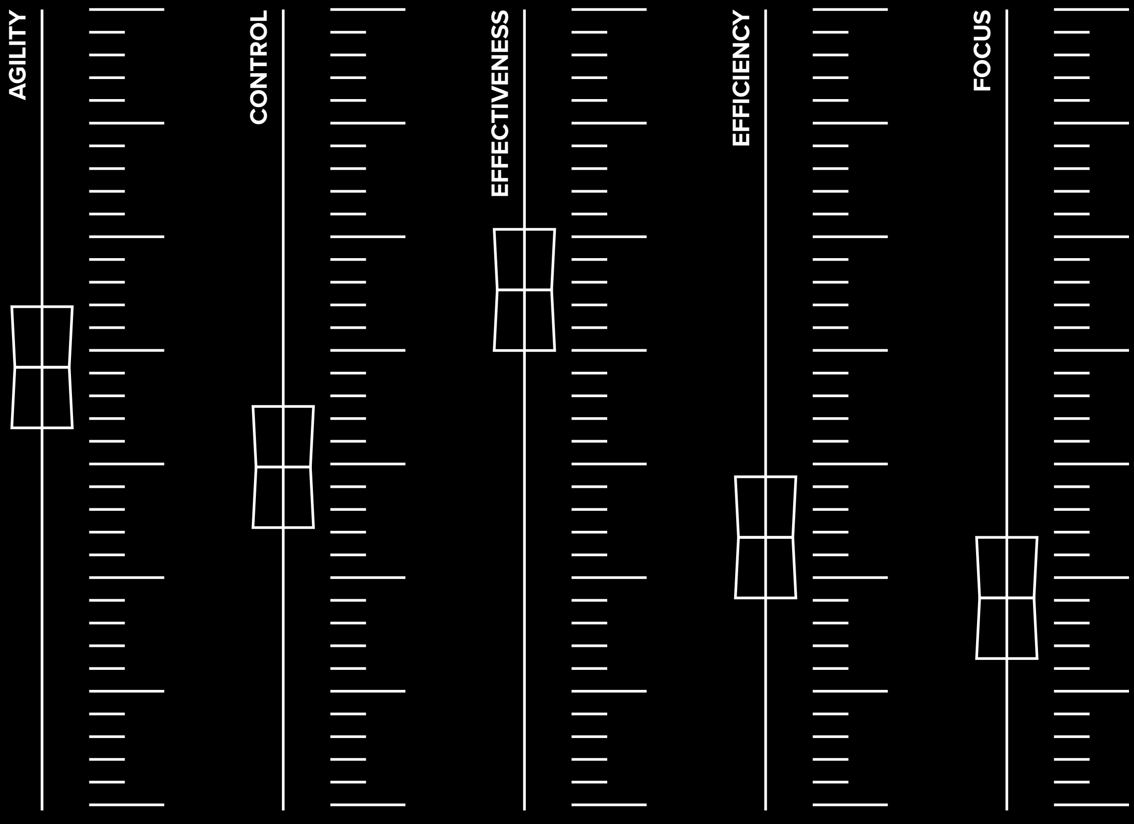
OPSTRACKER ISSUE 4 2023

PERFORMANCE TRACKER FOR OPERATIONS

Financial Services



Quarterly Report

ActiveOps®

Contents

> *.... it is more important than ever that operations leaders have access to real-time data that can help unlock capacity and improve decision making.*

Foreword

Ian Carter
Head of Insight & Innovation, ActiveOps

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

The third quarter was another challenging period for ops teams who have been battling with similar trends around the world over the first nine months of the year: a combination of inflationary pressures and high interest rates, cost of living challenges for consumers, and volatile economic conditions for businesses. As we've seen in previous editions of OpsTracker, in Q3 these factors are complicating the operating environment and, in most regions at least, affecting operational performance.

Given this persistent backdrop of uncertainty, it is more important than ever that operations leaders have access to real-time data that can help unlock capacity and improve decision making.

While ops teams have been striving to transform for some time, most organizations are still struggling to get to grips with their data. But with the rise of generative AI and the potential for advanced automation it brings, the opportunity for ops teams to completely transform the way operations are run is finally within reach. To capitalize on that opportunity, getting their data in order has become more urgent than ever for service operations.

In this edition, we provide insights from an elite group of futurists and operations experts who were panelists at our Capacity23 conferences in London, Nashville and Melbourne. Those insights will help you understand the challenges global operations professionals face when modernizing the operations function and how data and AI is vital to getting that right.

As we enter the final quarter of the year, operations leaders will also be turning their focus to what will be in store for service operations in 2024 – and whether the themes that will shape the operating environment are going to be any different than over the past 12 months. To try and answer that question, we interviewed three award-winning operations executives from Nedbank, ASB Bank and TD Bank. They reflect on the issues they faced this year and offer their predictions on the trends that are likely to impact operations teams over the next 12 months.

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

Executive Summary

Will 2024 be the year ops teams can finally transform?

As we move into the final quarter of a challenging year for operations leaders, the question of whether 2024 will be any different is shining a spotlight on the future of operations. In particular, the question of how data and artificial intelligence can help transform the way ops are run.

The need for modernization is becoming increasingly urgent. Operations teams are navigating rapidly fluctuating work volumes (which are changing at a faster pace than ever this year), trying to figure out what the new normal looks like, and balancing that against the requirement to do more with less – all at the same time. Data analytics and AI give ops leaders an opportunity to unlock latent capacity to achieve all of that, without working their teams – or themselves – into the ground.

The operating environment is adding to the problem. Outside of North America, the economic picture remains shaky, with inflation and high interest rates continuing to crimp demand for banking services. Even in the US, where economic news has generally been more positive, ops leaders face an uncertain time ahead as the country prepares to enter an election year.

In this edition of the Quarterly Performance Tracker for Operations, we review OpsIndex data for the third quarter (July-September 2023) and look ahead at the trends that are expected to shape service operations in the coming 12 months.

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's disappointing performance resumed in the third quarter, dropping to 45.7% from 49% in the previous quarter, which is the lowest (accounting for revised numbers) in at least four years. North America has continued to tease out consistent performance improvements, increasing just over 2% to 58.9% and 8% higher than where it was a year ago. That performance means Australia and New Zealand's grip is loosening on its long-held status as best performing region, rising to 61.6% from 60% but just over 1% below where it was heading into the final quarter of 2022.

