

# **Business Process Management in the Finance Sector**

**Leveraging the power of processes for profit**

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# Introduction

**It is vital for financial services companies to ensure the rapid implementation of new processes to meet speed-to-market, service quality and compliance requirements.**

This has to be done against a background of increased complexity. Financial institutions today combine a wide range of product and service offerings, across banking, insurance and asset management. They operate in global and cross border markets. They have increasingly sophisticated and mobile customer bases. Increased regulatory vigilance and new corporate governance rules have the potential to add new layers of complexity and cost. And there continues to be consolidation, merger and acquisition in the sector.

For all these reasons the effective management of complexity and change is a key determinant of future success. Those who automate and streamline their operations most effectively will gain significant advantage. Integration is now more than ever the key to efficiency, enabling lower transaction costs and increased sales volumes. This is true for capital markets, for retail financial services, and for the corporate sector.

An integrated approach to business processes allows products, processes, systems, data and the applications that underpin them to evolve quickly. Whether it's providing a loan, setting up an insurance policy, or executing an investment instruction, optimising the sale-to-fulfilment process will always win new business, cement customer loyalty, and reduce costs. Lack of integration across lending, payments and trading, on the other hand, simply presents competitors who are more efficient with a huge profit opportunity.

Integration and process optimisation not only has to extend across the enterprise, but must also embrace third parties who often supply key components of today's complex, multi-instrument financial products. A mortgage offer for example will typically involve underwriters, insurers, the customer's bank, credit reference agencies and others, as well as internal approval, accounting, collections, credit control, risk management, commission payment, incentive management, and business intelligence processes. Improve all the connections between all the elements of a transaction and performance automatically improves.

The problem is that established financial organisations still have numerous, disparate, proprietary back-office systems which cannot keep pace. These limit the capabilities of even the most advanced front-end systems. The remodeling and implementation of new processes to meet the demands of dynamic change are severely constrained.

There are three objectives to aim for:

- driving greater efficiency and value from existing systems and processes
- managing the risks associated with dynamic change
- achieving greater visibility and flexibility across complex operations

In this document we describe an approach to process management which delivers those aims.

We explore an integration layer that leverages the power of the latest business process execution tools, enabling business analysts and application developers to bridge the current process execution gap. We look at how this tool will allow the efficient re-use of existing process components and the applications that support them, to create new, more efficient processes, utilising a free flow of data and collaboration between all internal and external parties to a transaction.

At last financial institutions have a solution that allows them to cater for and anticipate change, allowing far greater operational and marketplace efficiency, while meeting regulatory and governance requirements.

# Bridging the process execution gap

Traditional BPM systems have been designed to manage macro-level processes across multiple applications through hard coding or by use of proprietary tools. This involves teams of developers writing code within one application, which hands off the process to another application. So, on the one hand there's a business analyst doing the actual process design, and on the other hand there's a development team which undertakes the coding.

Therefore if a persistent difficulty remains there is still a gap to bridge between process modelling and IT provisioning to deliver new processes. No matter how powerful the resources on either side of the chasm, new or modified processes simply cannot be *executed* quickly enough to meet business need.

Closing this business process execution gap will be a key determinant of future enterprise success, because it supports the crucial ingredients of business velocity and agility.

As a Senior Executive at a leading health insurer recently commented during a conference on the issue:

*"With compliance issues and corporate changes, we're making process changes every four or five weeks."*

Such comments allude to the need for an extended time-frame to move from process design to process execution in order to gain real competitive disadvantage. But as this executive also commented, the execution of processes typically takes months rather than weeks:

*"Right now it's all done by coding. We are under the gun to deliver."*

In capital markets, the need to execute a new or adapted instrument can involve process change deadlines of days or even hours. Being able to assemble the building blocks of a new trade by treating processes such as pricing, settlement, reporting, reconciliation as commodities, allows a fast-moving trading floor to be even more responsive to the requirements of the market.

So making better connections, and closing the process execution gap, is key to every kind of financial service company.

# Opening the BPEL conversation

On one side of the chasm there is the business need (and the process to satisfy it) as modeled by the business analyst. On the other side of the chasm is the application development resource needed to deliver a system solution.

The key is to create a conversation between the two sides. For a conversation to make sense you need a common language. The emerging standard for that language of process execution is BPEL - Business Process Execution Language.

BPEL allows an organisation to treat processes and the applications that underpin them as utilities: to define, translate and transpose a business process, and make the applications which Web Services expose available to build a new process. Using the BPEL tools within Oracle Business Process Manager allows an organisation to effectively orchestrate (or manage) Web Services and the integration architecture as a whole.

A recent Forrester Research note crystallises why BPEL moves the integration story forward so significantly:

*“BPEL will provide not only a way to integrate applications, but also a way to create services from them and put them into business processes”.*

Just as HTML allows content to make sense and to be published and used by anyone who has a web browser, BPEL allows processes to make sense, and for new processes to be planned, developed and deployed with exactly the same universal simplicity and ease of use.

