



# Loan Operations - Your Path to Automation is Through the Philippines



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These days, few executives need to be sold on the benefits of modern automation. A list of perceived advantages will almost certainly begin with increased productivity and production rates, more efficient use of labor and materials, and higher work quality output. Each of these variables would have a favorable impact on end-customer satisfaction and the business bottom line. On the other hand, lagging in the successful deployment of automation would leave an enterprise less competitive and less relevant in their market category.

*“KPMG reported last year that most intelligent automation projects underway or in the pipe-line at that time would fail.”*

Despite the inevitable advantages of automation, however, as one would imagine, the challenges associated with effective implementation are considerable. As Connex engages with clients, prospective clients and talks with others struggling with their implementations, it is becoming increasingly clear that the road to effective automation runs through the

Philippines. At first, this may seem counter-intuitive; however, with further thought and experience it quickly begins to make sense. The most basic and most underes-timated challenge is that nothing about an organization’s existing business pro-cesses and personnel was created to enable the easy deployment of new auto-mation. Some of the known challenges include:



Workload



Time Management



Process Clarity



Process Documentation



Technological Capabilities



Change Management



Cost Management

*“Forrester claimed that more than half of early digital transformation efforts were stalled in 2018 due to lack of organizational readiness.”*

**1** **Workload** - The current business environment for commercial and retail banking is extraordinarily complex. Loan operations managers are being asked to do more with fewer people, and possibly, a distributed workforce, while using antiquated, legacy systems. Low interest rates are driving a refinancing boom so origination volumes are high, but at the same time as borrowers refinance, their existing loans have to be closed out. Workload variability is difficult to manage because it takes time to staff to required levels, train, and get personnel to optimum proficiency in system utilization, as well as process and regulation compliance.

**2** **Time Management** - Operations managers and executives simply do not have the time to undertake challenging new automation projects. It follows that inadequate focus will likely lead to inadequate results.

**3** **Process Clarity** - There is variability built into tribal knowledge. Everyone on the team “knows” what happens in loan operations; however, it is unlikely that any two people would create exactly the same detailed process maps. In our discussions with operations executives who have undertaken this, there are multiple pathways, subtle decision points and an underestimated and underappreciated number of human touch points. These small differences make an accurate understanding of the overall process extremely challenging. This dynamic stands to reason since the subject matter experts have a more targeted and less broad view of the process as a whole.

*“The ultimate test of process clarity is teaching a computer.”*

**4** **Process Documentation** - It is common to see procedures and pieces of the process documented in various forms, but thorough end to end documentation is rare. It is also quite common that very little actionable documentation exists.





**5** **Technological Capabilities** - Some of the largest international banking organizations have technology budgets bigger than the US Coast Guard's operating budget. At that scale, a tremendous amount of investment in technology, used wisely, can enable very robust customization and feature sets. For state and regional banks, that level of technology budget and capability, simply does not exist. Off the shelf products are extremely powerful and customizable, but most organizations do not have the scale, budget, and expertise to rapidly overcome implementation challenges given the factors discussed here. Technology changes so quickly that banks need to perform a continual cycle of projects to keep up both from a capability perspective and using systems that are still supported while configuring the effective integration of multiple applications.

**6** **Change Management** - This is a multilayered onion. Most managers do not understand exactly how process automation will work in their context and specifically how it will help them overcome their challenges. This creates reluctance and the desire to proceed cautiously, which resonates with the culture at most banks. Thus, progress is at a less than desirable rate. Additionally, banks are generally employee friendly and great places to work with the culture of creating and supporting a stable workforce. It is not uncommon for many longtime employees to have a reluctance to change. This is compounded by fears, warranted or otherwise, of losing their jobs. The dynamic is exacerbated by the current deep economic crisis.

**7** **Cost Management** - Lower interest rates equal lower margins for banks, period. Increasing loan-loss reserves also creates margin pressure. Even without these factors, very few organizations have the excess capacity, or slack, necessary to undertake transformational initiatives.

## WHY THE PHILIPPINES AND CONNEXT IS THE SOLUTION

*Moving 20 to 40% of the work to a Connex team in the Philippines neatly addresses most of these issues.*

**Workload** - Existing teams at Connex have the capacity for undertaking the work necessary to maintain day to day operations while the management team and local staff implement automation. This also creates capacity (slack) in the team to take on more work in support of operational goals. Banks with slack can turn up marketing to increase the flow of new business to take advantage of market conditions.

**Time Management** - There is an old saying, “management would be easy if it weren’t for the people.” Implementing a remote Connex team instantly removes most of the people issues. The Connex team of trained and capable operations and human resources leaders handle sourcing, recruiting, selection, training and intra-day management as part of our basic service package. It takes

only a small amount of time and effort to begin implementing a remote team. Connex clients realize that this effort immediately pays dividends which is evident through our high retention rate. They quickly appreciate how partnering with Connex allows them to increase their focus on supporting their customers.

**Process Clarity** - We have found, time and time again, that one of the biggest yet unanticipated benefits of implementing a Connex remote team is that it forces process clarity and process improvement. Sure, automation would force this as well; however, human to human transition of tasks is dramatically easier and a natural evolution to RPA implementation.

**Process Documentation** - Connex teams always thoroughly document processes as they implement them. In some cases, this involves updating existing client documentation, and in many cases, requires starting from scratch. This documentation creates a positive spiral for process improvement and further builds the

foundation for automation. Having consistent and well-documented processes enables the organization to quickly implement automation projects because requirements are clearly understood and translated to the technology team.



**Technological Capabilities** - The counterintuitive and underappreciated benefit of implementing a remote force is there is almost zero new technology or technology implementation required. Almost every financial institution has multiple locations. The Connex team can use the same technology as any other location. It is also quite common for Connex to deploy client configured and managed firewalls and computing devices.

**Change Management** - Implementing a remote workforce does involve change management; however, it is a well-trodden path that

most organizations are already doing in some form. If implementation is undertaken steadily and thoughtfully, local staff quickly begins to enjoy working with remote Connex team members. The cultures are infused, assisted by Connex's robust video conference capabilities and the Connex-to-Client window with CCTV cameras and screens in both offices, creating a contiguous working environment.

**Cost Management** - The fully weighted cost of Connex staff should be between 25% and 50% of current costs. We would not advocate the wholesale replacement of teams; however, using a Connex team for 25% to 50% of volume creates cost-saving and capacity for local teams to work on automation initiatives.

#### Conclusion:

Increased automation is inevitable, but not a simple endeavor. Contact us to learn how a Connex team can simultaneously support your short term operating needs and longer term automation goals.