

Outcomes, outcomes, outcomes – how will you come out ?

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“In a world of outcomes based regulation and risk based supervision how will you bear up and can you really say you have done all you can to comply?”

Remember ‘principles based regulation’ that turned into ‘outcomes’ instead?

The FSA believing this was a term easier to understand for most and therefore easier to implement. Well TCF was the first stab at principles (outcomes) for the FSA and it didn’t prove easy and now we have RDR on the horizon.

For an industry that has spent years complying with rules based regulation, the transition is proving a difficult task and doesn’t look like it is going to get easier any time soon.

You have to feel sorry for all those firms who have spent a great deal of money on systems and processes to support a rules based regime and who now have to shift emphasis. In theory at least, outcomes should be better for everyone. It is supposed to allow firms to operate to their own business models, giving them the opportunity to be more creative to compete, providing they can demonstrate that at the end of the day the outcomes are met. The problem however, is that this requires a new mindset on the part of everyone.

If we know what the end game is, in other words what outcome we are supposed to achieve, then surely that is easy. Or is it?

The problem is, do we really have a grip on all aspects of the sales cycle and how each element affects our ability to satisfy the intended outcome? The thing to remember is this - outcomes rely on everyone understanding what the end result is supposed to be and being included in helping achieve it. Training everyone

how to behave, making sure they understand the part they play in the process is all well and good, but it’s a small part of the outcomes jigsaw.

You see, getting to an outcome is about evidence. If you don’t have evidence to support your assertion that the outcome was indeed arrived at, then you are on a sticky wicket. To produce that evidence you need to have systems and controls in place to provide the kind of management information that isn’t wishy-washy (note the intended Christmas reference there). This requires firms to take decisive action, which inevitably will mean changes that won’t always be popular or palatable.

Over the last couple of months all sorts of ‘hints’ have emerged from the FSA about how they are going to clean up the market. We’ve got potential individual registration of mortgage brokers. Then there is the suggestion that providers might in some way have to assess the business written by third parties to determine whether or not the business seems to be fair for the client. Many would say this is just the FSA looking to get additional supervision resource without having to pay for it.

Like it or hate it, rather than bleating about it, or putting effort into finding ways to avoid or work around the problem, why not just get on with putting the measures in place to deal with it.

If firms put as much effort into finding ways to ‘make outcomes happen’ then we would all save ourselves a lot of heartache. After all, if you take positive steps when others do the opposite, then surely that’s got to be good for your business and gives you the competitive edge.

The biggest enabler for most firms will be a review of existing

systems.

Taking a look at what the business has been doing up till now is fine, but we are not doing business the way we were twenty, even ten years ago. Things have moved on and so have the requirements. So have the individual clients and their expectations.

Building structures now should be about identifying ways in which you can acquire solutions which are adaptable, flexible, scalable and will therefore, by definition, be future proofed. Remember that legacy systems are what prevents firms from taking the initiative when the opportunity presents itself. They often don’t allow firms to respond quickly or smart enough to steal the march on the competition.

There is always going to be a financial implication to replacing legacy systems but do not overlook the fact that doing so is perhaps the key enabler for achieving sustainable improvement in financial performance. Incremental improvements in operational efficiencies can drive dramatic improvements in operating income and cost reductions.

For decades the financial services sector has been asking for, and in many cases building, its own systems to run core processes such as claims management, policy administration and in particular risk management solutions.

Millions have been spent and wasted on immature technologies or do-it-yourself projects that never saw the light of day.

“Many legacy systems were never intended to be applications.”

They were spreadsheets or simple databases that evolved into poorly configured multitasking

systems that were not thoughtfully designed with the entire business processes or the need to support adaptation in mind. They are therefore high-touch, multi-step, paper-based and time inefficient.

In today's regulated environment, where outcomes based regulation and risk based supervision are the buzz words, joined up thinking as far as systems is concerned is absolutely vital. Never before have the outcomes and the management information to support them been more at the top of senior management's agenda.

Maintaining obsolete systems can be a real disservice to your company. It merely delays the inevitable, since core systems must eventually be significantly renovated or replaced.

The real crux of today's IT leadership lies in how well you are preparing your fellow executives for this inevitable change.

The good news is that now there is a new breed of solutions available to the sector.

Propositions that support the entire business are really starting to take hold. Many forward thinking companies have really taken the bull by the horns and are successfully deploying modern applications from trusted software companies with the appropriate experience and skills to help businesses emerge from the downturn.

These firms have a new sense of purpose, a clearer understanding of the risks and a desire to be different. An added advantage is that some of these software companies can provide their solutions as a fully hosted software as a service proposition.

Well-designed modern systems leverage business rules to automate work where possible and segment and assign work when human involvement is required.

For example, if you can use dynamic business rules to determine if a file needs checking then business can be processed in a straight-through manner with minimum human intervention. Think of the process

improvement opportunities this brings. The backlogs which could be eliminated and the peace of mind that only those files which fall outside the criteria norms are being worked on.

Computer Weekly published research carried out with the financial services sector in late 2008. The research said that 88% of respondents would consider switching core IT systems to a hosting partner. It further revealed that 67% consider that the main advantage of using a hosting



provider is access to the best technology without the capital investment. A total of 42% said a hosted model would help them respond to changes in the market quicker.

We are currently working with two financial services organisations who have seen the benefits of this approach and we are talking to three others who also see this as their preferred way forward. They are looking at delivering training and competence, file quality checking, leads distribution and third party relationship management via our hosted solution. So sold on the idea are they, that they have already started thinking about future phases where additional functionality could be deployed this way.

Key benefits of Software as a Service (SaaS) are:

- ❑ Low cost of entry and lower total cost of ownership – elimination of capital expenditures and dramatic reduction in IT salaries
- ❑ Vested vendor interests – if the application utilisation is not successful, the vendor loses the customer revenue opportunity
- ❑ Much lower risk – faster implementations and outsourced expertise dramatically lower the risk

Don't take my word for it, industry analysts have a lot to say about SaaS, too:

Gartner, Forrester and IDC cite SaaS as critical in recessionary times. They say

SaaS cuts costs and conserves cash, providing flexibility and new efficiencies. Gartner Market Trends Report 2007-2012

Software as a Service is not about technology, it is a better way to deliver value to your organisation. The model gives you the freedom and flexibility you need and hence is here to stay. You can really position your firm at the top if you take the plunge now and think more about the 'art of the possible' rather than 'but this is the way we have always done it'.