As Gartner recently commented:

*“BPEL will emerge as the leading industry standard for Web service orchestration and coordination of business processes.”*

## **More for less**

For financial service companies with entrenched legacy systems, and departmental silos based around proprietary or highly specialised applications, the opportunity offered by BPEL has one other major advantage: it does not add more software to the inventory.

In fact, it enables the organisation to get more from its existing investment in applications and processes. Not only more value in terms of more process development potential, but more competitive benefit from faster time to market for new products and services through more effective service provisioning. Before we look at how Oracle business process management solutions enable BPEL to deliver on its promise, let's examine an illustration in more detail.

# Example of advanced integration in action

Let's take the example of a loan procurement application implemented by a company named "AutoLoan." Through its online portal, AutoLoan offers loans to consumers who apply for financing of used car purchases.

The AutoLoan application will leverage several trading partners who provide the actual financing as well as existing information systems and legacy applications for customer information, credit ratings, etc.

In addition, AutoLoan needs the system to support interactions with people, such as customer service representatives.

The standards emerging around Web service orchestration such as SOAP, WSDL, XML Schema and BPEL enable AutoLoan to address their integration and business process management requirements in a vendor-independent fashion.

It also makes sense for AutoLoan to build their system with a loosely coupled, service-oriented architecture so that they will be able to get the efficiency of highly integrated systems while minimising the cost, time and resources required to build and maintain them.

Using a BPEL approach allows AutoLoan to model this business process very quickly, connecting together the applications and partners that support it, and to deploy the process directly. They can then test and refine this business process more effectively. Finally using BPEL they can monitor the effectiveness of this process, and draw intelligence from the information running through it. In other words they obtain real time business intelligence to refine the process and validate it.

Note that this example requires both integration of existing functionality *and* new application development. It incorporates both internet/B2B (business to business) style integration and intranet/A2A (application to application) integration.

Implementing the system requires AutoLoan to integrate disparate developer skills, methodologies and infrastructures into a maintainable application.

The approach - using Web services as a standard service interface and BPEL for process orchestration - works equally well for enterprise-wide intranet-based integration or for collaboration beyond the organisation.

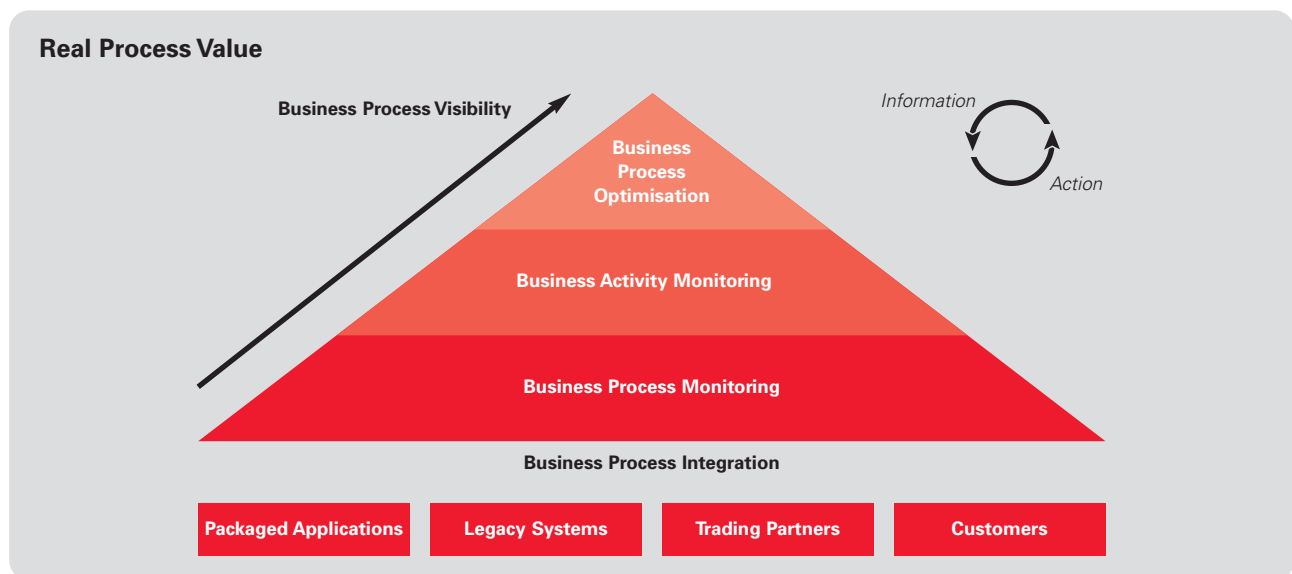
## **Key issues for financial services organisations seeking to leverage a process-centric approach**

- Extract functionality efficiently using web services
- Reduce the set up costs of new processes
- Bring new services to market as quickly as possible
- Increase standardisation and interoperability
- Enhance application reliability
- Ensure security

# A vision of more effective process delivery

If business analysts can leverage the power of BPEL by operating a dashboard to control activities and create a new business process on their own desktop, they will be more productive and the business will be more agile.

If at the same time if a developer can rapidly implement a new service using the building blocks of existing processes which have already been published as web services, or using other components and metadata within the Service Oriented Architecture, they will be able to deliver against demanding time and cost targets.



