

WHITE PAPER

Banking (Ops) Excellence

Forging a Programmable Back Office with Zero Ops

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Forging a Programmable Back Office with Zero Ops

Historically, a bank's back office has been seen as a cost burden that offers limited value past its pure utility. Accordingly, many banks have sought to optimize back-office processes, the goal being to raise productivity and operational efficiency to new levels and in so doing, slash costs. These initiatives have required significant up-front investment.

Yet most banks and other financial institutions have not succeeded in fully redesigning or transforming their back offices in a way that captures true operational efficiency. They have achieved only partial, incremental change. For example, many banks have embarked on digitization journeys but have not yet achieved totally digital workflows depending still on paper-based, manual data transfers and outdated technologies (such as the fax). Others have optimized and streamlined processes with lean methods, but still rely on linear, first-in-first-out workflows. Some banks have invested in automation technology such as robotic process automation (RPA) but continue to have relatively low straight through processing (STP) rates along with hundreds (if not thousands) of employees working in their back offices executing simple, routine tasks.

In our view, banks should be working toward a moonshot goal of near-zero FTEs in operations. Reaching this objective would dramatically free up their ability to create deeper customer relationships and new revenue opportunities. But success will require a new approach, one that radically remodels back offices. This can happen when fast and error-free processing, with no need for client iterations, take place on the vast majority of files treated. Moreover, any files that do require manual intervention are resolved rapidly, guaranteeing adherence to even the strictest service-level agreements (SLAs) with customers.

We refer to the target state as a *Programmable Back Office with Zero Ops*—one that achieves full automation and straight-through-processing of most files in order to create superior productivity and a seamless customer experience that supports the bank's strategic agenda. The programmable nature of the operations—in contrast to the first-in-first-out method—provides a key source of competitive advantage, as the queuing algorithm allows for dynamic routing and prioritization of files in a way that creates strong market impact.

With this approach, we have seen banks achieve:

- Total automation, with no human touch, for 60% to 70% of retail banking files, with up to 90% for simple consumer lending products such as credit cards and personal loans.
- A doubling and even tripling of operations personnel productivity.
- Productivity increases of 25% to 30% for underwriters and sales agents.
- A reduction in turnaround times from product request to product delivery of up to 80%, with some products disbursed in minutes.
- Full adherence (100%) to SLAs for priority customers.

Yet how, specifically, can banks achieve such impactful results? Fortunately, there is a clear road map to follow.

Four Pillars for a Programmable Back Office with Zero Ops

Combined with digital journeys, today's advanced technologies (such as AI, GenAI, and machine learning) can allow banks to make step changes in back-office productivity, especially compared to the rules-based process automation of the past.