TRENDS TO WATCH

Advanced AI is coming

As advanced AI tools become ever-more applicable to the real world, ops leaders are understandably trying to figure out what AI means for them. While there is no doubt that advanced AI will change how operations are run, ops professionals believe that the transformative impact of AI is going to be gradual rather than sudden, with advanced AI likely to be first used to enhance human performance rather than replace them (for instance, one US business process outsourcing firm is using generative AI to help ops teams in different parts of the world to compose emails back to US operations in English rather their native language).

Cleaning up your data

Operations teams have no shortage of data. Their challenge is turning it into insights that can help improve operational performance. To do that, organizations need to get their data in order by dismantling traditional data silos and creating a centralized 360-degree view of the business to improve planning and resource management. This is especially relevant for Financial institutions are particular under pressure in this area as regulatory pressures and the rise of advanced AI tools means those who don't get their data in order will be left behind.

Operations as a business partner

Adopting AI in ops is going to require significant investment, which will involve getting buy-in from senior leaders to throw money at a department that has traditionally been seen as a cost center. Ops leaders can turn this narrative around by adopting a similar technique as IT leaders have done in the past and position operations as a business partner that can save the organization money. The case for AI is clear: it can streamline operational performance by automating tasks and enable teams to become more productive and efficient, helping to drive cost savings across the business.

Hybrid working 2.0

Hybrid working continues to spark debate as more organizations call on their workers to return to the office. What has become clear is that ops teams that use workforce data to track employee performance are able to demonstrate if their hybrid working policies are working or not. While many organizations still think about hybrid working as solely a question of location, some firms are now starting to think about it as a question of who is performing the work – humans or robots. By using a hybrid of the two, organizations can unlock greater efficiencies and improve performance outcomes.

Investing in team culture

As organizations look at how AI can help re-engineer the way ops is run, operations leaders need to ensure they don't lose sight of the human side of the workforce and ensure their people are engaged in the transformation journey. Not only does this mean finding change agents within the business who can champion new ways of working, it also means investing in team culture and empowering individuals to speak up.

Spotlight

Kevin Evans
Chief Technology Officer
at ActiveOps

Embracing the future of ops

Ops leaders are already looking ahead to 2024 – but what about the longer-term trends that you need to keep an eye on? A selection of the expert panellists from Capacity23 share what they think the future of ops holds.

The rise of advanced artificial intelligence (AI) over the past year has further accelerated shifts in customer expectations, drives for automation, and all the other hallmarks of digital transformation. Businesses that are not embarking on this journey will struggle to keep up with their peers.

What this all means for the future of operations was a key theme at ActiveOps' recent Capacity23 conferences in London, Nashville and Melbourne, where experts from the world of service operations discussed how digital transformation will disrupt and reshape the way operations teams are run in the years ahead.

The starting point is understanding what digital transformation actually means, says Dion Hinchcliffe, Principal Analyst at Constellation Research, speaking during his keynote speech in Nashville.

"It doesn't mean the digitization of the business – we've been doing that. You're already using technology everywhere in operations today," said Hinchcliffe. "Digital transformation is rethinking it and fundamentally saying 'what can we do differently today now that technology has enabled all these new possibilities?'. It has to be a complete disruption of operations – and it should feel like it. That's how you know you're doing it."

Underpinning all this transformation will be how organizations make use of their data. For many, generating data isn't an issue; ops teams are frequently buried in the stuff. The challenge is turning that data into actionable insights. Typically, this is because data is isolated across different systems and stored in multiple formats, making it hard to access and process in a joined-up way.

"The problem is not getting to the data, it's having the data be relational," said Kelly Brown, Staff Vice President Business Improvement, Provider Operations at Elevance Health, speaking in Nashville. "Everybody's working very hard in their own individual silo, but we need to bring that data together and have a centralized data model."

Even if organizations can get their data out of silos and into a central repository or operations data lake, the quality of that data is still critical: the insights that are generated will only be as good as the data being fed into the system.

"One of the issues with data that a lot of organizations are facing is their data lake is actually more like a data swamp," said Hinchcliffe. "They're throwing the data in there, but it's not connected together. It's not integrated; it's not a proper data model."

That is going to stop organizations moving fast and taking advantage of technological change, he says. It will also mean they are missing an opportunity to get a 360-view of their business that would significantly enhance decision making.

"If you use technology in every part of your business, you can now get data and insights from every part of your business for the very first time in human history," Hinchcliffe said.

> *…what can we do differently today now that technology has enabled all these new possibilities? It has to be a complete disruption of operations…*

CONTINUE ON NEXT PAGE ▸

Strategic goals

When it comes to modernizing the operations function, organizations need to have a clear strategy in place, says Anna Itsiopoulos, an experienced operations professional, speaking at the Melbourne conference. That means first outlining what an organization wants to achieve and then working out what data is needed to meet that goal.

"You can spend your life analyzing data and you can come up with the most amazing insights, but if they're not going to add value, then what are you doing?" Itsiopoulos said.

> *We need to bring that data together and have a centralized data model*

Organizations also need to ensure they have the right operational structure in place to take advantage of third-party technology rather than trying to build capability in-house.

"You can partner with the right companies to give you the right technologies that you need, because you're not going to invest in AI. You're going to buy a service from someone that's doing that investing, but you need to have your structure right so that when the insights come in, you can make use of it internally," said Dan Carroll, Founder and Chief Technical Officer of Xcentuate.

Digital transformation also requires a focus on people, not least because some workers will be resistant to change – either because they are worried that technology will replace them or because they are accustomed to working in a certain way. This means finding allies within the organization who will champion the adoption of new systems.

"Find the people in your organization who want to change and empower them," said Hinchcliffe. "Pass all the blockers and people who just aren't ready and fast forward to the people that are change agents. Empower them, and they'll pull everybody else along."

Operations leaders also need to ensure they have buy-in from senior management to invest in the technology that will help modernize the operations function.

"You need to think about what you really care about as a business and then when you're building your business case, aligning with that strategy," said Claire Lund-Conlon, Outsource Director at Aviva, speaking at the London conference. "At Aviva, sustainability is high up the agenda, so I would be looking at how the investment would link to sustainability and customer outcomes."

If ops leaders just focus on cost efficiency, the softer benefits can often get overlooked, she says.

