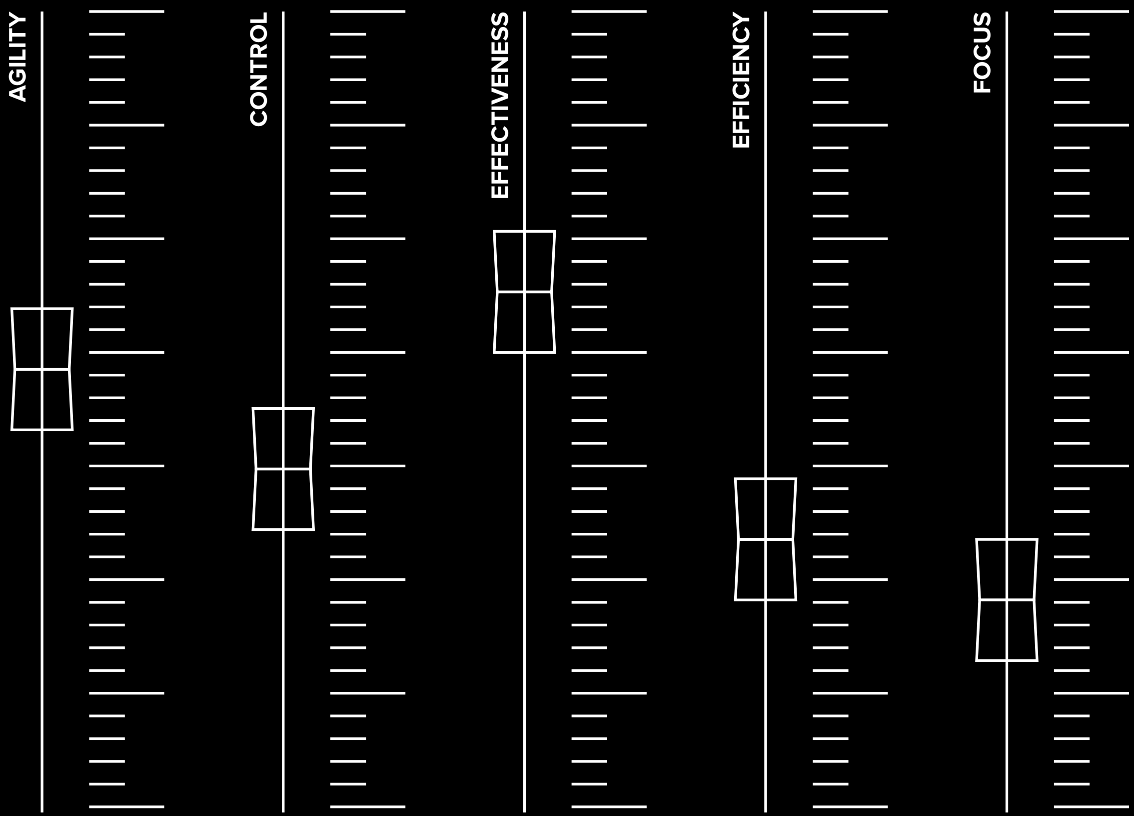
OPSTRACKER Q3 2023

PERFORMANCE TRACKER FOR OPERATIONS

Financial Services



Quarterly Report

ActiveOps

Contents

> ... *while the UK and Ireland continue to lag globally, North America and Australia maintain their steady progress; underscoring that with better planning and control, operational performance will improve.*

Foreword

Stuart Pugh
Chief Product Officer, ActiveOps

Welcome to the latest edition of OpsTracker – the ActiveOps Performance Tracker for Operations – designed for Executives leading operations in financial services and business outsourcers.

The first half of the year has proven challenging for operations leaders who had to navigate a fresh wave of disruption caused by persistent inflation and rapid interest rate rises. Following a tricky first quarter, the second quarter ended on a more positive note with all regions posting improved performance scores.

There has, however, been divergence locally. At UK banks, work volumes declined as economic conditions soured and demand for traditional financial services such as mortgages and loans dried up. By contrast, banks in Ireland are just as busy as ever as the exit of two foreign lenders resulted in a surge of inbound work. In this edition, Ray Bowe from Xcentuate takes a closer look at how those closures impacted operations teams at Ireland's three largest remaining banks and how leaders are responding.

Over in North America, another trend gaining traction is organizations merging their front and back offices to streamline operations. Spencer O'Leary explores how organizations can benefit from dismantling the barriers between front and back-office teams and taking a more holistic view of their operations.

Meanwhile in Australia, the column inches are covered with the so-called 'Great Sacking'. Experienced operations leader Jane Lambert takes a look at the potential impact that cutting headcount without reliable data can have on ops teams and maintaining the right skills levels.

One last thing to note – while the UK and Ireland continue to lag globally, North America and Australia maintain their steady progress; underscoring that with better planning and control, operational performance will improve. Operations leaders can look to our OpsIndex data for those regions as a blueprint for success and see what levers they can pull to improve operational performance in their own organizations. In his guest article, senior operations leader Marc Romain challenges operations teams to get a handle on their data to drive better decision making, and why this is critical for understanding the right levers to pull.

I hope you enjoy and find this edition useful. We look forward to sharing next quarter's findings and recommendations. And if you want to be the first one to hear about it, **sign up for the quarterly updates**.

Executive Summary

Operations Teams See Improvement in Q2 After Tough Start to Year

The first half of the year has been the most disruptive period for operations teams since the pandemic as high inflation and rising interest rates has dampened economic activity, extending a cost-of-living crisis that is impacting consumers around the world.

For operations leaders, this has created a backdrop that makes it harder to plan and harder to optimize resources.

In this edition of the Quarterly Performance Tracker for Operations, we review OpsIndex data for the past three months; looking back on the first half of the year to see how operations teams are rising to the challenge, plus the steps they should take to improve performance during the remainder of the year.

The OpsIndex aggregates the data of thousands of operations functions worldwide to analyze how organizations are running their operations according to five key metrics – agility, control, effectiveness, efficiency, and focus – giving an overall score.

The UK and Ireland saw its OpsIndex score jump to 50.2% in the second quarter, a 7% increase compared to the first quarter and roughly 2% above where it was at the end of last year. North America also saw a steady increase, rising 7% in the second quarter to 57.5% and now 8% above the final quarter of 2022. Australia and New Zealand, while remaining the best performing region overall, flatlined in the opening quarter and advanced just about 2% in the second to 60.7%.

