

## Relevance of BPM to Banking

### 1. What is a business process

- A process is end-to-end work, in contrast to piecemeal work.
- It focuses on the totality of work, on whole sequences of tasks rather than on the individual tasks themselves.
- It concentrates on how these tasks fit together into a whole, rather than on how they are individually performed.
- Process focuses on the outcome of work and on its customers, rather than on the work as an end in itself.
- Processes are cross-functional sequences of activities rather than groups of people.

### 2. Relevance to banks in India

- Banks are becoming more customers oriented.
- Mergers & acquisitions of banks may result in disconnected systems, a slew of legacy processes and multiple processes for the same outcome.
- The existing processes may be highly fragmented, resulting in multiple hand-offs from one person to another, many of them isolated from the customers.
- Fragmented processes will result in frequent miscommunication or non-communication between the parties, necessitating many inter-departmental calls & high cycle time for processes.
- Superior customer service through improved operations will become an important goal for banks.

### 3. BP approach Vs data approach

Sl. No.	Data approach	BP approach
1	Backend data storage, calculation thereof and reports take importance	While the components of data approach are given their due place, modeling the tasks & the sequence takes importance.
2	Operator to database is the key concern.	Person/role to person/role is equally important.
3	Linking of transaction fragments is only done thro backend database and hence is possible only if it is consolidated in some way.	End-to-end transaction modeling avoids fragmentation & the need to necessarily consolidate data.
4	Integrating heterogeneous systems & replacing with a single common system is very difficult.	A common BP can be implemented as an external layer with underlying data.
5	Analysis of an existing process w r t its steps, performance, cost etc is very difficult or not possible as only end transaction data is available.	Analysis of processes is possible due to explicit capture of process related data in addition to transaction data.
6	Even core banking systems capture only transaction/account related data centrally.	BP model can co-exist with core banking model also. It will however capture process related data in such 'process intense' cases as Loans & advances.
7	Many processes contain unstructured data in the form of text documents, which are not captured.	Both structured & unstructured data can be captured and associated with the process instance.

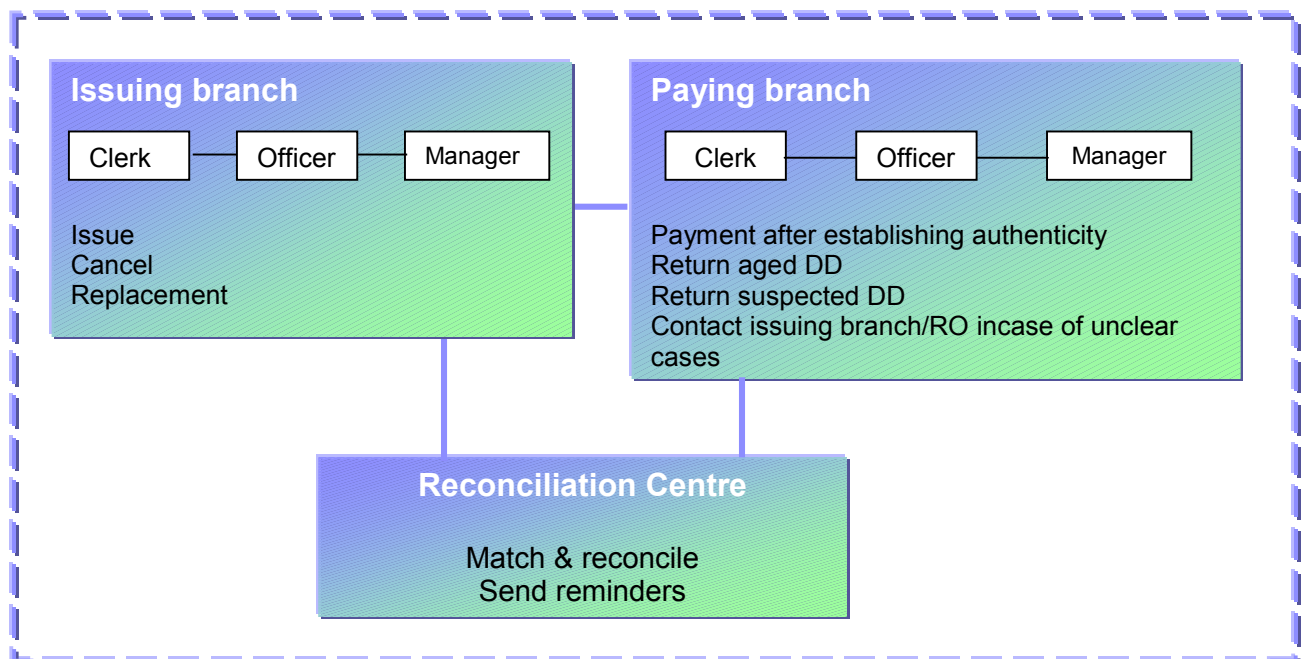
## 4. Example BPs

Some case studies of banking business processes are provided below for a better understanding of this difference in approach.

- *DD Issue & Payment*

In a traditional multi-branch scenario this is best described as a fragmented process, as it is fundamentally a multi-branch process, but in traditional data oriented computerization it is implemented as islands in each branch. Thus though DD as an instrument can be in different 'states' from birth to death, an integral view is never available.

The diagram below is a simplified version of the DD life cycle process.