Changing perceptions

Forward-thinking ops leaders should also try to change the C-Suite's perception of the service operations function so the department is viewed as a strategic partner that can help deliver profits rather than being seen as a drain on resources.

"Corporate IT went through a transformation over a decade ago, where historically they used to be looked at as an overhead within the business," said Chris Riddell, a futurist, who moderated the Melbourne panel. "We had to quickly change the language that we were using as corporate IT, not talking about technology but talking about growth and becoming a partner to the organization." By collecting operational data, ops teams can demonstrate the value they deliver for the business. For instance, Anthony Templar, Head of Servicing at ANZ, was able to show that if certain workers came in later on Mondays, they would be more productive – enabling the bank to put a dollar value on the savings it could make.

"It was that simple data point of saying this was the cost in time and extrapolating that into the salary cost," said Templar. "It's easy with data to try and be complex, but there's a great opportunity to go the other way and be simple about it in ways that resonate with people."

Some operations teams are already embracing digital transformation and using advanced AI to support their human workforce. For instance, Christopher Matz, Service Delivery Ops Lead at Accenture, says AI isn't replacing workers, it is performing tasks that it wasn't possible for humans to do in the first place.

"It's taking unscripted texts, like looking through email boxes and helping us find backlogs that maybe we didn't even know we had," said Matz. "So we're actually starting to get more data that's helping us become more efficient in our operations by looking at things that I could have never had a human sitting there looking across all the various mailboxes within the organization."

> *It's forcing people to go back to the fundamentals, reorganizing, looking at your organizational internal capabilities, processes, operations*

Ultimately, the steady march of technological change and the rise of advanced AI is prompting service operations to redesign their working practices and think more broadly about the future of ops – whether they are ready to or not.

"It's forcing people to go back to the fundamentals, reorganizing, looking at your organizational internal capabilities, processes, operations," said Dr Mona Ashok, Associate Professor of Digital Transformation at Henley Business School. "It's forcing us to clear house."

> *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.

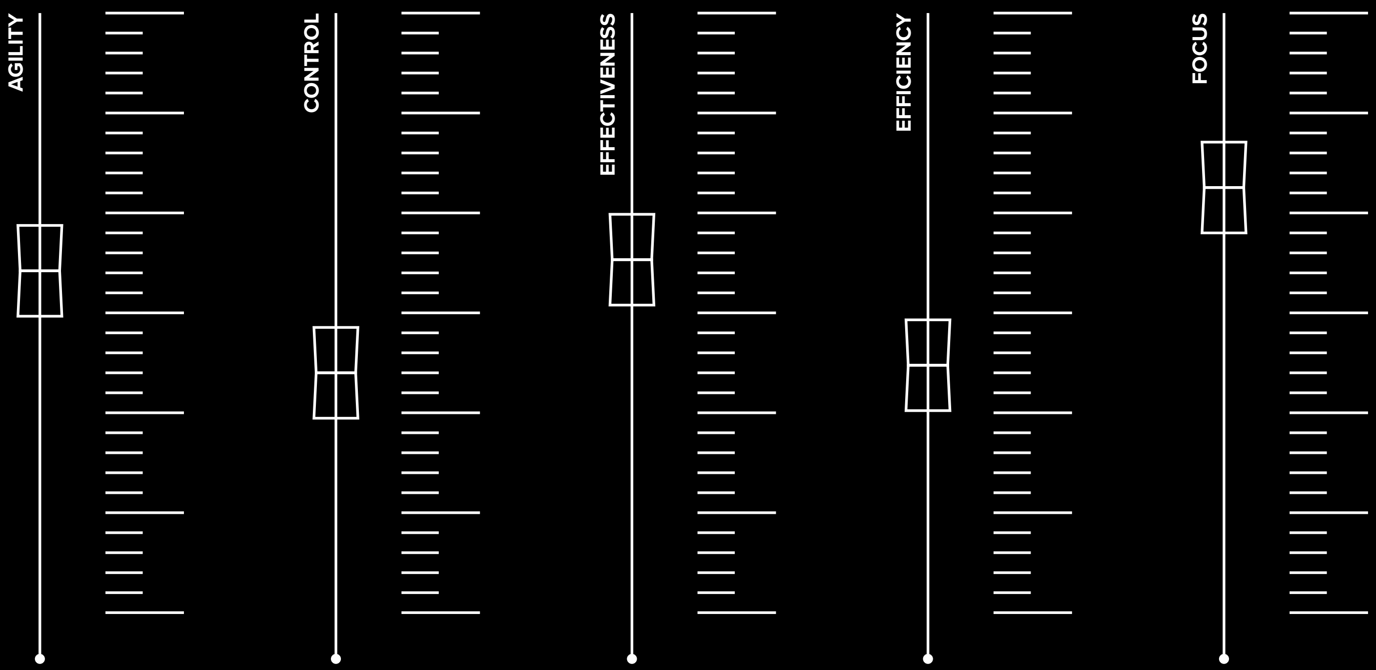
One of the challenges for benchmarking operational processes is comparability. The OpsIndex measures how well operations are being run, within the variety and complexity of the underlying business activities. It provides comparisons against five metrics –agility, control, effectiveness, efficiency, and 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	Control	Effectiveness	Efficiency	Focus
	Are you well balanced?	Do you have the production control to consistently & reliably meet the goals that you set?	Are you consistently meeting service expectations & service level agreements?	Are you consistently getting the most out of your employees?	How well are you focusing your time on core activities?
	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 measures the ability to create a predictable environment and deliver against a plan	Effectiveness measures how well ops teams keep work in progress on track or ahead of schedule	A low score on efficiency means that you are getting less value for money from your workers	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	Ability to flex resource to meet the variation in work you experience	Ability to plan with precision and ambition to deliver against that plan	Ability to maintain WIP at or under planned levels	Ability to operate consistently at a stretched but achievable rate of productivity	Ability to direct your paid time to core work
what you can do	Improve your ability to effectively manage your work and people	Improve your ability to manage and execute against your plan	Improve ability to plan and control against that plan	Improve ability to plan and control against that plan	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's poor performance resumed in Q3, with its OpsIndex score declining to 45.7% from 49%. That erased the minor rebound seen during the second quarter as declines in agility, control, effectiveness and focus levels dragged overall performance lower. The operating environment has not been kind either – UK organizations continue to face strong headwinds from the country's broader economic malaise which has dented activity and led to unpredictable changes in workloads. Resource planning has been made harder by the worst sickness levels experienced in more than a decade.