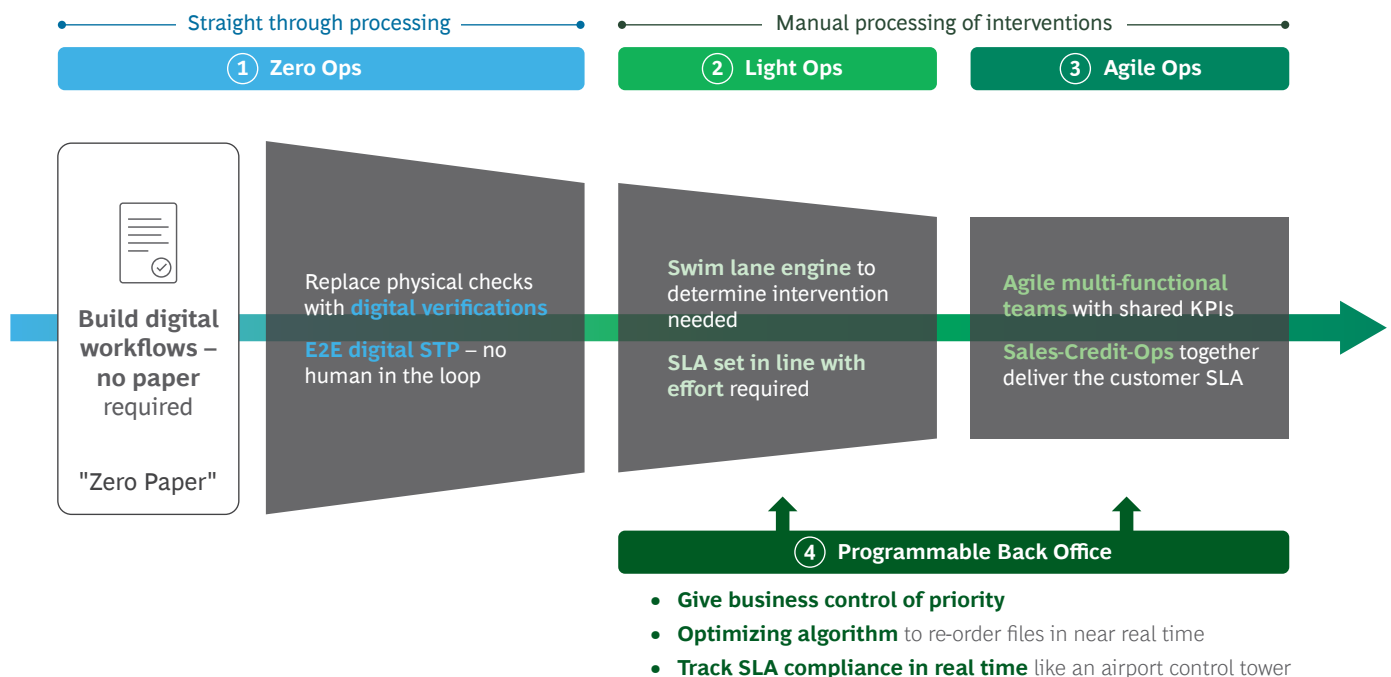
BCG has identified four distinct pillars that banks must build in order to reap the full benefits of change: **zero ops**, **light ops**, **agile ops**, and **a programmable back office**. (See Exhibit 1.) These pillars can create a powerful, transformative symbiosis.

Pillar 1: Zero Ops that eliminate the human touch

The goal of zero ops is to enable full "digital first" workflows with *zero paper*, permitting STP for up to 90% of simple, small-ticket consumer lending products such as credit cards and personal loans, and up to 70% STP for more complex, higher-ticket, and secured products. Physical checks will be replaced by digital verifications, helping to attain superior levels of productivity and quality. This approach involves developing new digital-first customer journeys and processes, rather than applying robotic automation to existing processes.

To assess incoming files for the possibility of STP, a fully automated swim lane decision engine is required to evaluate which components of a file are suitable for full automation—and which might still require a degree of human intervention. Potential reasons for needing a human touch point include a high degree of complexity or missing consent from clients to automatically collect required data (such as by tapping into salary information in other bank accounts through open banking).

Exhibit 1 - Four pillars transform banking operations into source of true competitive advantage



Source: BCG Analysis.

The increased use of STP will result not only in higher productivity and reduced turnaround times but will enhance the customer experience based both on the instant processing of files and the bank's ability to provide immediate feedback and decisions, such as those on consumer loans.

Achieving a fully digital workflow requires banks to invest in client platforms that only allow digital customer-data entries—while digitizing any remaining paper-based documents at the point of entry, enabled by GenAI and optical character recognition (OCR) or other available technologies.

Once paperless workflows are established, banks need to deploy capabilities to enable straight-through and fully automated processing of files across all operations steps including know-your-customer (KYC) verifications and final disbursement of loans. An optimal outcome will require banks to utilize the full suite of available technological levers, which can range from traditional tools such as automated credit underwriting scorecards, automated pricing approvals, and work email confirmations, up to more sophisticated AI, GenAI, and machine-learning tools. These more recent levers can include those that structure previously unstructured data from large documents or pictures (to achieve a digital workflow), and those that automate processing steps such as GenAI-enabled, real-time KYC activities.

Pillar 2: Light Ops that minimize the human touch

Banks also need to focus their efforts on optimizing how they process files that still require a human touch, such as those related to complex products, heavy regulation, or high-priority customers.

In such instances, banks should use a swim lane decision engine to determine the degree of intervention needed on individual files and activities. The swim lane decision engine assesses the STP-eligibility of files on a singular processing step level (such as KYC check, fraud check, client income verification, and the like), assigning a “traffic light” for STP-eligibility to each step—rather than to the file as a whole. “Green” signals will be fully STP-processed, while “red” signals require the swim lane decision engine to assess the exact level of human intervention needed (such as an underwriter to verify employment information).