TRENDS TO WATCH

Improving Decision Intelligence

There is a recipe for success when it comes to improving operational performance, but at the heart of that is good decision intelligence that helps ops leaders to pull the right levers to optimize resources. Getting their data in order is key for ops teams to achieve this so they can generate the insights needed to inform better decision making and produce consistent performance gains.

Taking a Holistic Approach to Ops

With consumers increasingly expecting a seamless experience when they interact with service providers, some organizations – notably in North America – are combining front and back offices to reduce friction when customers are passed between different business functions. As a result, operations teams are increasingly handling work on a customer or case basis, rather than handling specific tasks – merging resources and potentially improving efficiency by maximizing capacity and reducing costs.

Work Volumes Remain Unpredictable

Operations teams continue to face fluctuations in inbound work as a combination of elevated interest rates, high inflation and a squeeze on household budgets has dampened the macro environment. As a result, customer needs have shifted, in some cases causing a drop off in activity and in others creating demand in new areas. Organizations must ensure they have the necessary agility to manage these variations and that any downtime is managed effectively (such as training staff to handle additional work outside their usual skillset).

Identifying Disruptive Workers

Organizations have been grappling with the phenomenon of 'quiet quitting' over the past year (where employees put in the minimum effort required, stunting productivity); now they are increasingly having to deal with so-called 'loud quitters' – people who actively taking action that could harm the business or undermine its goals. Alarmingly, almost one in five workers is a loud quitter, according to a Gallup[1] study published in June. For operations leaders, loud quitters can potentially derail efforts to meet service level agreements, weighing on the effectiveness of ops teams and pushing OpsIndex scores lower.

Resource Strains to Test Agility Levels

While job losses in North America have started to slow, redundancies have been accelerating in Australia, branded 'The Great Sacking' as organizations seek to cut headcount to manage inflated costs. This will test operations teams' agility levels as ops leaders are forced to manage workloads with fewer resources and plug gaps by borrowing team members from different departments. With both regions showing steady improvements in recent months, OpsIndex data over the coming quarter will indicate if those gains are built on solid footings or more brittle foundations.

Spotlight

Marc Romain
Senior Operations Leader

How Better Operational Data Can Future Proof Operations and Improve Decision Making

Marc Romain, an experienced ops leader who has worked at some of the world's largest banks, shares the challenges banking operations face from a lack of integrated data insights and why ops leaders need access to real-time data now more than ever

> *Organizations that aren't embracing data-led insights into their decision making will miss opportunities to drive improved performance and operational resilience.*

Banking operational teams have a persistent data problem – they are sitting on vast quantities of data, but generating insights from it to make critical decisions has frequently proved elusive. In my career spanning more than 30 years in banking operations, I've witnessed first-hand the challenges this creates and the ongoing struggle for ops teams to get a better handle on their data.

A combination of factors has contributed to this issue. First, banks often depend on sprawling legacy systems and fragmented infrastructure where data is usually processed in batches at the end of the day, making it impossible to get real-time insights operations leaders need. Second, operations teams don't always have the necessary data and analytical skills to drive more informed decision making. A third more recent challenge is the rise of hybrid working and managing teams who are both remote and in the office.

All of that has made it very challenging to capture and extract data and pull it together in an integrated, insightful way that can lead to better analysis and decision intelligence.

In an environment where operations leaders are under increased pressure to do more with less, those data-driven insights are crucial for ops teams to allocate and scale resources more efficiently while understanding and improving the end-to-end customer experience.

In one of my recent roles we had to deal with the launch and implementation of two UK government coronavirus loan schemes. We knew this would create a temporary spike in volume. Therefore, we needed to understand current team capacity and capability so we could either make a business case for hiring more people or cross-training existing staff to build scale quickly, none of which can be done efficiently without access to reliable data insights.

It is not just about cost either. Advances in technology and digitization through the use of bots, machine learning and AI means it is increasingly important for data to be integrated and presented in a way that gives a 'helicopter' view of operations. This enables leaders and ops managers to drill into relevant detail in a timely manner so they can plan more effectively and better manage resources, while also transforming operations for the future and ensuring you are building the right skillset.

Those organizations that aren't embracing data-led insights into their decision making will miss opportunities to drive improved performance and operational resilience.

To get on the right path, operations leaders must ensure data is a key consideration for organizations when moving from legacy systems to new technology by stressing the importance of high-quality, integrated and timely data. This will ensure they get the data insights they need, helping drive process efficiencies and streamlining the operations function.

While operations staff don't need to be data scientists, they do need to use data in an informed and unemotional way. Therefore, operations leaders must also invest in training and development so those skills are present across teams while also taking advantage of advanced AI to provide more prescriptive insights (and potentially reducing resource needs).

Ultimately this can help improve decision intelligence for workforce management, moving away from an emotion-led decision-making environment to one that is entirely data driven. This will lead to more streamlined and efficiently run operational teams that are more resilient to future industry opportunities and challenges.

> *The level of operational control over performance is fundamental to an organisation's success. It is also a differentiator.*

RUNNING OPERATIONS 101

OpsIndex: The Metrics That Matter

Financial services operations teams have been heavily focused on improving efficiency. Many organizations have invested in technology, such as RPA.

Others have adopted modern business techniques such as Lean Six Sigma to reduce variation and waste. While that has helped streamline their operations, being more efficient doesn't necessarily mean operations are being run any better.

The level of operational control over performance is fundamental to an organization's success. It is also a differentiator–given the same market context, compliance constraints and customer base, if a company is more agile, it carries less latent capacity and can deliver better service.