North America

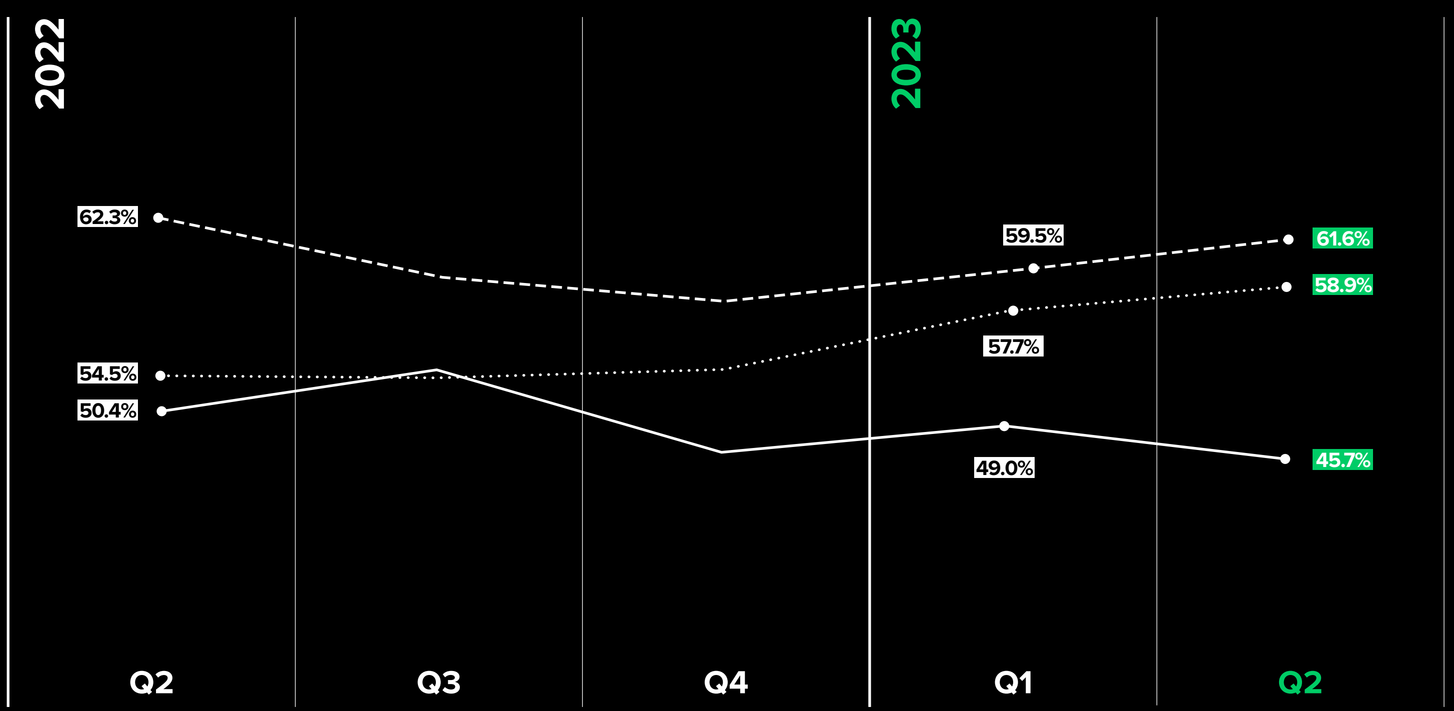
In striking contrast to the UK and Ireland, North American service operations teams have continued to generate gains. The region's OpsIndex score edged up to 58.9% from 57.7% in the previous quarter – now within touching distance of Australia and New Zealand. That performance was chiefly driven by steady improvements in effectiveness and efficiency levels, with control weakening (as workloads increase) and agility broadly unchanged. The US economy is in much better shape than others, and while not entirely out of the woods yet, activity is likely to remain elevated, continuing to test agility levels in the months ahead as ops teams adjust to doing more with less.

Australia & New Zealand

Australia and New Zealand clings on to accolade of top- performing region for another quarter. However, its OpsIndex score continues to tread water, improving to 61.6% from 60% but roughly 1% below where it was a year ago. Organizations in the region are facing a similar operating environment as the UK and Ireland, with cost-of-living pressures bumping up against stubbornly high inflation. This is weighing down efforts to improve efficiency levels, while agility levels, which had previously held up well, are now starting to deteriorate (albeit marginally so far). All of this paints a tricky picture as the region enters its summer period when activity is expected to slow.

Global Forecast

UK & IRELAND · NORTH AMERICA · AUSTRALIA & NEW ZEALAND



UK & Ireland

Q3 2022	Q2 2023	Q3 2023
50.4%	49.0%	45.7%

Any hopes of a sustained revival of operational performance in the UK were dashed in the third quarter, with most OpsTracker metrics trending downwards. The region's OpsIndex score slid to 45.7% from 49% in the previous quarter.

The latest slide in performance comes as the UK economy continues to stagnate. Economic growth flatlined in the three months to September, having expanded by just 0.2% in the previous quarter[1]. Higher borrowing costs, falling house prices and an ongoing cost-of-living crisis (the latter leading to a record number of households seeking help, according to Citizens Advice data[2]) have continued to impact inbound work volumes.

On top of all that, UK productivity has hardly improved since the financial crisis. Total factor productivity – a measure of efficiency in the economy – was only 1.7% higher last year compared to 2007, according to the Office for National Statistics[3].

This underscores the challenging operating environment ops leaders are having to contend with, not to mention the elevated sickness levels that are weighing on focus scores (UK employees were off work for 7.8 days on average over the past year, the worst rate of sickness absence in more than a decade, according to a CIPD and Simplyhealth survey[4]). All of this is in stark contrast to other regions, suggesting that UK organizations are being adversely impacted by tougher economic conditions and the drop in work volumes.

Agility – is continuing to trend downwards both quarter-on-quarter (QoQ) and year-on-year (YoY), suggesting organizations are struggling to flex resources to match shifts in workload (not helped by excess sickness levels).

