Service Orientation: A Financial Services Industry Perspective*

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*connectedthinking
The Business Context – a common set of problems

The 6 key initiatives for FS organizations
1. Navigating risk and regulatory complexity
2. Delivering cost effective technology and operations to the business
3. Generating reliable and actionable financial information
4. Maximizing value through all merger and acquisition activities
5. Breaking through the information silos to deliver a single view of the customer
6. Minimizing the impact of a crisis, preparing ahead and managing the response
Taking a step back - the Accidental Architecture

1. Compliance & Reporting
2. Business Integration
3. Information Volumes and Lifecycle Management
4. Securing & Supporting Current Architecture
5. Time to Market
6. Architecture as a Competitive Weapon
Composition and Process Management to the rescue!

- BPM provides excellent **process integration** capabilities.
- Service composition provides **shared use** of IT assets
BPM & SOA Definitions

**Business Process Management**

Business Process Management refers to the designing, executing and optimizing of cross-functional business activities that incorporate people, application systems, business rules, business processes and content.

**Service Oriented Architecture**

Service-oriented architecture is an architectural discipline that centers on the notion that IT and/or business assets are described and exposed as Services. These Services can then be composed in a loosely-coupled fashion into higher-level business processes.
Service Oriented Business Architecture (SOBA)

Features

- Distinguish between ‘core’ and ‘context’ services
- Easily move ‘context’ service to best provider
- Clearly defined inputs, outputs, and SLA’s
- Tight integration with demand / supply chain
- Greater supplier partnering
The Business Architecture Stack

- **Business activity monitoring**: Real-time analysis, statistical reports, instance tracking, information aggregation, key performance indicators.

- **Process integration**: Executable process models, long-running flows, state management, human interaction workflow, packaged flows and data transformations, canonical object models.

- **Business process modeling**: Public process models, trading partner agreements, reliable internet messaging, security, business transactions, common business vocabulary.

- **B2B integration**: Connectors, event triggers, A2A process automation, transaction coordination and compensation, message broker.

- **Application integration**: Communications middleware, RPC, COM/CORBA, message queuing, publish/subscribe, TP monitor, data translation, transformation.
Reasons for Attempting SOA/BPM Projects

- Cost Savings: 38%
- Manage Processes Better: 25%
- Increase Quality: 18%
- Time to Market: 15%
- Compliance: 4%

Source: Gartner Research, December 2003
Keys to Driving Value from SOA / BPM Initiatives

Doing the ‘right thing’
• Selecting the right projects
• Looking at high Impact processes first
• Linking project requirements to key business drivers

Doing things ‘right’
• The right Approach
• The right “Enabling Technology Platform”
• The right methodology & process
• The right governance & controls
• The right metrics to measure value delivered
• The right organization & managing organizational change
The “Need” for Standards

Guiding principles that are context sensitive and non-ambiguous
Establish an Architecture Center of Excellence (CoE)

1. Best Practices CoE
2. Standards CoE
3. Shared Services CoE
4. Centralized CoE
Focus on Governance

- Architecture Governance - evolve by design and not by accident
- Service Lifecycle Governance – standards and practices
- Design Time Governance – use of established patterns
- Runtime Governance – trust, QoS & compliance
Focus on the High Impact Processes

Process Impact Considerations
- Revenue Impact
- Cost Impact
- Risk Management
- Customer Satisfaction Impact

Process Complexity Considerations
- Nature of Process
- # of Process Tasks
- # of Participant Roles
- # of Integration Points

Customer Support/Help Desk
- Claims Eligibility
- Sarbanes-Oxley
- Inventory Management
- HR Management
- Transportation Management
- Claims Repricing
- Automated Expense Report Management
- Claims Adjudication
- Order-to-Cash
- Customer Provisioning & Activation
- Field Service Management
- Order Management
- Customer Credit Management
- Procurement & Sourcing Management
- Loan Origination
- Benefits Administration
- Product Lifecycle Management

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### The Four Principle Process Types