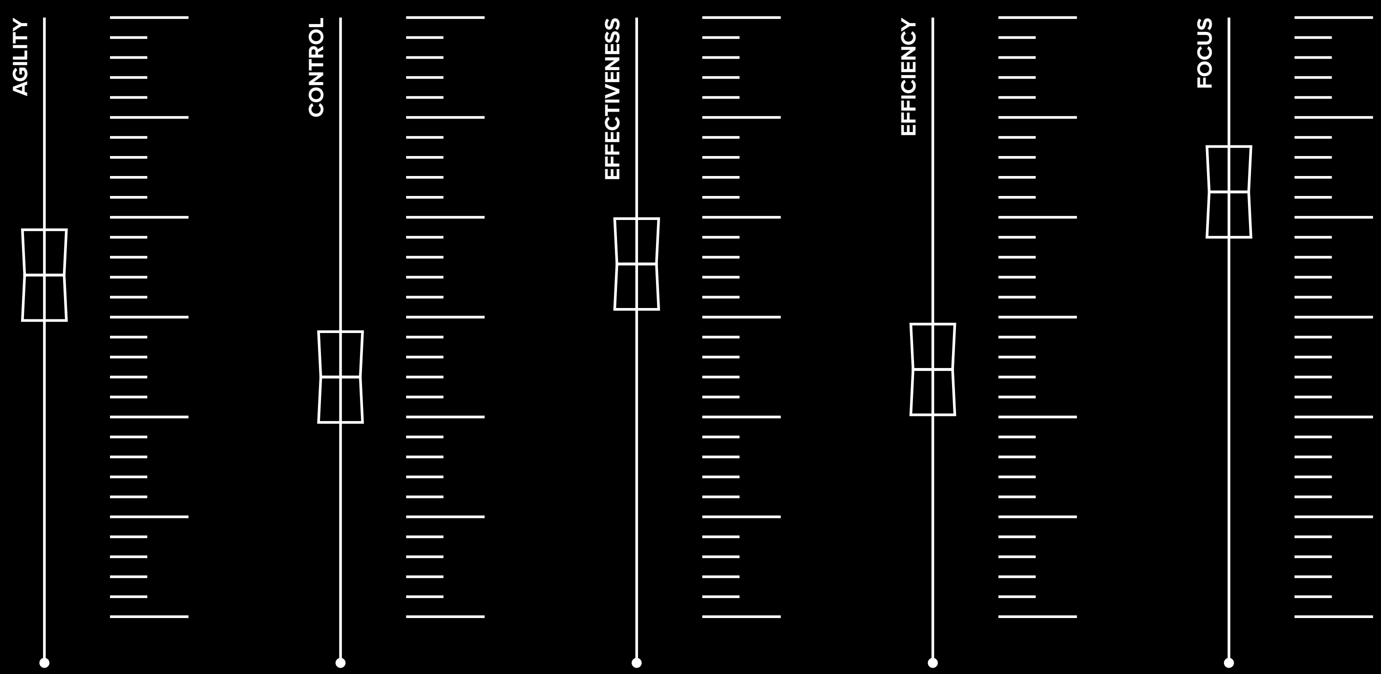
One of the challenges for benchmarking operational processes is comparability. The OpsIndex measures how well operations are being run, within the variety and complexity of the underlying business activities. It provides comparisons against five metrics –agility, control, effectiveness, efficiency, and focus–that are agnostic to processes or business structure and focused on the indicator of how well organizations are running their operations.

This enables operations leaders to track the choices they are making and monitor how those choices interplay with one another –pushing too hard or too little on one metric could negatively impact on others. By contrast, getting the optimal balance right may have a positive impact on other metrics–for example, control leads to greater agility, which delivers improved efficiency.

The OpsIndex rates back-office operations on their performance for each metric and then calculates an overall score. When organizations first embark on this journey with ActiveOps, many start with an overall OpsIndex score of around 30 or lower. Once organizations take steps to improve operational performance, a score of 80 or higher indicates that operations are being run well.

The OpsIndex Score

HOW IS THIS CALCULATED?



Agility

Are you well balanced?

Agility measures how flexible your capacity is when moving resources between teams and managing flexitime, overtime and temporary workers to meet shifts in workload

Control

Do you have the production control to consistently & reliably meet the goals that you set?

Control measures the ability to create a predictable environment and deliver against a plan

Effectiveness

Are you consistently meeting service expectations & service level agreements?

Effectiveness measures how well ops teams keep work in progress on track or ahead of schedule

Efficiency

Are you consistently getting the most out of your employees?

A low score on efficiency means that you are getting less value for money from your workers

Focus

How well are you focusing your time on core activities?

A high score on focus might suggest you are not investing sufficiently in the training and development needed to boost agility levels

why it matters

- Agility: Ability to flex resource to meet the variation in work you experience
- Control: Ability to plan with precision and ambition to deliver against that plan
- Effectiveness: Ability to maintain WIP at or under planned levels
- Efficiency: Ability to operate consistently at a stretched but achievable rate of productivity
- Focus: Ability to direct your paid time to core work

what you can do

- Agility: Improve your ability to effectively manage your work and people
- Control: Improve your ability to manage and execute against your plan
- Effectiveness: Improve ability to plan and control against that plan
- Efficiency: Improve ability to plan and control against that plan
- Focus: Identify if you have enough people skilled to use the tools and focused on the right type of work

the payback

- +1% AGILITY =1% CAPACITY
- +5% CONTROL =2% CAPACITY
- + EFFECTIVENESS = IMPROVED SLAs
- +1% EFFICIENCY =1% CAPACITY
- +1% FOCUS =1% CAPACITY

Understanding work out per paid hour

This metric helps operations managers track how much work is completed per hour of employee spend. For instance, if an organization is paying out for more sickness time, work out per paid hour would decline.

OpsIndex Performance Across Regions

UK & Ireland

The UK and Ireland saw a minor rebound over the past three months, boosted by improved efficiency and effectiveness levels. That arrests two quarters of consecutive declines, hitting its highest OpsIndex score since the third quarter of 2022 (rising to 50.2% from 46.8% in Q1). The story to watch over the coming quarter is whether this is a temporary bounce back or the start of a sustained turnaround in operational performance - as it continuously declined and lagged behind the other regions since Q3 2021. Either way, operations teams in the UK should look to other regions as a recipe for success – by pulling the right levers, they will start to see consistent gains.

