EA and BPM as enablers for Shared Services.

A Nedbank Experience

Jan Lategan – March 2011
Setting the scene

Link to strategy and the strategic direction for the Shared Service

The functional model moving away from a product model

The method used (TOGAF) and a simple Enterprise Architecture model

Business architecture – Scope, Impact, Risks, Plans and Functional Landscape Model

The approach, the data collection and analysis

Snapshots of data collection results

Influencing innovation re the change to a Function/Service based model

The Role of BPM

The challenges.

Conclusion.
• Several product support functions consolidated into a single shared service function.

• A shared service operations based on product silos. (No immediate benefit.)

• A period of developing the business model meeting the strategic imperative of the initiative.

• A challenge to convert the operations, supporting systems and business processes to aligning with the new business model.

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**Setting the scene**

**Infrastructure & Configuration Design & Overlay**

- **Client Liaison**
  - Enablement
  - Transaction Processing
  - Exception Handling
  - Document Output

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To be a credible operational fulfillment supplier to Nedbank that delivers client orientated operational excellence, highly rated and respected by our staff, clients, shareholders, regulators and communities

What differentiates us

Our values
- Integrity
- Respect
- Accountability
- Pushing Beyond Boundaries
- People-centered

Our brand
‘NCSS making things happen’
**Key Principles**

- Electronic channels are the preferred medium for client satisfaction.
- Satisfy customer requirement end-to-end in the initiation / fulfilment space wherever possible. Some overlap will occur between initiation / fulfilment space and execution space.
- Single view of the customer.
- Limited points of contact with the customer.

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**Strategy -- Functional Consolidation Framework**

**Business Support Space**

- Risk Management
- Compliance
- Vendor Management
- Process & Project Management
- Business Intelligence Management
- HR, Training, Communications & Facilities

**Initiate / Fulfil Space**

- Customer
  - Client Liaison
- Enablement
  - Transactions
  - Client / User
- Execute Space

**Transaction Processing**

- Payments
  - Rand
  - Cross-Border
  - Cash
  - Paper
  - Trade
  - Securities
  - Specialised Processing
  - Guarantees

**Exception Management & Query Resolution**

**Documentation & Output Management**

**Compliance Follow up**

*Source: NCSS Project Office*
What is a functional model — Function based

Infrastructure & Configuration Design & Overlay

**Client Liaison**
- Single view of the customer
  - Client dissatisfaction feed forward from Exception Handling and Document Output
  - Pro-active client contact driven by SLA tracking
  - Cross sell opportunities
- Clients to have same experience, same look, same feel and same service no matter what / where the service

**Enablement**
- Single electronic on boarding tool
  - Completion of documentation once no matter what we sell
  - Central mandate management
- Clients to have similar experience, same look, same feel and same service no matter what / where the service

**Transaction Processing**
- Electronic self service (client and user) channels to feed backend systems
  - High levels of front end validation (client and user) limiting errors entering the processing environment
  - STP increases (SIM & APM)
  - Handle more with the same through leveraging from technologies to achieve economies of scale
- Clients to have similar experience, same look, same feel and same service no matter what / where the service

**Exception Handling**
- Single application / discipline for the handling of reconciliations and exceptions
  - Client dissatisfaction feed forward to client liaison on what is out of SLA
  - Systems / Processes designed, developed and configured to decreasing (and not) increases exceptions
  - Capacity generated to be utilised for analysing reasons why exceptions occur to reduce them
- Clients to have similar experience, same look, same feel and same service no matter what / where the service

**Document Output**
- Single application / discipline to manage output documents as well as follow up
  - Follow up feed forward to client liaison on what is outstanding
  - Output documents to be available across geographies
  - Reduce paper and related risk in our environments
- Clients to have similar experience, same look, same feel and same service no matter what / where the service

Source: D Smit
Functional Consolidation Programme
A method - The Open Group Architecture Framework

TOGAF is a trademark of The Open Group in the United States and other countries.
Enterprise Architecture (a simple model)
An EA Vision (What are we trying to achieve)

- A business managed through its functional components
- Each functional component being managed via its business processes
- Each business process measured and regularly refined to achieve ongoing continuous improvement on every measure in the process
- Each business process having many relationships to the products and services supported by the business process
- Where possible, one set of technology applications in support of business process and SOA (Service Oriented Architecture)
- A set of standardised metrics
Utilisation of Enterprise Business Architecture to verify the NCSS functional consolidation model against, and to create an Enterprise Architecture vision against this background.