The challenge for financial services organisations is rapidly leverage their own applications, systems and processes, and also those of trading partners and customers, to bring about business process optimisation.

And as The Web Services Journal recently reported: *"Oracle Business Process Manager is a very strong option for meeting this need."*

Oracle BPM supports each stage of the process optimisation lifecycle:

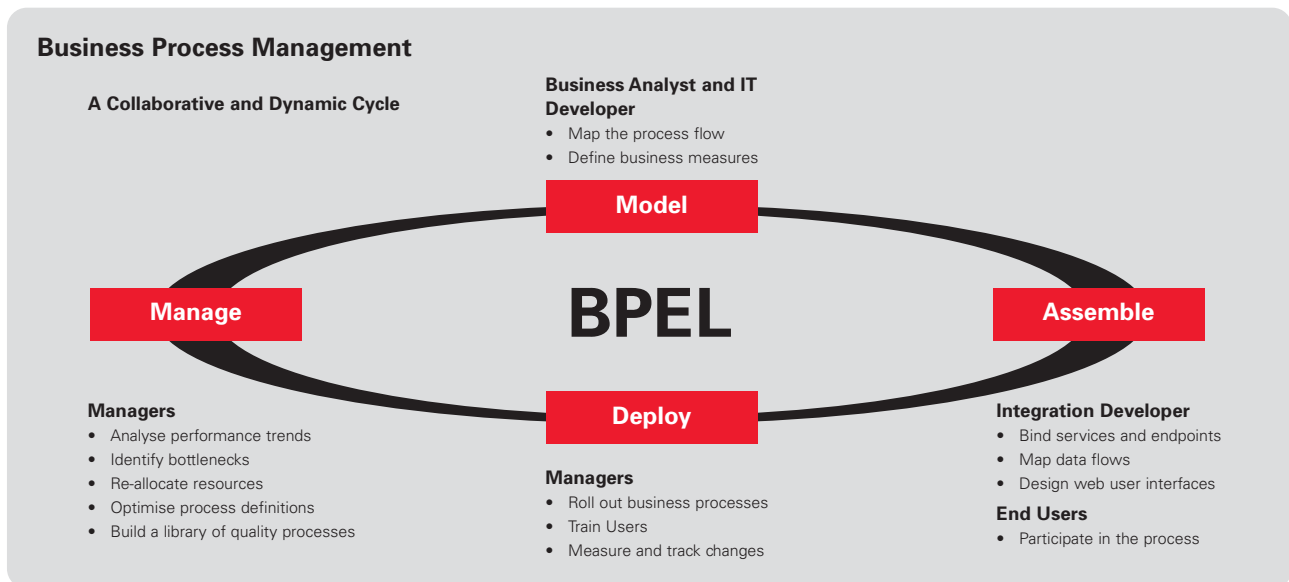
It provides business analysts with a GUI console to model new processes, referencing existing Web Services and applications.

This standard process model can then be run directly on any Application Server using the Process Manager Console. The process can thus be monitored, refined and re-run quickly and effectively

Business Process Management also allows the developer community to manage or 'orchestrate' the Web Services already being developed and which are available within and beyond the enterprise. Until now, these have been 'hard wired' together using traditional coding techniques.

The benefits are clear:

- Far shorter timescales to delivering and running processes
- Closing the communication gap between the business and IT
- Delivering a single consistent view of the process that both business and developers can understand
- Effectively orchestrating integration between services and applications within the enterprise.



The largest prize is that by adopting this approach to integration, organisations can start to understand their processes and applications far better. They gain visibility of the resources they need, of the efficiency of processes, and of the dependencies and constraints that make or break process effectiveness.

Finally organisations can start to track information flows within transactions and services, responding to events, applying current information to historic overviews, and delivering true real-time business intelligence.

Oracle BPM is the only solution of its kind that is completely application server agnostic: it simply provides a thin management layer above your existing server, minimising the need for new investment in infrastructure.

## Conclusion

Success in highly competitive global financial services markets comes to those who are differentiated by virtue of their ability to innovate with new products, services and alliances, characterised by their speed to market, their responsiveness to change, their capacity to reduce costs, their excellence of customer service, and their control of risk and uncertainty.

Process execution underpins all those ambitions.

A process-centric approach to developing the business and its underlying information management systems and applications will pay immediate dividends. Performance will improve. Costs will drop. Profits will rise.

Modelling and delivering new or modified processes becomes a single integrated corporate task. This is because there is a common standard language – BPEL – to support a unified conversation between the business need and the business solution. It ensures that delays and costs are slashed, while services and business activities in front and back office are optimised.

Oracle Business Process Manager is a key to winning the benefits of process execution speed and differentiation. Oracle BPM is itself unique. It is a completely open, server-agnostic technology. Unlike every other offering that requires additional infrastructure investment, it links seamlessly with your current web services and SOA approach to accelerate your business, to ensure you lead the pace in a dynamic, fast moving world.

### **Carrying the conversation forward**

For more information and to discuss the issues, ideas and solutions reviewed in this guide please contact  
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