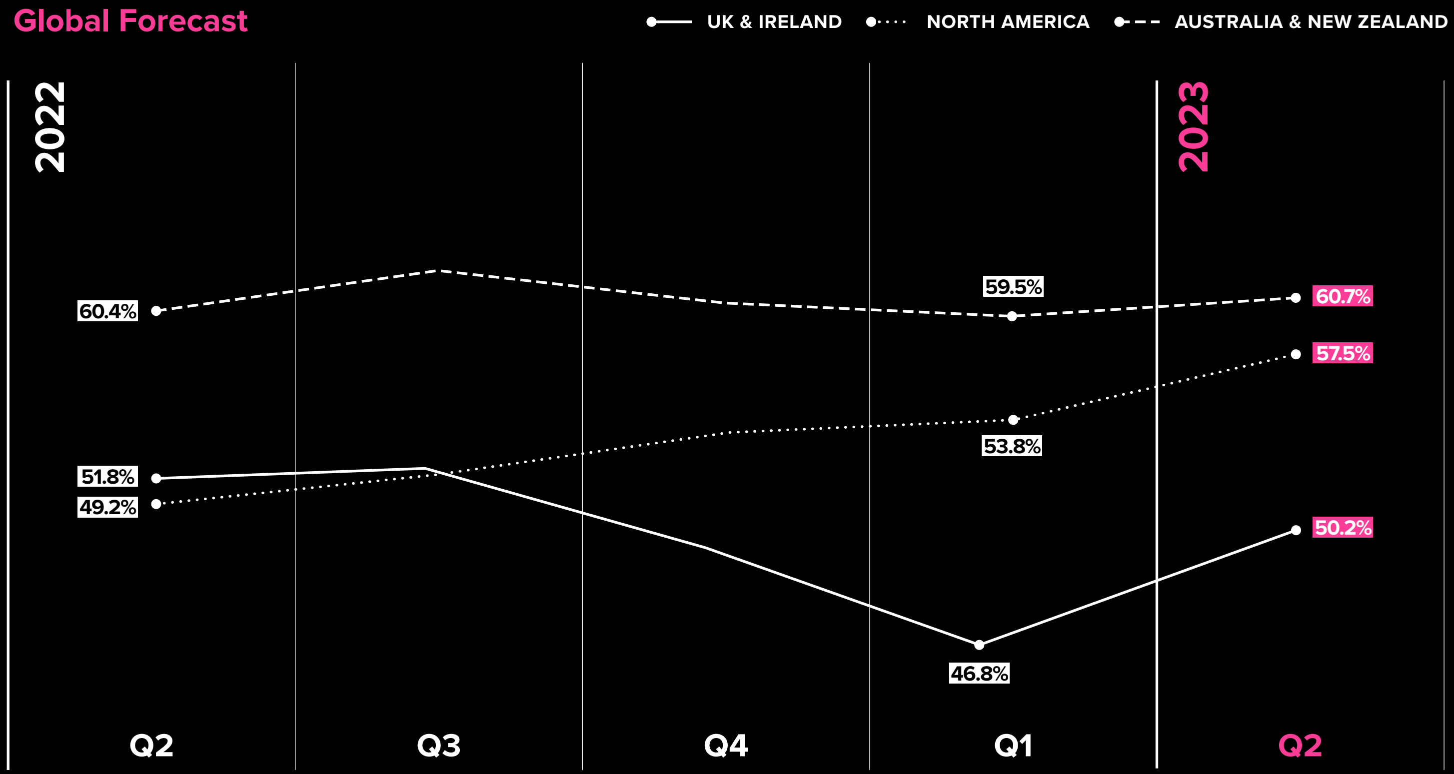
North America

Ops teams in North America have made steady progress for the fourth consecutive quarter, with the region's overall OpsIndex score edging up to 57.5% in Q2, continuing to close the gap with Australia and New Zealand. That is an 8% rise compared to the end of last year, driven by improved control levels. A reduction in job cuts suggests the operating environment might be starting to improve. This will demand greater agility going forward if inbound work volumes increase, particularly if teams have been scaled back during the redundancy wave in the early part of the year.

Australia & New Zealand

Australia and New Zealand remains the pace-setting region, though its OpsIndex score was relatively unchanged over the past quarter, edging up by just about 2% to 60.7%. Efforts to improve planning and target-setting have seen control levels reach their highest level for more than three years. That puts organizations in a strong position to deliver further gains in the months ahead, but they will have to do so against a more uncertain economic backdrop and an increase in job cuts.

Global Forecast



Review and Forecast

UK & Ireland

Q2 2022	Q1 2023	Q2 2023
51.8%	46.8%	50.2%

After two consecutive quarters of deteriorating OpsIndex scores, companies in the UK and Ireland have reason to be cautiously optimistic as operational performance shows signs of getting back on track. The region's OpsIndex score rose to 50.2% from 46.8% in the first three months of the year – the first time the score has been above 50% since the third quarter of 2022.

That improved performance comes amid a divergence in the operating environment in the UK and Ireland. UK GDP expanded by 0.2% in the second quarter, compared to an expansion of 3.3% in Ireland.

That backdrop is having a knock-on effect on the volume of inbound work. In the UK, the cost-of-living crisis has seen demand cool, while Ireland's brighter outlook means volumes are robust at a time when Irish banks continue to work through the impact of KBC Bank and Ulster Bank exiting the country. Read the expert opinion article from Ray Bowe on page 10.

UK operations teams are also grappling with an increase in downtime, up to almost 34% of work hours at the end of the second quarter from just over 26% a year ago, according to ActiveOps data. Time robbed by a cluster of public holidays in Q2 and elevated sickness levels (the highest since 2004, according to the Office for National Statistics[2]), has pushed down focus levels.

Agility – is steady quarter-on-quarter (QoQ) but lower year-on-year (YoY), and the lowest in all regions. Given the drop in focus (see below), agility would normally be expected to increase: a warning for operations teams that they may struggle to flex capacity when needed.

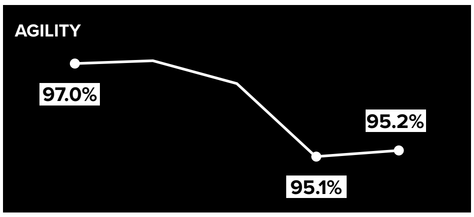
Control – is steady QoQ but higher YoY, underscoring some progress over the past 12 months but with significant room for improvement to match other regions (it is the only region with a control score under 50%).

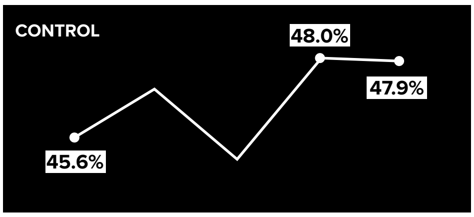
Effectiveness – is consistently higher, potentially because the drop in work volumes has made it easier to meet service level agreements.

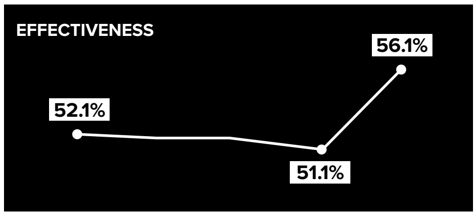
Efficiency – is higher QoQ, highlighting that work is being completed faster due to the drop in work volumes. Even so, efficiency levels continue to lag other regions.