Assumptions / Scope

- The scope is the entire NCSS
- A business managed through its functional components
- Each functional component managed via its business processes
- Each business process measured and regularly refined to achieve continuous improvement on every measure in the process
- Reconsidering the applications supporting these areas to where possible have one set of technology applications in support of business process and SOA

Impact

- Alignment of NCSS business to functional areas
- Alignment of NCSS applications to functional areas and designing application to deliver services as opposed to products

Interdependencies & Risks

- Approach not accepted by all parties
- Common understanding not achieved
- Common language not achieved
- Limited ownership

Actions planned to address & accountability

- Applying EBA Business framework to NCSS
- Applying EBA Application framework to NCSS
- Applying EBA Workflow framework to NCSS
- EBA to be the forerunner for Business Process Management
- Process accountability: J Lategan
- Operations accountability: D Smit
## The Functional Landscape

### Function Landscape Definitions

<table>
<thead>
<tr>
<th>PRODUCT/SERVICE MANAGEMENT</th>
<th>CHANNEL MANAGEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product/Service Development</strong></td>
<td>The management of activities required to provide the delivery of products and services through distribution channels to clients. Includes providing channels with required resources, managing the processing within the channel and carrying out channel reconciliation. Activities managed include the delivery of products and services through various channels such as Internet, telephone banking, ATMs, branches as a distribution method for inquiries, deposits, withdrawals, transfers and payment products/services.</td>
</tr>
<tr>
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<td>The management of activities required to put the products of Nekshak at the client's disposal.</td>
</tr>
<tr>
<td><strong>Product/Service Marketing</strong></td>
<td>The management of activities required to analyze data on promotion, prices and channels to determine success.</td>
</tr>
<tr>
<td><strong>Product/Service Launch</strong></td>
<td>The management of activities required to develop the product/service.</td>
</tr>
<tr>
<td><strong>Product/Service Lifecycle Management</strong></td>
<td>The management of activities required to identify and analyze the stages of growth in the products of the bank, i.e. introduction, growth, maturity, saturation or decline.</td>
</tr>
<tr>
<td><strong>Product/Service Monitoring</strong></td>
<td>The management of activities required to monitor product performance to determine whether new products need to be introduced or modified, market share, customer satisfaction and market share.</td>
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<tr>
<td><strong>Product/Service Development</strong></td>
<td>The management of activities required to develop products and services to meet the needs of the market. Activities include: analysis of market needs, product development, and testing.</td>
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### CLIENT ENGAGEMENT MANAGEMENT

| **Identify Opportunity** | The management of activities required to identify potential sales opportunities with specific clients. Activities include: cross-selling, upselling and targeted sales. |
| **Evaluate Client** | The management of activities required to assess the quality of service provided to the client. Activities include: onboarding, satisfaction surveys, and follow-up calls. |
| **Product Customer Matching** | The management of activities required to match a client to a product/service. Activities include: customer profiling, product recommendations, and cross-selling. |
| **Develop Service Portfolio Proposal** | The management of activities required to develop a service portfolio that meets the needs of the client. Activities include: research, analysis, and development of service portfolios. |
| **Segratory Service Portfolio Proposal** | The management of activities required to present a proposal of offerings to the client and to facilitate the choice of an offering. |

### ARRANGEMENT MANAGEMENT

| **Complete Client Application** | The management of activities required to complete the client application process. Activities include: application processing, credit checks, and document verification. |
| **Active Banking Service** | The management of activities required to provide active banking services to the client. Activities include: account management, payment processing, and transaction reporting. |
| **Secure Collocation** | The management of activities required to ensure secure access to the client's data and information. Activities include: encryption, access control, and data protection. |