<table>
<thead>
<tr>
<th>Integration intensive</th>
<th>People intensive</th>
<th>Decision intensive</th>
<th>Document intensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strong focus on automating processes that integrate systems and applications</td>
<td>- Strong focus on automating people-intensive activities like servicing customers, operating call centers, managing sales operations, supporting field-based agents, routing internal requests by employee</td>
<td>- Strong focus on processes that require employees to make mission-critical decisions using information and business rules</td>
<td>- Strong focus on processes that involve extensive use of scanned images for back-office processes</td>
</tr>
<tr>
<td>- Typically involving few exceptions and limited human participation</td>
<td>- Can handle high transaction rates</td>
<td>- Processes in which the decision criteria and process rules change frequently</td>
<td>- Focus on processes that require people to use documents extensively (not just author documents)</td>
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<tr>
<td>- Often used for externally focused processes linking two or more enterprises</td>
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</table>

Source: Forrester Wave™: Human-Centric BPMS, Q1’06
Process Candidates

Look for

• manual work steps, paper, people, errors/rework
• areas targeted for standardization (merger/acquisition synergies)
• areas needing controls & visibility
• areas involving frequent changes such as new products, new entities, regulatory management
• exception management processes
• case management processes
• complex customer service delivery management (multi products over multi sites)
Architecture Imperatives

• Real-time (will support Sarbanes Oxley 409 and other real-time requirements – compliance or otherwise)
• Scalable (can start small, but grow big)
• Distributed (multiple org units, multiple locations)
• Incremental deployment (Risk Mitigation, Rapid Success Experiences)
• Event driven (can react to exceptions, generate alerts/escalations)
• Agile (adapt rapidly to changing needs – rules based)
• Supports transparency and data sharing (Internal & External)
• Enable automated controls and improve data-security
Metrics & Measurements

Customer

Create Value

Plan Corrective or Innovative Adjustment

Strategy

Deploy Plans, Goals, Incentives, Products, Services or Projects

Analyze & Determine Relationships: Root Causes $y = f(x)$

Core Processes

Measure Voice of Customer & Voice of Process

Key X's

Voice of the Process (VOP)

Business Dashboard

Voice of the Customer (VOC)

Key X's

Voice of the Business (VOB)
### Prioritized Action Plan

<table>
<thead>
<tr>
<th>Theme</th>
<th>0-3 Months</th>
<th>3-6 Months</th>
<th>6-12 Months +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Mandate&lt;br&gt;SOA Competency Center</td>
<td>Ongoing Maturation of SCC, relationship with TMO, PMO, etc&lt;br&gt;IT CFO&lt;br&gt;Develop cost models and algorithms, assess &amp; improve</td>
<td></td>
</tr>
<tr>
<td>People &amp; Organization</td>
<td>Key Staff&lt;br&gt;Appoint key roles to SCC&lt;br&gt;IT Program Man Office (PMO)</td>
<td>Migrate some roles over time to Shared Services or Testing Competency Center</td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td>Complete Processes&lt;br&gt;Update SOA SDLC &amp; Publish</td>
<td>Ongoing refinement &amp; updating of processes&lt;br&gt;Leverage ITIL and define Service &amp; Support Processes&lt;br&gt;Ongoing refinement</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>Acquire&lt;br&gt;Implement Sandbox</td>
<td>Leverage Sandbox for First Adopter Projects, Training, Testing, Vetting, Showcasing&lt;br&gt;Implement Enabling Infrastructure within Data Center &amp; Operationalize</td>
<td></td>
</tr>
<tr>
<td>Metrics &amp; Measurements</td>
<td>Initial Metrics&lt;br&gt;Finalize ‘factory’ metrics, equip PMO</td>
<td>Define SLA’s based on VOC/VOB, Define Metrics, Implement Scorecards</td>
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Summary - BPM & SOA benefits the FS Industry

• Business agility
• Reduce time and labor costs
• Increase quality
• Improve management and controls
• React quickly
• Enforce process controls
• Reduce the friction
• Reduce time and labor
• Optimize results faster
• Provide a quick ROI

FS Industry Key Issues

✓ Risk and regulatory complexity
✓ Cost effective technology and operations to the business
✓ Reliable and actionable financial information
✓ Maximizing value through M&A
✓ Deliver a single view of the customer
✓ Minimizing the impact of a crisis, preparing ahead and managing the response
Service Orientation – keeping IT rooted in Business Reality
Questions?