Based on this assessment, the swim lane decision engine will route only those processing steps ineligible for STP (i.e., red traffic lights) to the backlogs of individual teams and agents for manual processing. This approach will avoid the commonly experienced (and highly inefficient) pitfall of carrying out manual reviews of *entire files* when just one check needs to be conducted manually.

Pillar 3: Agile Ops that increase the efficiency and customer centricity of remaining human touch points

In order to further increase efficiency and customer centricity, personnel conducting the manual interventions assigned by the swim lane decision engine should be organized in agile teams. These teams will concentrate on end-to-end value delivery for specific products.

The focus of each agile team is typically on one primary and one secondary product, enabling the bank's personnel to build expertise and increase processing efficiency. At the same time, the bank maintains flexibility to reallocate teams to a variety of products based on fluctuations in demand.

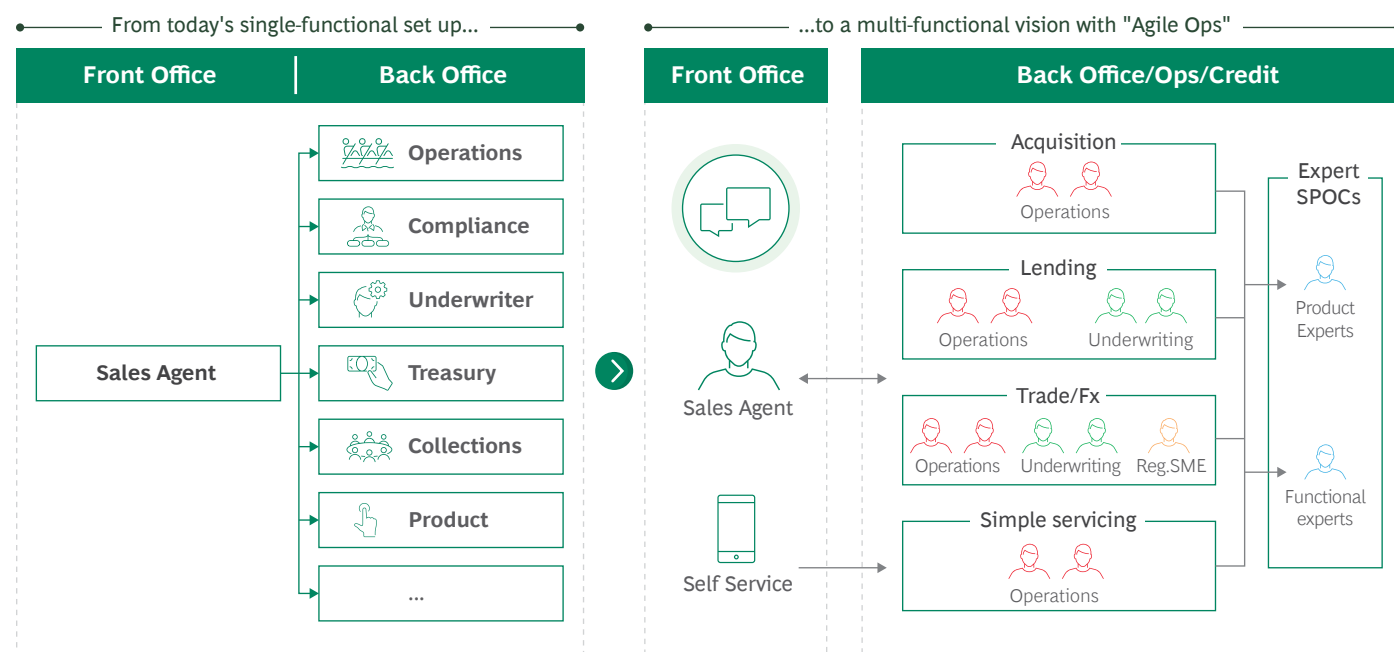
To enable agile teams to process a customer file autonomously, the teams should be set up as multifunctional units able to manage all steps required for end-to-end processing. This approach contrasts with more traditional, siloed ops setups that feature primarily single-function ops units (such as for underwriting). (See Exhibit 2.)

A potential target structure for a bank's back office would involve the coexistence of multi-functional "sales-ops-credit" agile teams along with single-function teams. The latter would exist only if the product in question could be processed primarily by the single function in order to maintain an end-to-end focus in each team. In addition, agile teams might occasionally require specific product or functional expertise that is available on demand through a single point of contact. Organizing sales, ops, and credit into versatile teams with common goals helps drive customer focus, overall cooperation, and SLA delivery.