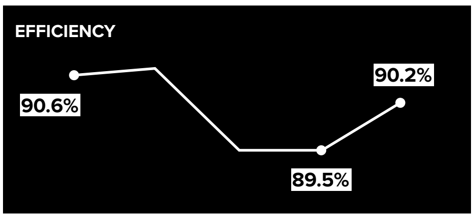
Focus – dropped to a record low, underscoring the reduction in core work and the increased time operations teams are spending on non-core activities such as training (helping boost agility for when demand picks up) or just not being at work (public holidays and sickness).

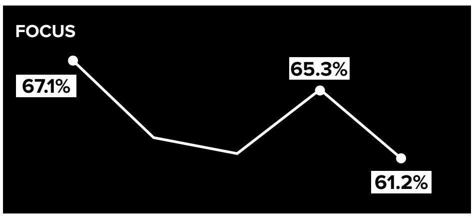
Work out per paid hour – has flatlined for the past three quarters, reflecting broader stagnation in the UK economy as output stalls. If efficiency continues to improve and focus recovers, then work out per paid hour should go up.











WORK OUT / PAID HOUR	-2.9%

Things to Consider

While the UK and Ireland has seen performance improve over the past quarter, the region continues to lag the rest of the world in multiple areas – underscoring the scale of improvement needed if the region is to make meaningful performance gains.

- UK organizations are spending way less time on core activities than other regions (61% compared to mid-70s elsewhere). While that has been impacted by a decline in inbound work, operations leaders need to ensure that any idle time is being maximized for when volumes return to more normal levels.
- Organizations have made progress on control levels over the past year (such as getting better at planning and optimizing the use of their capacity), but they remain lower than other regions, highlighting there is more work to do to appropriately allocate and stretch workers to ambitious but achievable levels.
- Operations teams have seen a notable jump in effectiveness over the past three months (in part because it is easier to meet targets when work volumes are low). By focusing on agility-boosting activities during quieter periods and improving control levels, organizations can ensure effectiveness remains robust once activity picks up again.

Spotlight

Ray Bowe
Chief Executive Officer
at Xcentuate

Why Irish Banks Are Poised for Greater Productivity

Ray Bowe from Dublin-based international operational management solutions provider Xcentuate, explains the nuances between the UK and Irish market, how Ireland's banks are benefiting from the exit of two foreign players, and the impact that is having on operations teams.

Operational performance in Ireland has historically moved broadly in tandem with the UK. Yet in the wake of Brexit, economic fortunes have started to diverge, which has implications for the Irish banks and their operations teams.

To start with, Ireland is running a substantial surplus[3], whereas the UK is dealing with a significant deficit[4]. Inflation is also running slightly hotter in the UK[5], while growth is higher in Ireland[6].

All of that is feeding into a sense of a booming economy in the country, with the banking, tech and pharma industries all benefiting and Ireland setting the pace for other European markets.

Ireland's banks have also grown stronger since the financial crisis and have worked hard to improve their capital ratios. The hangover from the crisis was still being felt this year, however, when two foreign banks – Belgium's KBC Bank and Northern Ireland's Ulster Bank (owned by NatWest) – both exited the country after gradually winding down their Irish presence, in part to redeploy capital in their domestic markets.

Those exits have created a once-in-a-lifetime boom for the remaining three big banks – AIB, Bank of Ireland and PTSB – by absorbing their customers, with around one million former KBC and Ulster Bank customers left looking for new homes for their current accounts and mortgages.

At the same time as that influx of new business, the brighter economic outlook also resulted in increased staff turnover last year as pent-up demand from COVID (when fewer people sought to change jobs) washed through.

All of that has had an outsize impact on operations teams. Onboarding those new customers from KBC and Ulster Bank saw a massive spike in activity, particularly in areas such as operations, while resources were stretched from higher-than-normal staff churn. The net result: productivity declined. So, while the stresses and strains that caused that decline were different than in the UK, the overall impact on productivity was the same.

That onboarding work is largely now completed, and the uptick in staff turnover seen last year has eased. Yet the increase in customers means operations teams are now having to handle a higher workload (and we haven't even started to see the effects of cross-selling or up-selling new products to ex-KBC and Ulster Bank customers). The higher baseline of work has manifested in two trends – a fresh hiring push for more back-office staff and an increased shift towards outsourcing to manage higher inbound work volumes. There is also likely to be a steady stream of tidy-up work required to bed those new accounts in and iron out any issues.

To help with that, I expect to see continued efforts on digital transformation and automation, and a greater focus on efficiency. There will likely be an uplift in productivity levels in the coming months as conditions stabilize and operations teams at Ireland's remaining banks get comfortable with the higher level of activity.

So, what should Irish banks operations leaders focus on in the second half of the year? Firstly, ensuring their systems can smoothly manage a massive influx of new business and not buckle under pressure (while also effectively managing their existing customers). Secondly, accelerating their ongoing digital transformation and automation programmes. Why? Because with AI and an evolving technology landscape, the nature of operations is changing and no business can afford to be left behind. As AI advances, operations teams need to get an integrated view of their data to feed into those systems and support better decision making, driving efficiency gains and boosting productivity levels.

With AI and an evolving technology landscape, the nature of operations is changing and no business can afford to be left behind.

Review and Forecast

North America

Q2 2022 **49.2%** | Q1 2023 **53.8%** | Q2 2023 **57.5%**

North American operations teams continue on their upward performance trajectory as any lingering effects of the US banking crisis fizzled out during the second quarter.

Optimism has been supported by a better economic outlook[7], with inflation easing in June to 3%, the 12th consecutive month that price rises had slowed. While prices accelerated[8] by 3.2% in July, that is still sharply lower than the 9.1% hit in June 2022 – though the US Federal Reserve did resume raising rates after a pause[9] in June (now at a 22-year-high 5.25% to 5.5%).

Job cuts also slowed in July to their lowest level in 11 months as tech sector redundancies fell, according to employment firm Challenger, Gray & Christmas[10], suggesting efforts to trim workforces may be nearing a conclusion. Tech companies led US job cuts in the first seven months of the year, with more than 146,000 workers losing their jobs – though less than 5,000 of them came in July (compared to almost 23,000 in May), the Challenger, Gray & Christmas data showed.