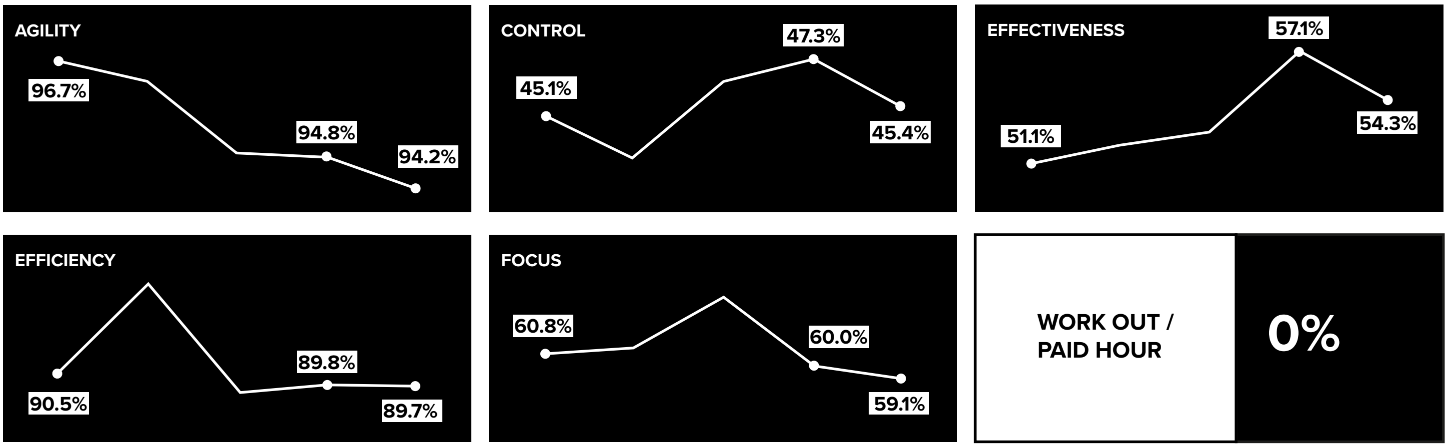
Control – is lower QoQ but broadly flat YoY, consistently scoring below 50 and more than 10 percentage points lower than Australia and New Zealand.

Effectiveness – is lower QoQ but higher YoY, indicating that organizations are meeting service expectations over the long-term (possibly because volumes in general are lower due to the economic backdrop, making it easier for teams to stay on top of work-in-progress).

Efficiency – is broadly unchanged QoQ and slightly lower YoY, suggesting organizations are not making the best use of their resources, potentially signaling too much idle time due to lower inbound work volumes.

Focus – is lower QoQ and YoY, suggesting workers are failing to spend sufficient time on core activities, potentially due to elevated absenteeism but also the lack of inbound work.

Work out per paid hour – is flat QoQ but remains lower YoY, underscoring the elevated sickness levels over the past year (sick pay paid out but no work performed in return).



Things to Consider

The UK and Ireland's performance continues to diverge from the rest of the world as ops teams struggle to efficiently manage resources against thinning work volumes. Given just how far they are diverging (the region's OpsIndex score trails best performing region Australia and New Zealand by more than 15 percentage points), UK organizations urgently need to get their metrics back on track.

- With agility levels consistently declining over the past year, UK organizations need to step up efforts to boost their flexibility and improve resource management so they can meet changes in inbound work type without too many people sitting idle.
- After making some progress with control levels in the previous two quarters, those gains were wiped out in Q3. While the current economic backdrop makes inbound work volumes more unpredictable, ops leaders still need to ensure they are planning effectively and not getting sloppy with targets (particularly if lower volumes mean work in progress is tackled less urgently).
- UK organizations continue to spend more time on non-core activities than those in other regions. Organizations should therefore review non-core activities and come up with proposals to bring this in line with other regions over the next 12 to 18 months.

Review and Forecast

North America

Q3 2022	Q2 2023	Q3 2023
54.5%	57.7%	58.9%

The story in North America is little changed from last quarter – the region continues to post steady gains in effectiveness and efficiency, lifting its OpsIndex score to 58.9%, roughly 8% higher than a year ago.

While the UK's economic picture remains gloomy, the US growth outlook is positively radiant by comparison. The US economy expanded at the fastest pace in almost two years in the third quarter, growing at an annualized rate of 4.9%, driven by consumer spending and supported by a strong labor market[5]. The inflation picture is also improving, falling to 3.2% in October[6]. The US Federal Reserve held rates at 5.25%-5.5% in November after 11 increases since March 2022, albeit remaining at a 22-year high[7]. However, the Fed left the prospect of further rate rises on the table in the months ahead as it is not convinced that monetary policy is restrictive enough to pull inflation down to its 2% target.

US workers are also being more productive. US labor productivity growth rose 4.7% on an annualized basis in the third quarter, according to the US Labor Department[8] – the fastest increase since 2003 (when stripping out any recessionary-fueled spikes). All of this is having a positive impact on ops teams, which have improved operational efficiency and are delivering better customer service.

Agility – is broadly flat QoQ but marginally lower YoY, albeit still in the same ballpark, suggesting ops teams should be able to flex resources as needed.

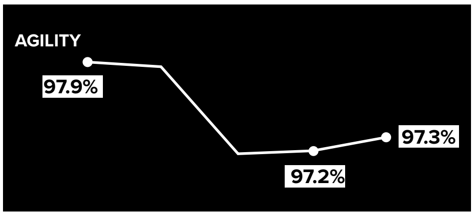
Control – is lower QoQ but still higher YoY, the coming quarter will reveal if this is a temporary blip (control had previously been trending upwards), or whether control standards are starting to slip again.

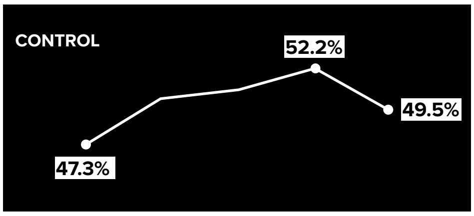
Effectiveness – is higher QoQ and YoY, continuing to get back on track, putting to bed any lingering concerns that cost-cutting measures (lower headcount) were negatively impacting service levels.

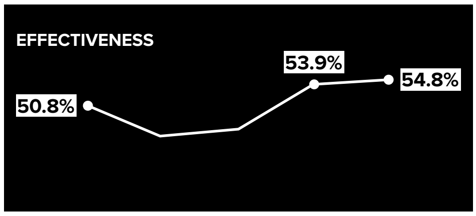
Efficiency – is higher QoQ and YoY, continuing its upward trend after a slight dip earlier in the year, reflecting ongoing efforts to get the most out of their employees.