Further, to drive higher productivity and customer centricity (as well as to minimize handoffs between agile teams and centers of expertise), the teams should be aligned and incentivized primarily on common goals—with a focus on end-to-end performance. Goals for individual performance should still be required in order to continuously build capabilities, enhance talent development, and motivate higher performance for agile team members.

To bolster efficiency, agile ways of working should be applied consistently across teams, making use of co-working/co-location models to foster cross-functional collaboration and enable teams to solve problems on their own at the ground level. In addition, agile teams should be empowered and encouraged to contact customers directly (for example through video chat) in order to ensure fast processing and rapid issue resolution without creating inefficiencies through internal handovers and waiting times. (See "Transforming to an Agile Way of Working in Ops and Call Centers.")

Exhibit 2 - Agile ops help capture end-to-end value delivery in the back office



Source: BCG Analysis.

Transforming to an Agile Way of Working in Ops and Call Centers

A multinational financial services organization was facing unwanted complexity in its manual processing activities. A need for several handovers between siloed organizational units, as well as inflexible back-office and call-center resource allocations, were causing low productivity and unsatisfactory customer and employee experiences.

In order to improve response times to customers and increase efficiencies in back-office processing, the company launched specialized agile teams in operations and call centers that featured cross-functional collaboration to solve complex client issues. The organization simultaneously invested in the automation of basic, simple operations and processing tasks.

Within two years, the company was able to reduce average costs by 20%, increase customer satisfaction scores by 100%, and increase same-day processing by 16 percentage points.

Pillar 4: The programmable back office that fully optimizes processes

The programmable back office gives the business full control of prioritization by setting dynamic SLAs at the file level, and by leveraging a smart queuing algorithm to optimize and reorder files for processing in real time. The ordering is based on individual customer priority, sales campaigns, product strategies, and any other current business needs. (See Exhibit 3.)

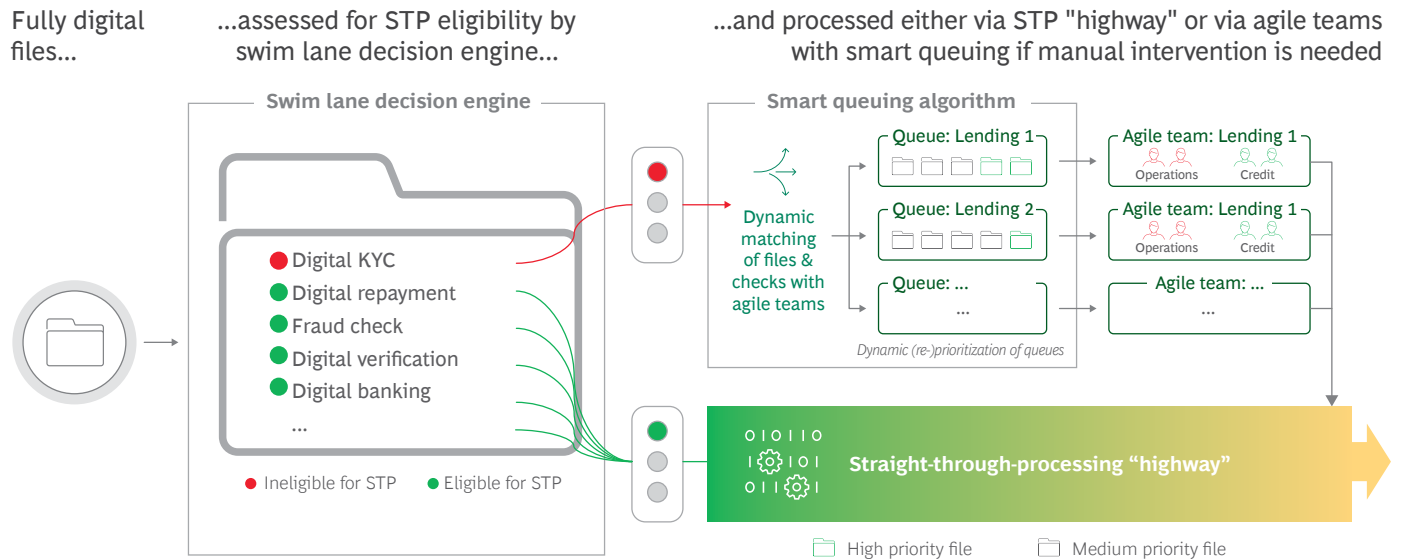
Based on the priority level of each file, the algorithm automatically assigns it to the queue of a matching agile team according to the required skills and available capacity on the team. The algorithm also centrally prioritizes the queue of each team to ensure processing of high-priority files (such as those with rigorous SLAs) before other files. The “high-priority-first” approach—in contrast to “first-in-first-out”—also involves automated tracking of key KPIs that enables the redirection of files back to ops teams if the need for manual intervention arises.