### TRANSACTION PROCESSING

| **Clear Funds** | The management of activities required to clear funds and transactions. Activities include: preparation of funds for disbursement, reconciliation of accounts, and processing of transactions. |
| **Issue Transaction** | The management of activities required to issue transactions. Activities include: preparation of funds for disbursement, reconciliation of accounts, and processing of transactions. |

### SERVICE MANAGEMENT

| **Maintenance Service Management** | The management of activities required to handle client maintenance requests through any channel or medium, such as telephone, email, or in-person. Activities include: service level agreements, issue tracking, and resolution. |
| **Query Service Management** | The management of activities required to handle client information requests and client concerns, through any channel or medium. Activities include: information retrieval, issue tracking, and resolution. |
| **Relationship Building Service** | The management of activities required to maintain and build relationships with clients. Activities include: communication, issue tracking, and resolution. |
| **Security Management Services** | The management of activities required to handle client information requests and client concerns, through any channel or medium. Activities include: information retrieval, issue tracking, and resolution. |

### INTERNAL SERVICES MANAGEMENT

| **Information Systems Management** | The management of activities required to plan, implement, and maintain information systems. Activities include: system planning, implementation, and maintenance. |
| **Infracture Resource Management** | The management of activities required to plan, implement, and maintain infrastructure resources. Activities include: system planning, implementation, and maintenance. |
| **Human Resource Management** | The management of activities required to plan, implement, and maintain human resources. Activities include: system planning, implementation, and maintenance. |
| **Facility Management** | The management of activities required to plan, implement, and maintain facility resources. Activities include: system planning, implementation, and maintenance. |
| **Financial Resource Management** | The management of activities required to plan, implement, and maintain financial resources. Activities include: system planning, implementation, and maintenance. |
| **Process Management** | The management of activities required to plan, implement, and maintain process resources. Activities include: system planning, implementation, and maintenance. |

### ARRANGEMENT TERMINATION

| **Setllement Arrangement** | The management of activities required to handle client information requests and client concerns, through any channel or medium. Activities include: information retrieval, issue tracking, and resolution. |
| **Termine Arrangement** | The management of activities required to handle client information requests and client concerns, through any channel or medium. Activities include: information retrieval, issue tracking, and resolution. |

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Adapted from the IBM Financial Services Model to fit the practices of Nekshak.
Approach

- Mile wide inch deep
  - Map all NCSS functional units to level of ABC

- Inch wide mile deep
  - Focus on specific units as highlighted via metrics and strategic plans

- Application Framework?

- Process Framework?

- Proposal;
  - Inch wide mile deep focussing on a specific unit at a time and whilst doing this also completing application / process framework
  - In interim areas that are not being focussed on present regular updates to changes at the EBA forum driven by head of the area
## The Data Collection Model (An Extract)

<table>
<thead>
<tr>
<th>Transaction Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service description</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Establishment of Import Letters of Credit</td>
</tr>
<tr>
<td>Processing Of Clean Bills Purchased</td>
</tr>
<tr>
<td>Processing Of Drafts</td>
</tr>
<tr>
<td>Processing Of Exchange Control Applications</td>
</tr>
<tr>
<td>Processing Of Foreign Bills For Collection Inwards</td>
</tr>
<tr>
<td>Processing Of Foreign Bills For Collection Outwards</td>
</tr>
<tr>
<td>Processing Of Forward Exchange Contract</td>
</tr>
<tr>
<td>Processing Of Incoming Telegraphic Transfer Foreign</td>
</tr>
<tr>
<td>Processing Of Outgoing Telegraphic Transfer</td>
</tr>
<tr>
<td>Amendment Of Import Letters Of Credit</td>
</tr>
<tr>
<td>Drawing Of Import Letters Of Credit</td>
</tr>
<tr>
<td>Payment Of Import Letters Of Credit</td>
</tr>
<tr>
<td>Drawing Of Export Letters Of Credit</td>
</tr>
<tr>
<td>Payment Of Export Letters Of Credit</td>
</tr>
<tr>
<td>Advising Of Export Letters Of Credit</td>
</tr>
<tr>
<td>Administering Of Mca-cfc Accounts</td>
</tr>
<tr>
<td>Processing Of Global Business Investments</td>
</tr>
</tbody>
</table>
Branches identified in CSS = 117 and all of them were mapped to the functional landscape

