product development. Why should banking be any different?

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# THE PATH FORWARD

A cost and internal productivity ethic in Banking Operations is no longer sufficient. Operations leaders should conduct an honest assessment of their readiness to deliver on both experience and efficiency by asking themselves the following questions:

1. Is your Operations function viewed across the Bank as a critical contributor to both efficiency and customer experience outcomes, or largely as a cost-center?
2. Have you broken down work into major end-to-end processes across the “front” and the “back” office? Have these been designed to deliver the client experience that your institution is targeting?
3. Is there common understanding of service levels, performance metrics and target outcomes for these processes? Does your accountability model drive the right behaviors at each step?
4. Do you have full visibility across these end-to-end processes to address sources of unwanted complexity, errors and client irritants? Are technology roadmaps clearly linked to processes?
5. Does your workforce possess the skill-set to deliver on both efficiency and experience? If not, have you identified the key gaps and do you have a strategy in place to up-skill and acquire these?

Confronting the new Banking Operations paradigm is a multi-year transformation. Some have viewed the tectonic shifts in the industry and begun to develop a new playbook for Operations. With the pace of change only increasing, those watching by the sidelines are sure to face daunting challenges ahead.



## TIGER TYAGARAJAN

Based in New York, Tiger is credited as one of the industry leaders who pioneered a new global business model and transformed a division of GE (formerly GE Capital International Services) into Genpact, a leading business process management and technology services company with \$2.28 billion in annual revenues in 2014.

In his role, Tiger spends a lot of time with the C-Suite of large global corporations, helping them drive change globally and get more competitive in their industry.

Tiger frequently writes and speaks about global talent issues, continuous skill development, and the importance of building a strong corporate culture. He is also passionate about diversity and serves as one of the founders of the US chapter of the 30% Club, an organization of CXOs focused on achieving better gender balance at US companies. Tiger is also a member of the WSJ CEO Council.



## VIVEK SEN

Vivek is a Principal in Oliver Wyman's Strategic IT & Operations and Financial Services practices. Based in New York City, he advises banking clients on the design and execution of complex, large-scale operating model transformation programs across lines of businesses. Vivek specializes in the areas of enterprise cost management, omni-channel delivery, process simplification, organization design, large program acceleration and operations/technology enablement. Vivek received a degree in Business Administration from Washington University in Saint Louis, where he graduated summa cum laude.

## ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 26 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm's 3,000 professionals help clients optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC], a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy, and human capital. With 52,000 employees worldwide and annual revenue exceeding \$10 billion, Marsh & McLennan Companies is also the parent company of Marsh, a global leader in insurance broking and risk management; Guy Carpenter, a global leader in risk and reinsurance intermediary services; and Mercer, a global leader in human resource consulting and related services.

Interview conducted by **Vivek Sen**, Principal, Oliver Wyman.

For more information, visit [www.oliverwyman.com](http://www.oliverwyman.com).

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