For operations teams, this might herald the end of doing more with less as staffing levels stabilize. That might also have helped operations teams improve service delivery, with gains in effectiveness outweighing declines in control and focus, helping North America's OpsIndex score advance for the fourth quarter in a row and continue to narrow the gap with organizations in Australia and New Zealand.

Agility – is consistently stable, suggesting operations teams have the flexibility they need, but there is room for improvement given it is 10 percentage points lower than in Australia and New Zealand.

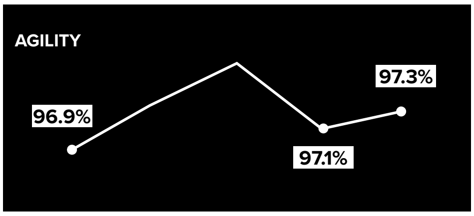
Control – is higher for the third quarter in a row, underscoring that consistent efforts to plan more effectively are paying off.

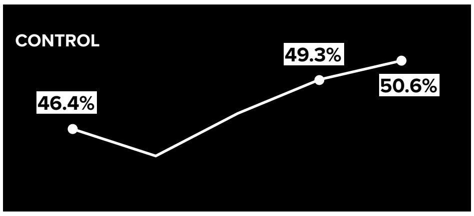
Effectiveness – is higher, bouncing back from two quarters of marginal declines, reducing concerns that cost-cutting efforts were adversely impacting service levels.

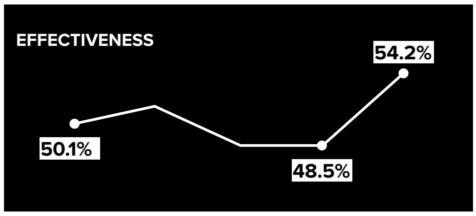
Efficiency – is steady QoQ but higher YoY – an area to watch in the coming months. After three consecutive quarters of efficiency improvements, the plateauing in Q2 could be a sign that operations leaders may need to find new ways to squeeze out further gains.

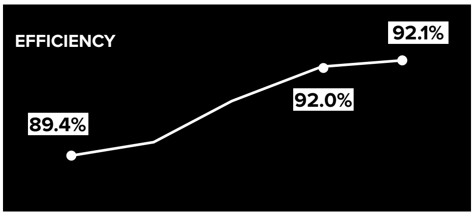
Focus – is lower, though it is roughly where it needs to be, highlighting an appropriate balance between time spent on core activities and time spent on agility-improving measures.

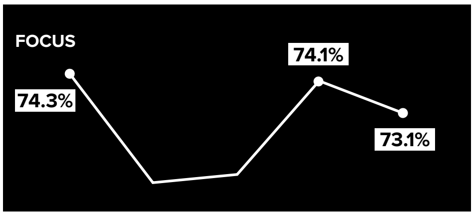
Work out per paid hour – is lower, reflecting the stall in efficiency levels.











WORK OUT / PAID HOUR **-1.74%**

Things to Consider

North America's overall OpsIndex score shows organizations in the region have continued to make steady progress on operating performance during the first half of the year, though there are areas of potential concern that need to be addressed to ensure standards don't slip in the months ahead.

- With a brighter economic outlook and job cuts slowing, work volumes are likely to pick up again, meaning organizations need to ensure they have the flexibility to allocate resources effectively (while stable this quarter, agility levels have been on a slight downward trajectory so far this year).
- North American organizations have been making consistent strides with their control levels over the past year. As operating conditions improve, organizations need to double down on control to ensure higher work volumes don't translate into excessive work in progress levels.
- With agility levels softening over the first six months of the year, North American operations leaders need to ensure they are getting the most out of their teams to avoid the pause in efficiency gains in Q2 turning into deteriorating levels over the next three months.

Spotlight

Spencer O'Leary
Managing Director North America
at ActiveOps

Integrating Front and Back-office Resources to Improve Customer Experience and Operational Efficiency

Spencer O'Leary discusses the growing trend of merging resources across front and back-office functions and how it delivers reduced cost, better customer service, and increased employee engagement.

> *By breaking down staffing and data silos and using operational intelligence to make informed decisions organizations can improve customer service, employee engagement, and cost-effectiveness.*

Traditional organizational structures mean that operations leaders usually have a specific remit – you manage the front office or the back office. In isolation, ops leaders can optimize their department, but it still creates sub-optimal outcomes for an organization's overall operational efficiency given the inherent latency that is built in whenever you segment pools of workers into smaller groups. This approach can deliver great service but sometimes too much capacity is left on the table.

Take the front office. You might need 100 call center staff when the phone lines open at 9am, but 15 minutes later you only need 80 of them as call volumes drop. You can't employ people for just 15 minutes, so at best you have 20 people 'available' for the majority of a four-hour shift, creating a constant oversupply of resources in the front office.

At the same time, many organizations will have an undersupply of resources in the back office during certain periods when work volumes fluctuate. With multiple day service levels in the back office, available work is rarely an issue – knowing who is available, and who can do what work when, however, is a challenge.

For some operations leaders, that has sparked a light bulb moment – what if you could share resources across the front and back office. Some ops leaders have done just that by taking a holistic approach to workforce management. Those leaders realized they could smooth out peaks in back-office workloads by moving staff from the front office to handle low level back-office tasks, while reassigning back-office staff to do more complex work.

Historically, the difficulty with sharing front and back-office resources is a lack of suitable technology and siloed systems and data that hinder the ops managers ability to respond to shifts in workload in real time. By investing in the right tech, ops teams can get real-time visibility into work in progress, skillsets and incoming work volumes, enabling the front and back office to share resources as needed.

We are seeing operations teams across banks and insurance companies adopting this holistic approach, driven by a need to cut costs while also meeting evolving customer expectations and needs. Customers increasingly expect a seamless experience through a single point of contact.

I recently visited one of our banking clients in North America, whose operations head was one of the first to take what they call an 'enterprise' view of workforce management where they are using data to allocate resources across front and back-office teams depending on forecasted work volumes. Not only did this lead to more efficient work allocation, but it also enabled employees to learn new skills beyond their usual roles. As a result, attrition rates decreased, and the organization managed workload fluctuations without the need for constant hiring. It also helped boost their agility levels, enhancing future resiliency.

Ultimately integrating resources between the front and back offices helps improve operational efficiency. By breaking down staffing and data silos and using operational intelligence to make informed decisions on resource allocation, organizations can improve customer service, employee engagement, and cost-effectiveness.