Commercial Services identified on EPO (ABC/AJTP System) = 95

Functional opportunities identified so far:
- Client On-boarding – several departments outside Client Enablement
- Document Management - Guarantees, Securities, Busdocs, imaging, on-boarding documents and payment applications could all benefit from this competency
- Client Servicing – many departments are dealing in client queries without enabling technology to assist in MIS, call tracking and decision making
- Great opportunity to align ABC in mapping it to Functional Landscape, Business Process and Systems Architecture
- No assessment done yet to identify any further synergies within all the payment/transaction processing areas
## Summary - Departments as per Functional Landscape

<table>
<thead>
<tr>
<th>CSS Composition</th>
<th>Channel Management</th>
<th>Client Engagement</th>
<th>Arrangement Management</th>
<th>Transaction Processing</th>
<th>Service Management</th>
<th>Arrangement Termination</th>
<th>Internal Services Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTPO</td>
<td>6</td>
<td>10</td>
<td>11</td>
<td>5</td>
<td></td>
<td></td>
<td>10</td>
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<td>CB Payments</td>
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<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enablement</td>
<td></td>
<td>15</td>
<td>11</td>
<td>18</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>R-Payments</td>
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<td>2</td>
<td>2</td>
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<td></td>
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<tr>
<td>NIS</td>
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<td>Cash</td>
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<td>Exceptions</td>
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<td>4</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>
Aligning Business and IT goals

CSS: Functional Landscape
Our structure that aligns to the strategy as well as depicting that we are following the path of our strategy

Service Enabled Enterprise
The “glue” that mends EBA and SOA

Service Oriented Architecture Landscape

KPI Metrics, Flows/Activities, Business, Processes components

Use cases, Object-oriented analysis & design, Information, Standards programming model, Patterns frameworks

Source: Lategan, Peters & Smit
EBA and the Service Enabled Enterprise
Move from Product Based Approach

Product Enabled Enterprise

Product Offering
Enterprise approach structured around products

Product Offering
System applications based on individual product requirements

Product system (e.g. DTLite)

Product Offering
E.g. ITT's

Product system (e.g. Nedpayments)

Process
Processes and roles structured around systems

Source: Lategan, Peters & Smit
EBA and the Service Enabled Enterprise
To Function/Service based Approach

Services Enabled Enterprise

Business Service
Definition of Business Services as per the Functional Landscape

Service Components
- Automation where it makes sense;
- Standard processes for non-automated service components;
- Like service components can be shared by different product offerings;

Process
Workflow dictates how and when service components are called.

Product Offering A, e.g. ITT’s

Product Offering B, e.g. OTT’s

Supporting roles

Specialised roles
Specialisation i.e. common service components

Supporting roles

Source: Lategan, Peters & Smit
EBA and the Service Enabled Enterprise
What exactly is BPM? Is it a process, technology, or management discipline? It would seem that the answer varies depending upon whom you ask. The BPM acronym is used loosely and its meaning often varies depending upon the context. This proposal is not about BPM as a function (the unit mapping processes) or about a process (constant improvement of the way one deals with the business operation).

This is trying to present visually how BPM as a management practice could be applied in the NCSS environment.
Challenges

- Accountability
- Change management
- New performance measurements
- Capacity models
- Cost allocation to correct billable service
- Functional mentality in new model
Conclusion

- Do not underestimate the size of the task
- Do not implement anything until complete analysis has been done and all the impacts assessed
- Make sure that there is clear understanding of the IT impacts.
- Understand if there is appetite to integrate systems on the long run
- Do not underestimate work to adjust the internal financial models
- The change management impact on staff will depend largely on how well the previous points are addressed
- Enjoy the journey, because it will turn out to be more than an event.
Questions