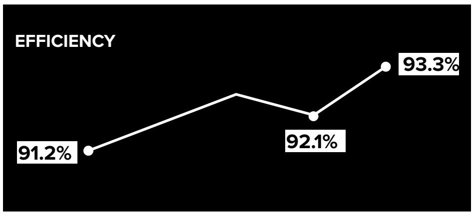
Focus – is lower QoQ and now YoY too as time spent on core activities has continued to slip, potentially due to more focus on training and cross-skilling.

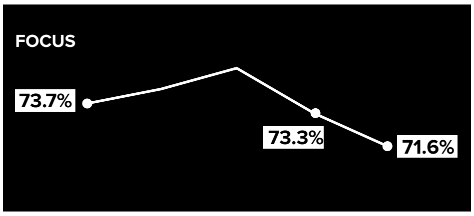
Work out per paid hour – is lower QoQ but roughly unchanged YoY, meaning there is still room for organizations to squeeze more efficiency gains out of their workforce.











WORK OUT / PAID HOUR **-1.9%**

Things to Consider

North American organizations have continued to make steady gains and are now closing in on best-performing region Australia and New Zealand, lagging by just 2.7 percentage points. If ops teams keep making those gradual improvements, they may well overtake their Australian and New Zealand counterparts in the new year.

- While control levels remain higher on the year, the softening over the previous quarter is something ops leaders in the region need to address to ensure the steady upward momentum in efficiency and effectiveness levels is maintained.
- Despite the consistent improvements in efficiency, North American organizations have not been able to translate that into greater work out per paid hour, suggesting they are not getting value for money from those efficiency efforts.
- The drop in focus levels is not yet at a level that would suggest organizations are spending too much time on non-core activities, though it is an area they must keep an eye on over the coming months.

Review and Forecast

Australia & New Zealand

Q3 2022	Q2 2023	Q3 2023
62.3%	60.0%	61.6%

Australia and New Zealand go into the final quarter of the year as the strongest-performing region, but performance has been weakening – the region's OpsIndex score was 61.6% in the third quarter, down from 62.3% a year ago.

On the economic front, inflationary pressures have continued to hang around, with the Reserve Bank of Australia forced to raise interest rates in November by a quarter of a percentage point to 4.35% – the first increase since June[9]. Prices increased 5.6% on an annual basis in September, compared to 5.2% in August. Growth has been stingy too, expanding by just 0.4% in the second quarter as Australians battle their own cost-of-living crisis[10]. Almost half of Australian mortgage holders are suffering from financial stress, according to Australian National University data.

For ops teams, the overall recovery from the summer months in the Southern Hemisphere continues, though performance remains below where it was going into that period. Given that Australian and New Zealand-based organizations have struggled to push beyond that level, it suggests they are still unable to find ways to unlock extra capacity to achieve further efficiency gains. As the summer months approach again, data from the coming quarter will reveal if ops leaders are any closer to solving that problem, or whether seasonal disruption from holidays will set efforts back.

Agility – is slightly lower QoQ and YoY, indicating ops teams may not be able to flex resources as deftly as in the past.

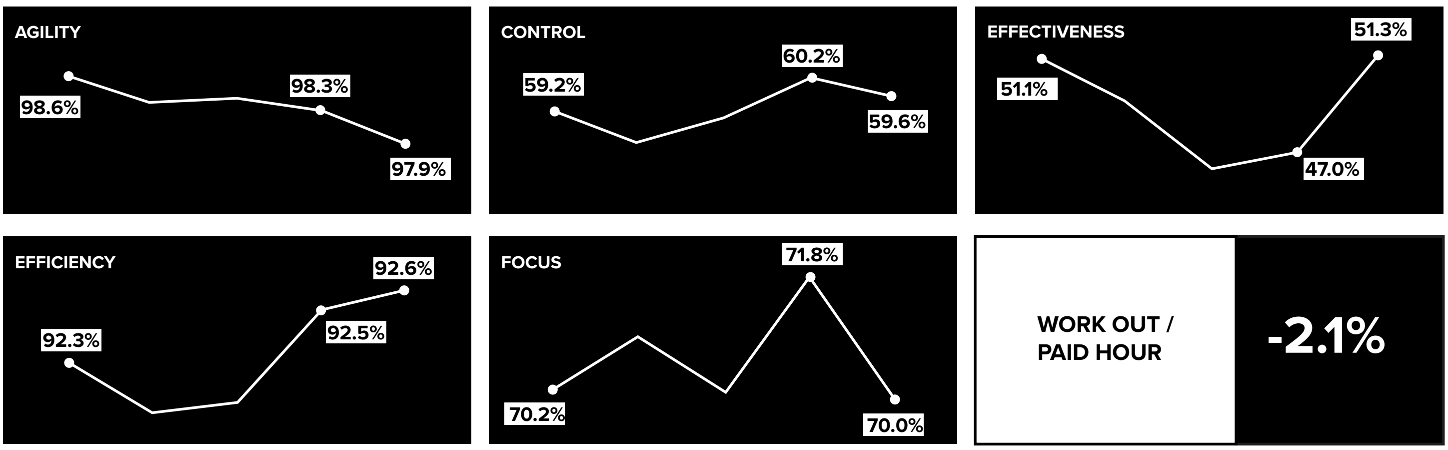
Control – is marginally lower QoQ but remains slightly higher YoY and close to its highest level in three years, highlighting that organizations are still operating with improved control over the long term.

Effectiveness – is higher QoQ but little changed YoY, reflecting the broader bounce back from the lull in Q1 but the ongoing struggle to push on from there.

Efficiency – is little changed QoQ and YoY, though it is at its highest level over that period. Even so, ops teams in the region still face a persistent challenge: how to stop leaving capacity on the table.

Focus – is lower QoQ but steady YoY, suggesting there may have been efforts to increase training and development over the past quarter.

Work out per paid hour – is lower QoQ but unchanged YoY, dragged lower in Q3 by the decline in focus levels.



Things to Consider

While Australia and New Zealand-based organizations currently remain the best performing, they have consistently struggled to take performance much beyond this level. The softening this quarter is also a reason for concern given the potential for seasonal slowdown over the coming months, putting its top performing region crown at risk.