In addition, if any SLA is in jeopardy, the algorithm automatically reprioritizes it in near real time to guarantee the SLA is met for the vast majority of customers. To complement this approach, the performance of individual agile teams and overall back-office production is monitored in real time using core KPIs such as end-to-end turnaround times and waiting times in agile teams’ queues.

On the level of singular agile teams, real-time monitoring of performance enables immediate insights on target achievements for individual team members, allowing the business to drive superior productivity. On the level of aggregated agile teams, a “control room” oversees total productivity in real time, providing smart alerts and proactive recommendations for prescriptive actions. Such actions can include rebalancing agile teams across primary and secondary products, or adjusting shifts of individual teams on a need basis if any SLAs are endangered. The teams should be multiskilled and able to manage multiple products.

Moreover, in order to enable real-time performance tracking along a back office’s key products and processes, banks can leverage a wide variety of digital tools. For example, as BCG outlined in a March 2024 White Paper titled “[BCG Banking \(Ops\) Excellence: How AI-Driven Process Intelligence Can Transform Banking Operations](#),” coauthored by Celonis, banks can use AI-driven process intelligence solutions to automate data collection, analysis, and representation in dashboards on various aggregation levels. These levels can range from a control room with aggregated insights to drill-downs on individual agile teams to identify areas for improvement.

Exhibit 3 - Programmable back office gives business control over operations



Source: BCG Analysis.

Ultimately, putting all four pillars together, a Programmable Back Office with Zero Ops enables an innovative new way of processing. The mindset is "STP first," with light-touch manual interventions aligned with business priorities taken only when necessary in order to achieve the highest levels of productivity and customer satisfaction.

Embracing the Future: Transitioning to a Programmable Back Office with Zero Ops

The journey toward a Programmable Back Office with Zero Ops is challenging, but the rewards of operational excellence, increased customer satisfaction, and strategic differentiation are unparalleled. In our view, the financial industry has a unique opportunity to reimagine the future of its back offices.

To begin the journey, we recommend that banks take the following action steps:

- **Undergo an unbiased status-quo assessment** on digitization, technology infrastructure, STP processing maturity, back-office operations efficiency, and steering mechanisms in order to understand their individual starting points for the institution along each of the four pillars in our vision.
- **Set a bold ambition level and North Star vision along each of the four pillars** to aim high and truly transform operations.
- **Think modular** and focus on "highly feasible elements" of the North Star vision in order to reduce implementation complexity and ensure faster value delivery.

- **Define a transformation roadmap to guide progress** along each pillar, implementing the North Star vision in quarterly increments. Start with quick wins, integrating steps across pillars on a regular basis and fostering a “learn and adapt” culture.
- **Integrate new capabilities into the existing IT stack, systems, and processes**, and build programmable back-office (queuing algorithm) capability and plug it into the exiting workflow orchestration system. Build zero ops digital verifications in incremental slices across the technology stack. These steps should happen process by process, product by product, reusing as many elements as possible to keep required technology investments low.
- **Excel at change management.** In our experience, 70% of any successful transformation is “people.” Banks therefore need to spend time and resources on talent development, staff training, and change-management execution in order to ensure not only correct adoption of new technology but also new ways of working.

Banking CEOs and COOs should tackle the four pillars in a modular way, incrementally building out their future vision. At the same time, they can choose to “start small” by focusing investments and effort on the pillars with the highest value potential for their specific institution, then build gradually toward the full target state.

Overall, it is clear that the time to act is now. The transition to a Programmable Back Office with Zero Ops is not a remote possibility but an immediate opportunity to lead the charge in shaping the future of banking operations.

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