Development

THE BENEFITS OF COLLABORATION

For financial institutions to become more competitive and more profitable, they must embrace collaborative technologies and practices. Lucia Dore addresses some of the issues.

Technology has been pivotal to the increasing success of financial institutions, facilitating more effective and speedier processes, in the front- and back-office, and making organizations more competitive and more profitable. Indeed, banks and insurers are often amongst the early adopters of new and emerging technologies.

However, there is a series question to be asked about whether technology improves communication within organizations and, more importantly, in relation to the customer – or whether it hinders it.

The answer does depend, of course, on what we mean by technology. Telephones and even computers no longer count (we simply wouldn't survive without them) and when it comes to marketing, customer relationship management (CRM) has marked a huge leap forward in the way in which financial institutions interact with their customers.

The next step in the evolution and improvement of our working practices is collaboration. The role of technology in facilitating this is an important one. Collaboration and collaborative technologies could be another leap forward for financial institutions, improving the way they communicate internally, with other organizations, and with their customers.

Collaboration at work

But what do we mean by collaborative technologies? Instant messaging (IM), e-mail, web-conferencing, video-conferencing, shared document spaces, firm-wide content management systems, digital rights management and on-line syndication are all instances of collaboration at work. All these technologies allow people to interact more effectively, decisions to be made faster, customers to be understood better, deals to be transacted more transparently, and the legal and regulatory obligations to be fulfilled more efficiently. In fact, collaboration brings many of the advantages computers were supposed to bring but failed to. Until now.

The potential for collaborative technologies to positively impact processes, deal-making, marketing, and human interaction within the financial services industry is immense. But is the industry exploiting the potential of these technologies sufficiently? What might the future landscape look like, and where will the value-creation be focused? How will these technologies affect the way financial institutions interact with customers and other third parties? And how secure are they?

Before the financial services industry can embrace collaborative technologies wholeheartedly, the individual companies, not famed for their co-operative approach, must want to adopt collaborative behaviour. Whilst IM has been taken up with alacrity in a number of specific market contexts, collaboration more broadly across the industry will require shifts in behaviour. It is true that many institutions are adopting a more collaborative approach internally, but it is necessary for these behaviours to apply also in interactions across clients, partners, and sometimes competitors.

Increasingly, industry participants need to collaborate in order to reap benefits for themselves and other industry players. In America, for example, the Bond Market Association is helping to establish guidelines for sharing information in the syndication process. This means that, instead of protecting all information by default, firms can think through and agree about what information can be shared to create mutual value.

The landscape

As an industry based almost entirely on information flows, it is not surprising that financial services companies have taken up collaborative technologies

such as instant messaging well before most others. Dramatic efficiencies are also gained by switching from paper to digital documents, which leads naturally to the use of on-line deal spaces. In merger and acquisition transactions, only 75% of the average 15,000 documents required are now physical, down from 90% in 2002. Scanning is also allowing the entire process to shift on-line.

In non-public transactions, digital documentation allows for a broader field of participants. Inside financial institutions, there has been a substantial shift to on-line workflow. A good example is Citibank's enormous *Citivision* project, implemented with Microsoft, which has enabled shared information views across the enterprise.

On-line processes are happening increasingly across organizational boundaries, although at a relatively slow pace because of regulatory and other constraints. The implications of this include changed roles for financial institutions relative to their clients. Clients also expect process transparency across all sectors of the industry. Raw content is becoming commoditized, and is being integrated into business workflow.

Whilst few major institutions yet have enterprise-wide content management systems in place, this is a rising priority, as these systems map across business processes, transactions, and client value creation. Client interaction is gradually shifting from voice and e-mail[1] to a broad array of communication tools, with video-conferencing and collaborative analytic tools becoming increasingly popular.

Regulatory issues

Complying with legal and regulatory requirements is an important driver behind the demand for collaborative technologies. The adoption of such technologies can make the execution of transactions more transparent and more efficient. But there are numerous and often overlapping regulatory issues and hurdles facing financial institutions. In Britain and America in particular, these aspects must be addressed and overcome if banks and insurers are to be able to shift to richer communication media.

At an event held in New York last September, focusing on collaboration in financial services, Steve Wallman, drawing on his experience as SEC Commissioner from 1994–97, confirmed this view. He made a compelling case that regulatory caution is stymying innovation. Although he believes the American regulatory régime is the best in the world (by the nature of its capital markets, it leads global financial regulation) he recognizes that the high degree of regulation is blocking important innovations.

Within financial services, there is also a shift to synchronous communication. This is most prominent in the massive uptake of instant messaging. This trend can also be observed in the demand for video-conferencing, web-conferencing, collaborative analytics, and other emerging communication tools. The presence function of IM, when embedded in software and business processes, facilitates and enables real-time access and engagement between people on an "as-needed" basis. This creates a strong shift in how work is done within and across firms.

Perhaps the biggest challenge for financial institutions choosing to embrace collaboration more enthusiastically is in making compelling business cases for investment when the benefits are difficult to measure. Some investments in collaboration technologies are still justified simply by savings on print costs, without any reference to broader issues such as process-flow improvement or relationship benefits. Increasingly, though, the competitive environment is forcing firms to differentiate themselves in how they create value with and for clients. ◻

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[1] It shows the pace of acceptance of new (now-old) technology that less than a generation ago the statement would have been the other way around, with client interaction gradually shifting from letter to voice and (even more recently) e-mail! Ed