- Organizations in the region have struggled all year to improve efficiency levels. The need to better manage capacity (potentially made tougher given job cuts during the first half of the year) is vital if they want to move the needle on overall operational performance.
- Having maintained decent agility levels over the past few years, the drop in the previous quarter could be a sign that resource rationalization is negatively impacting ops leaders' ability to meet shifts in workload.
- Ops leaders need to watch effectiveness in the months ahead – with little change YoY, there is potential for service levels to weaken if teams are less agile and resources are insufficient to manage inbound volumes as before.

Spotlight

Bhavesh Vaghela
Chief Marketing Officer
at ActiveOps

AI and data: award-winning ops leaders discuss the future of operations

It has been another difficult 12 months for service operations leaders. As 2023 draws to a close, we talked to three of ActiveOps' 'Executives of the Year' from ASB Bank, Nedbank and TD Bank to find out how they overcame those hurdles and assess the trends that are likely to impact operations in the year ahead.

All over the world, the challenges facing service operations leaders over the past year have largely been the same – economic instability, cost-of-living pressures for consumers and for some, the still-lingering effects of the Covid-19 pandemic.

"The scale of those challenges is unprecedented" says Nozizwe Tshabuse, Managing Executive for Client Debt Management and Recoveries at Nedbank in South Africa. "The pandemic, even though it was in 2020, continued to create consequences such as ill health and operational disruptions for service teams, as well as customers."

Rising inflation and interest rates have also been disruptive for the financial sector and the consumer market at large, leading to increased impairments and defaults as customers struggle to repay their debts, she adds.

This era of near-constant disruption – characterized by wild and more frequent fluctuations in inbound work volumes – is making it difficult for ops leaders to judge what the 'new normal' looks like.

"I don't think we've established a pattern yet – it's not going back to the way it was," says Thomas Frosina, Head of Operations at TD Bank in Canada. "Maybe there is no new normal and we're always going to be a bit in flux."

The uncertain operating backdrop is also increasing focus on the role operations can play in helping banks become nimbler and more efficient as market conditions change.

"The importance of operations as an engine room for strategy execution continues to grow," says Andrew Wilson, General Manager Operations at ASB Bank in New Zealand. "Gone are the days that operations just process widgets, and I believe 2023 has provided many in operations the opportunity to expand their scope, build greater capabilities, agility and value proposition."

For instance, Tshabuse was able to use Active Ops to better manage resources and unlock capacity despite the tougher operating conditions. That enabled work to be spread work across teams more easily, which meant that even during peak volumes, employees didn't have to work as long hours as they did previously, improving staff wellbeing.

"Overtime was reduced by 30%," she says. "We also saw an improvement in productivity by 21% in the first eight months after rolling out Active Operations Management (AOM)."

Given the current economic malaise, ops leaders are expecting another challenging year ahead. For starters, the squeeze on finances means resources are likely to remain constrained across ops teams, forcing them to do more with less.

"The chances of increasing resources are very little," says Tshabuse. "But through AOM, we can identify where our latent capacity is, and we're able to produce more without necessarily employing a human being to come and carry that additional workload. And that's what I would define as additional resources."

This backdrop of unpredictable work volumes is also underscoring the need for ops leaders to increase the agility of their teams through cross-skilling. Frosina, for example, says TD Bank has built a more flexible call center team where agents who handle customer service and their colleagues who handle inbound credit decisioning can easily switch if one team is busier. He says that is something the bank will look to formalize more over the next 12 months with specific 'flex agent' roles being introduced. The bank is also seeking to boost flexibility by hiring more part-time workers.

"Our call volumes are like a barbell, you get an early morning rush and then again later in the day, but in the middle of the day volumes are lower and we have excess staff," says Frosina. "So part-timers can help us because we can bring people in just for the morning or the evening. We're probably going to hire in this part-time mode more and more."

In addition, the next year is likely to see a heightened focus on the role operations can play in delivering improved customer experience and lifting a bank's Net Promoter Score, says Wilson. There will also be continued focus on process improvement and a greater focus on team culture, he says.

CONTINUE ON NEXT PAGE ▸

"This is particularly important given the need to build 'future fit' complementary digital and human capabilities and culture in a workplace that is more hybrid in nature post-Covid," Wilson adds.

All of this is playing out as speculation grows around how advanced artificial intelligence (AI) tools and automation could reshape the way operations are run in the near and far future.

"There will be a lot of 'test and learn' as operations leaders determine how AI can best be leveraged in their individual context," says Wilson. "It has enormous potential to reduce manual and repetitive tasks, enhance workflow and triaging. It can also really help create a step change in predictive analytics and even be used to better manage risks."

While AI may eventually lead to fewer resources being needed to run operations, many ops leaders believe that AI will, at least at first, enhance how humans work rather than replace them. Frosina says he plans to explore how AI could be used to help agents process customer complaints. He imagines a scenario where AI would scan through the complaints and give the agent a summary of the issue rather than attempt to resolve the complaint automatically.

As the possibilities that AI opens up evolve, there will be renewed pressure on ops teams to get a better handle on their data to take advantage of those opportunities, as well as others that digital transformation more broadly present.

"The biggest challenges for us as banks is we have a lot of rich data, we just don't know how to package it and use it effectively to enhance our client journeys," says Tshabuse.

Addressing that challenge is likely to be near the top of the agenda for many banks over the next 12 months.

"Our focus is not just on accessibility of data but insights, increased real-time accessibility, predictive analytics, improved decisioning and importantly how we leverage this to build leadership capability and the culture we want in our business," says Wilson.

Unpredictable inbound work volumes are also increasing the importance for ops teams to have access to real-time data. In the past, ops leaders could forecast well in advance and set and forget, says Frosina. Now, because of the unsettled operating environment and constantly evolving consumer behaviors, volumes are fluctuating on a much more frequent basis.

"We just can't rely on a forecast someone put out six months ago." he says. "We're constantly having to look at the data and see what it is telling us – was last Wednesday very busy for no particular reason, or is it the beginning of a new trend? So having more real-time data and doing that analysis [on an ongoing basis] will help guide our decisions, be it around staffing or how we're going to prioritize work."

As competition among banks intensifies and the pressure to deliver improved customer service increases, success will increasingly hinge on a bank's ability to unlock the value of their data.