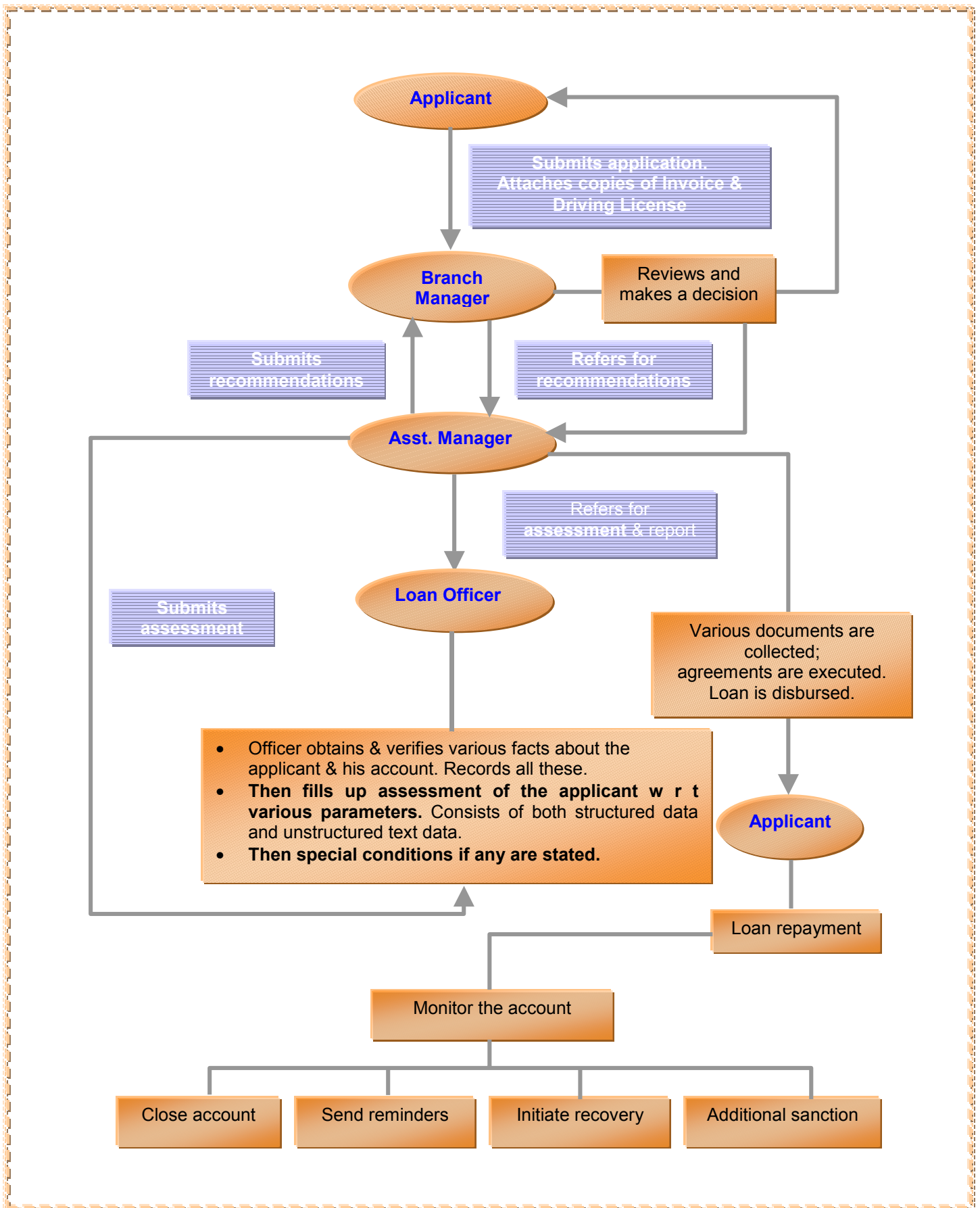


- *Vehicle loan processing*

A proper computerization will need to know the state of the loan process at each step, not only during processing & sanction/rejection but also during the life of the account. It also needs knowing the assigned persons, their efficiencies, time taken to process, points of delay, information system to the applicant/customer etc.

The diagram below is a simplified diagram for a loan process which can be completed within a branch. For higher amounts or different loan type the process may have to flow thro multiple functional/organizational units of the bank.

It is clear that a pure data based system model cannot capture this process intensive nature & related data. Even a 'core banking' system will not capture the 'process' approach.



## 5. Impact of BP based automation

- Banks may find that they suffer from too many processes. Many times the same process may be in different forms in each unit. Process view helps consolidate these into lesser number of processes & common processes.
- Taking the process approach also makes the enterprise more manageable, because managers have a big picture of what is going on and metrics to help them assess how well it is being done.
- Business process management technology adds an independent process management layer on top of the organization's applications. What this means is that, in many cases, the underlying code does not have to be tampered with by a technician when changes are made to processes. Business process management (BPM) technology at least has the potential to bridge the divide between the two - the IT department and the rest of the business.

## 6. Conclusions

The benefits of BPM come from a variety of sources, including shorter cycle times, lower total cost of ownership, improved productivity, cost avoidance, better integration with systems and better exceptions handling. BPM is in fact the merging of process technology covering 3 process categories: interactions between (i) people-to-people; (ii) systems-to-systems and (iii) systems-to-people – all from a process-centric perspective.

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