Review and Forecast

Australia & New Zealand

Q2 2022	Q1 2023	Q2 2023
60.4%	59.5%	60.7%

After flatlining in the previous quarter, operations teams in Australia and New Zealand saw a slight improvement in performance during Q2, potentially signaling that any Q1 stagnation was down to seasonal noise (summer holidays) rather than a sign of operational malaise setting in more permanently.

Like the story elsewhere, annual inflation[11] remains a persistent challenge (albeit easing in Q2 to 6% from 7% in Q1), with the Reserve Bank of Australia raising its benchmark rate to an 11-year high of 4.1% in June, hinting that further rate hikes might be necessary to get price rises under control (though it held them steady in July and August[12]). That is having a knock-on effect on households, with higher mortgage rates weighing on consumer finances, dampening the economic outlook.

New Zealand is also seeing households face an ongoing spending squeeze as mortgage rates rocket.

While the region remains the frontrunner in the OpsIndex, performance in the first half of the year has been fairly muted compared to the gains made over the past two years. If the steady improvements in control continue, however, then the region is likely to post more solid gains in performance over the coming six months.

Agility – is steady, though levels are below their pandemic-era peak, suggesting operations teams are not making the most of their capacity (given the variations in inbound work caused by the squeeze on household budgets).

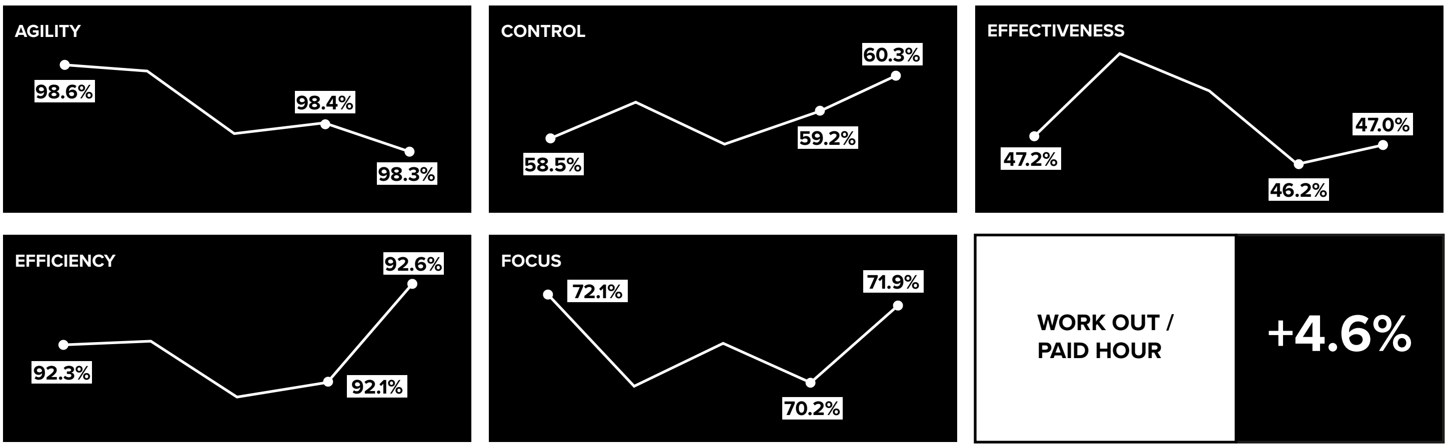
Control – is at its highest level in more than three years, underscoring ongoing efforts to set ambitious but realistic work targets (and reflecting increased use of ControliQ over the past six months). This will lead to wider performance improvements, with efficiency, effectiveness and focus scores already benefiting.

Effectiveness – is higher QoQ, rebounding after two consecutive quarters of declines and underpinned by better planning and control levels.

Efficiency – is slightly higher, again reflecting the steady improvement in control over the past two quarters, helping operations leaders get more mileage out of their teams and enhance service delivery.

Focus – is higher QoQ, but with room for improvement when compared to North America. Further improvements in Focus will lead to further gains in Work out per paid hour, but will organizations be up to the challenge in next quarters?

Work out per paid hour – is at highest level in at least two years supported by steady gains in focus and efficiency.



Things to Consider

Australia and New Zealand-based organizations continue to be well placed to make further performance gains in the months ahead, though attention will remain on whether operations leaders in the region can make the most out of their available capacity (something that has been a persistent issue over the past year).

- As the squeeze on household finances causes a shift in work activity, organizations in the region need to improve their agility levels to better manage resources (and to ensure recent efficiency gains are maintained).
- While focus levels have improved over the past quarter (possibly because holidays in Q1 increased downtime), Australia and New Zealand-based organizations have lower diverted time than other regions. This suggests more time could be allocated to training and development, which will help support greater agility levels.
- Efforts to improve control during the first half of the year have been a success – organizations in the region now need to build on those efforts to ensure the renewed upward momentum in operational performance continues.

Spotlight

Jane Lambert
Managing Director APAC
at ActiveOps

The Great Sacking – Why Australian Banks Face Doing More with Even Less

Jane Lambert, an experienced operations leader and now Managing Director for ActiveOps in the APAC region, unpacks Australia's latest trends, including 'The Great Sacking', and what it means for operations teams in the region

> *If ops leaders don't have a cross-skilling strategy, banks will struggle as ops teams are forced to do more with even less.*

Where once we had 'The Great Resignation', now we are facing what some in Australia have branded 'The Great Sacking'.

While that term might be a touch dramatic, the current wave of Australian job losses is extending a trend seen in other parts of the world where economic uncertainty, higher inflation and a cost-of-living crisis are weighing on bank operations teams. As with past recessions, Australia tends to lag other regions, in part because the economy has proved resilient.

Yet the job losses are also shining a spotlight on two other trends in Australia: the country's COVID-era hiring practices and the impact of artificial intelligence and digitization on the future of work.

As the pandemic raged and workers reassessed their career options, businesses were forced to pay much higher salaries to entice staff – often paying way over the going rate. At the time, organizations had little choice but to pay up, but now as cost pressures mount, many are responding by cutting headcount.

The squeeze on finances is also coming at a time when interest around AI and digitization is accelerating, with automation reducing the need for certain roles. In addition, Australian organizations have renewed outsourcing jobs that had been brought back in-house during the pandemic. And there is growing unease about hybrid working policies as some business leaders order staff to return to the office, putting further strain on staff morale.