"The banks that are going to win in this industry are the ones that know how to use data as an effective tool to enhance their overall service operations," says Tshabuse.

Nozizwe Tshabuse, Nedbank

Nozizwe Tshabuse is a trailblazer business leader, mentor, and keynote speaker. She currently holds the position of Managing Executive: Client Debt Management & Recoveries at Nedbank. Nozizwe is a banking and finance industry expert with over 22 years of experience, holding various positions in Retail Banking- from developing strategy, managing bank communities, to leading on Risk, Compliance and Operations.

> *The banks that are going to win in this industry are the ones that know how to use data as an effective tool to enhance their overall service operations.*

Andrew Wilson, ASB

Andrew Wilson is the GM Operations at ASB. With over 20 years in financial services, Andrew is passionate about building world-class operations, with roles spanning Operations, Business Management, Offshoring, Change Management, and Human Resources in New Zealand, India, Singapore, and the Philippines. Prior to joining ASB, Andrew held executive operations leadership roles at ANZ and the National Bank of New Zealand.

> *AI can really help create a step change in predictive analytics and even be used to better manage risks.*

Tom Frosina, TD Bank

Tom Frosina, Head of Card Operations at TD Bank. Tom leads the servicing teams for Retail Card Services and selected Bankcard operations. This includes contact centers, back office operations and related support operations (workforce, training, etc.). Tom had been with TD since April 2017. Prior to that Tom has held similar roles at Citibank, Capital One, Cigna and Barclays (US and UK). Tom has partnered with ActiveOps since 2011.

> *Maybe there is no new normal and we're always going to be a bit in flux.*

Conclusion

It has been another challenging three months for most operations teams, with performance largely tracking overall economic conditions (deterioration in the UK and Ireland, stagnation in Australia and New Zealand, and steady improvement in North America). As we enter the final quarter of the year, operations leaders will now be turning their attention to 2024 and assessing the trends that will impact service operations in the year ahead – and the choices they may need to make to navigate them.

By following OpsIndex metrics, the quarterly Performance Tracker can help you focus on the levers you need to pull to elevate your operational performance. Here are the key themes for ops leaders to consider going into the new year.

> *AI is only as good as the training data it is being fed.*

Unpredictable volumes are the new normal

Forecasting expected inbound work volumes is getting harder for operations leaders. Not only are extreme events and the ongoing economic uncertainty contributing to a sense of perma-crisis, but consumer behavior is shifting constantly and the labor market remains in a state of flux. Against this backdrop, maintaining an agile workforce is essential. That means having workers who are not just able to move seamlessly between teams as demand dictates (requiring expanded skill sets), it also means having a less rigid staffing structure. Improving flexibility and being resilient amid constant change therefore is key. These need to be aligned for organizations to get the most out of their workers rather than having expensive silos of technical specialists who can't handle multiple types of work.

Real-time data is more important than ever

Given that those unpredictable volumes are making long-term forecasts redundant, ops leaders need to be able to respond much faster to changing operating conditions – something that is not possible without access to real-time data. Having a 24/7 overview of operations allows ops leaders to drill down and analyze fluctuations in work volumes with greater clarity. This can help them understand if it is down to temporary noise or something that might signal a new trend, more accurately guiding decisions around staffing levels or work prioritization.

Generative AI will be a game-changer for ops – eventually

Constellation Research's Dion Hinchcliffe, keynote speaker at ActiveOps' Capacity23 conference in Nashville, says advanced AI will eventually permeate every aspect of operations, yet organizations are likely to take their time in adopting AI. Nozizwe Tshabuse, Managing Executive for Client Debt Management and Recoveries at Nedbank, says AI won't replace workers, rather it will handle repetitive tasks to free up staff members to focus more on decision making. Thomas Frosina, Head of Operations at TD Bank, believes AI will also be used to assist customer service agents in areas such as complaints and guiding those agents to focus on what needs resolving rather than having to waste time working it out for themselves.

Modernizing the operations function

AI will be central to the transition to the ops department of the future. Yet the journey to get there will not be immediate. For starters, organizations will need to get their data in order (AI is only as good as the training data it is being fed). It will also require ops leaders to rethink how their operations are run (in other words, total process redesign – if it doesn't feel like disruption, it is not being done right, Hinchcliffe says). This means ops leaders need to start thinking now about how advanced AI can enhance their organization and then build from there.

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 Q3 2023 compared to the previous quarter and Q3 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.

Bibliography

[1] https://www.ft.com/content/7b87f89c-ab4c-418a-a590-b64ae4b64023

[2] https://www.ft.com/content/c26926d6-b44f-4a79-8fa1-c3eb58781669

[3] https://www.ft.com/content/2a0dbab1-f6a5-4432-8984-4112638dfdf0

[4] https://www.cipd.org/uk/about/press-releases/workplace-absences-highest-over-decade-new-report

[5] https://www.reuters.com/world/us/us-economic-growth-accelerates-third-quarter-2023-10-26/

[6] https://www.ft.com/content/7928101a-262f-475c-ac32-ac962f8925fb

[7] https://www.ft.com/content/5b01c471-6289-41a0-9044-97b6df48b507

[8] https://www.axios.com/2023/11/03/productivity-growth-us-economy

[9] https://www.ft.com/content/60aa314b-b8e2-4299-ac0e-d212f6d1ae0b

[10] https://www.reuters.com/markets/australia-q2-economy-grows-by-04-slightly-beats-forecasts-2023-09-06/

About ActiveOps

At ActiveOps, we believe the ability to make every decision – the right decision, at the right time, will transform operations. Our blend of AI and human intelligence delivers the most complete and useful set of predictive and prescriptive insight to help service operations make better decisions - faster.

Service Operations has been in our DNA for 20 years. Our AI-powered SaaS solutions are underpinned by 15+ years of operational data and our AOM methodology that's proven to drive cross department decision-making.

We call this Decision Intelligence for Service Operations – and we are dedicated to the needs of banking, insurance, BPS and healthcare organizations, globally.

With Decision Intelligence, our customers deliver MORE - release 20%+ capacity within the first 12 months and boost productivity by 30%+ leading to MORE business impact. In fact, customer turnaround times are improved substantially, costs are reduced, SLAs are met, and employees are happier and more engaged.

Discover how ActiveOps can help you do more.

Choose More. Choose ActiveOps.

activeops.com

ActiveOps®