The big question now is what impact these job losses are going to have on organizations in the region. The OpsTracker data shows Australian banks are outperforming other regions, with consistent control and agility levels. Over the next quarter we will see whether this downsizing trend has a material impact on performance or whether those agility levels are robust enough to maintain service levels with reduced headcount.

This is where technology plays a key role and data is critical. If banks start chopping headcount without the right technology to support decision making, then chances are backlogs (in other words, too much work in progress) will grow and performance will decline, impacting customer experience.

While the right amount of work in progress can be a good thing, allowing banks to smooth out capacity efficiently and reduce over-servicing, if not managed, banks may find themselves with more work than they can handle. This typically results in a fresh recruitment drive to get work in progress back on track.

All of this can be avoided with good planning tools and the right data, allowing banks to optimize staffing levels. It also ensures they can maintain the skills and agility levels needed to meet inbound work volumes, without work getting stuck in silos because only a handful of specialists remain who can perform certain tasks.

If ops leaders don't have a cross-skilling strategy in their business or they don't have visibility around what percentage of a particular skillset they need, then those banks will struggle as the effects of The Great Sacking linger and ops teams are forced to do more with even less.

Conclusion

After a difficult start to the year for some organizations, operations teams in all regions saw improved performance in the second quarter. Over the coming quarter, we will see if operations leaders can solidify the gains or whether the ongoing global economic uncertainty will scupper those efforts. Against that backdrop, operations leaders must ensure they understand which levers to pull – agility, control, effectiveness, efficiency, and focus – and by how much to strike the optimal balance that will allow performance to continue trending in the right direction.

By following OpsIndex metrics, the quarterly Performance Tracker can give you a clearer idea of the levers you need to focus on to keep performance on track. Here are the latest trends to watch over the next three months.

> *By getting a better handle on their data, ops leaders can get the decision intelligence they need to run operations more efficiently and productively.*

Get Your Data in Order

Despite efforts to become more digitally agile, many organizations still need to get their data out of silos and sorted in a way that can generate meaningful insights to aid decision making at the right time. By getting a better handle on their data, ops leaders can get the decision intelligence they need to run operations more efficiently and productively.

A Holistic Approach Can Generate Efficiency Gains

With financial institutions under pressure to cut costs, some organizations in North America have been seeking to improve efficiency by merging front and back-office teams. By adopting an 'enterprise' approach to resource management, ops teams can start to assign work on a case or customer basis rather than taking on slices of work and passing it on to other teams to complete, potentially boosting efficiency.

Resource Management Remains in Focus

While job losses in North America slowed as the second quarter progressed, Australia has seen a wave of redundancies that is being dubbed the 'Great Sacking'. This suggests that ops teams around the world are still likely to see ongoing strains on resources, making it more important than ever that organizations have the necessary agility to meet shifts in workload across teams.

Sickness and Loud-quitting Weigh on Productivity

Workers are now taking more time off in the UK through sickness or injury than they have in almost 20 years, while nearly one-in-five employees is actively being disruptive at work. To improve focus, organizations must strive to reduce excessive downtime while also maintaining employee wellbeing to ensure workers are happy and engaged and not having a negative impact on productivity.

Follow the Recipe for Success

Steady operational improvements in North America and Australia and New Zealand demonstrate that there is a tried and tested formula to follow if ops leaders want to get the most out of their teams and enhance performance. By investing time in improving agility and control levels, organizations can make the efficiency and effectiveness gains that will lift their overall OpsIndex score.

Glossary

Agility: measures an organization's ability to flex resource to meet the variation in work. If the score is low, it indicates a mismatch between work and the available resource, creating latent capacity and/or risk to service.

Capacity: is the difference between the resources that are available and the work that must get done, if a challenging but achievable pace is maintained.

Control: measures an organization's ability to create a predictable environment and deliver against a plan. A low control environment is less resilient.

Effectiveness: measures an organization's ability to maintain WIP at or under planned levels. WIP plans are designed to meet service levels, so this is an indicator of the ability to maintain service.

Efficiency: measures an organization's ability to operate consistently at a stretching but achievable rate of productivity. A lower score indicates a higher variation and lower average of productivity.

Focus: measures an organization's ability to direct the right amount paid time to core work. This score is likely to fluctuate throughout the year in line with seasonal trends. A low score means more paid time is going to other activities than core work – resulting in an increase in operating costs.

Latent capacity: measures the time that would have been available to the team had they worked at a higher level of productivity.

OpsIndex: is the ActiveOps proprietary score that measures how well operations are being run, providing an overall score based on evaluating 5 key metrics: agility, control, effectiveness, efficiency and focus.

Productivity: is a measure of how closely the rate at which a person (or team) performs matches the standard time given to each of the core tasks.

Methodology

The Quarterly Performance Tracker for Operations is based on the OpsIndex benchmarking data set from ActiveOps.

OpsIndex analyses live operations data with valid measurement and comparison of performance across operations teams. OpsIndex measures operations using five dimensions–agility, control, effectiveness, efficiency, and focus. In addition, work out / paid hour looks at how much work is completed per hour of employee spend–including paid sick days and holidays.

For this report, data from over 30 Financial Services businesses, with over 30,000 employees were analyzed. We looked at the OpsIndex performance in Q2 2023 compared to the previous quarter and Q2 2022. The data covered organizations in the UK & Ireland, Australia & New Zealand and North America.

The OpsTracker provides a snapshot in time every quarter, figures for the OpsIndex and the OpsIndex metrics are the values recorded at time of publication. There may be shifts in the figures registered from one edition to the other due to ongoing changes in customer data.

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About ActiveOps

We help operations teams do more with what they have. Operations teams in banks, insurance and healthcare businesses are constantly under pressure to reduce costs, drive up efficiency, all while trying to maintain a great customer experience.

This is easier said than done. Many have invested in all sorts of technology and process principles to help drive efficiency, but still find themselves struggling to meet SLAs and operational targets.

That's where we come in – through our software and approach we help our clients find capacity and enable them to use it much better. Our clients typically see customer turnaround times improved significantly, double digit improvements in productivity with work in progress materially down. Clients also leverage the capacity created to invest in non-core activity, as well as reduce levels of new recruitment.

Ultimately, our clients talk about how they are now in control of workload, rather than feeling re-active to it. That's our aim and purpose.

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