Client Success Story

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English

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Digitalization of Guarantee Business with PEGA

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Our journey to digitalize Guarantee Business through the years with PEGA...

Erste Group at glance
Customer banking in the eastern part of the EU

- Founded in 1819 as the first saving bank in Austria and Central and Easter Europe

- One of the leading financial providers in core markets

- 45,400 employees

- 16.4 million customers

- 7 countries

- Amont TOP 3 banks on the core markets

- George is the leading European banking platform with over 10 million users in 6 countries

ČESKÁ S
spořitelna

Czech Republic
Branches: 356
Customers: 4.6 million
Employees: 9,600

SLOVENSKÁ S
sporiteľňa

Slovakia
Branches: 167
Customers: 1.9 million
Employees: 3,500

ERSTE S SPARKASSE S

Austria
Branches: 754
Customers: 4.2 million
Employees: 16,400

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Hungary
Branches: 98
Customers: 1.0 million
Employees: 3,300

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Croatia
Branches: 130
Customers: 1.3 million
Employees: 3,300

BCR S

Romania
Branches: 318
Customers: 2.8 million
Employees: 5,200

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Serbia
Branches: 88
Customers: 0.5 million
Employees: 1,300

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Erste Bank faces the same challenges as most of the incumbent banks

Need for improved End User experience
by bridging of old legacy systems with one common platform for seamless end-to-end process journey

Need for increased efficiency as digitalization helps automate processes that were once manually-intensive, leading to increased efficiency and cost savings

Need for reduction of risk as digitization reduces the risk of errors and fraud as well as the need for manual interventions

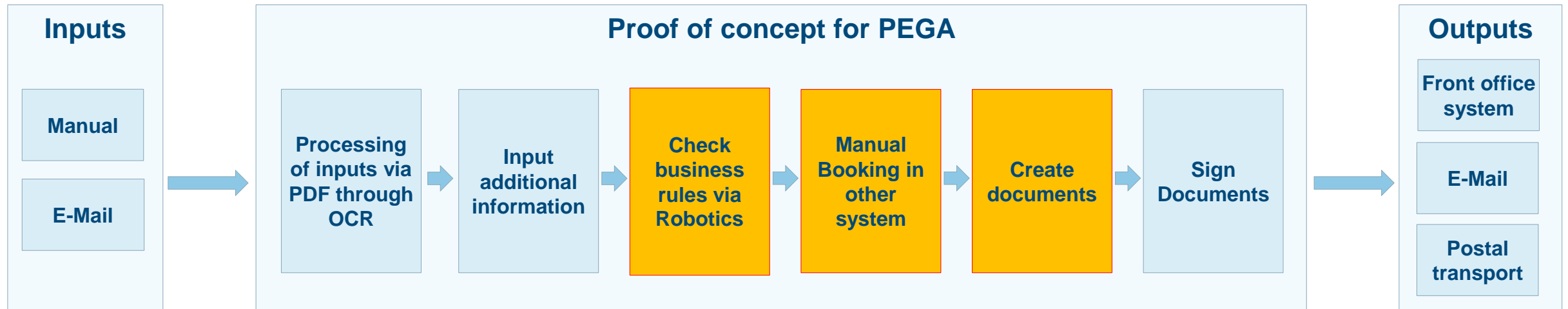Growing need to **digitize processes in competitive markets**

- To achieve higher percentage of **STP**
- To leverage multiple other input channels
- To respond better to changing customer needs and preferences

Growing need for providing detailed data

- For internal reporting
  o Continuous process improvement
  o Steering of daily business
- For regulatory purposes

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For the PEGA journey initiation the process of guarantee business, which was ideal for testing the basic features of PEGA was selected

Inputs

- Manual
- E-Mail

Proof of concept for PEGA

Processing of inputs via PDF through OCR → Input additional information → **Check business rules via Robotics** → **Manual Booking in other system** → **Create documents** → Sign Documents

Outputs

- Front office system
- E-Mail
- Postal transport

Pain points after the implementation of POC

- Above highlighted parts of the process didn't work as expected which led to very low user acceptance and usage:

    - RPA would require approximately 30 seconds before proceeding and did not provide coverage for all possible scenarios

    - Without a connection between PEGA and the booking system, users had to enter the data twice, once in PEGA and once in the booking system

    - Creation of documents within PEGA via document management was not properly configured leading to generation of incorrect guarantee documents

- Unscalable and unstable technical implementation/setup led to:

    - No possibility to establish connections to other input channels to even have a chance to further digitalize

    - Organizational structures not suitably established - lack of internal expertise on the product/technology

    - Technical implementation not future proof which led to technical debt accumulation

    - Lack of monitoring and reporting capabilities

The POC did not yield the anticipated business value, prompting us to revamp the overall process and implementation with focus on three pillars

Clear definition of business goals

- Value proposition to the client focused on future (easier, faster, more efficient)
- Core KPIs (straight through processing, first time right, first contact resolution, lead time etc.)
- Targets regarding increase of revenue and profitability
- Reduction of operational costs

Analysis of As-Is solution (Post POC)

- Detailed stakeholders involved to understand the As-Is process in depth – breaking silos
- Clear understanding of all systems/touchpoints involved

Design of To-Be journey

- Involvement of all stakeholders to find common ground
- Design of To-Be process journey in the process management tool
- Subject matter experts and users in the loop to obtain their inputs
- Secure inputs which are needed to move from a process journey to a system setup

Evaluation of the proof of concept helped us to answer following questions for further developments in PEGA

Will PEGA be able to act as some sort of „umbrella" across multiple legacy systems to facilitate the needed digitalization?

- Ability to connect to other systems without much development effort
- Workflow-functionality
- Strong provider who can accommodate the needed checks (security, data protection etc.)
- Continuous improvement of the tool

What is a fitting PEGA organizational setup which will provide a good foundation for success?
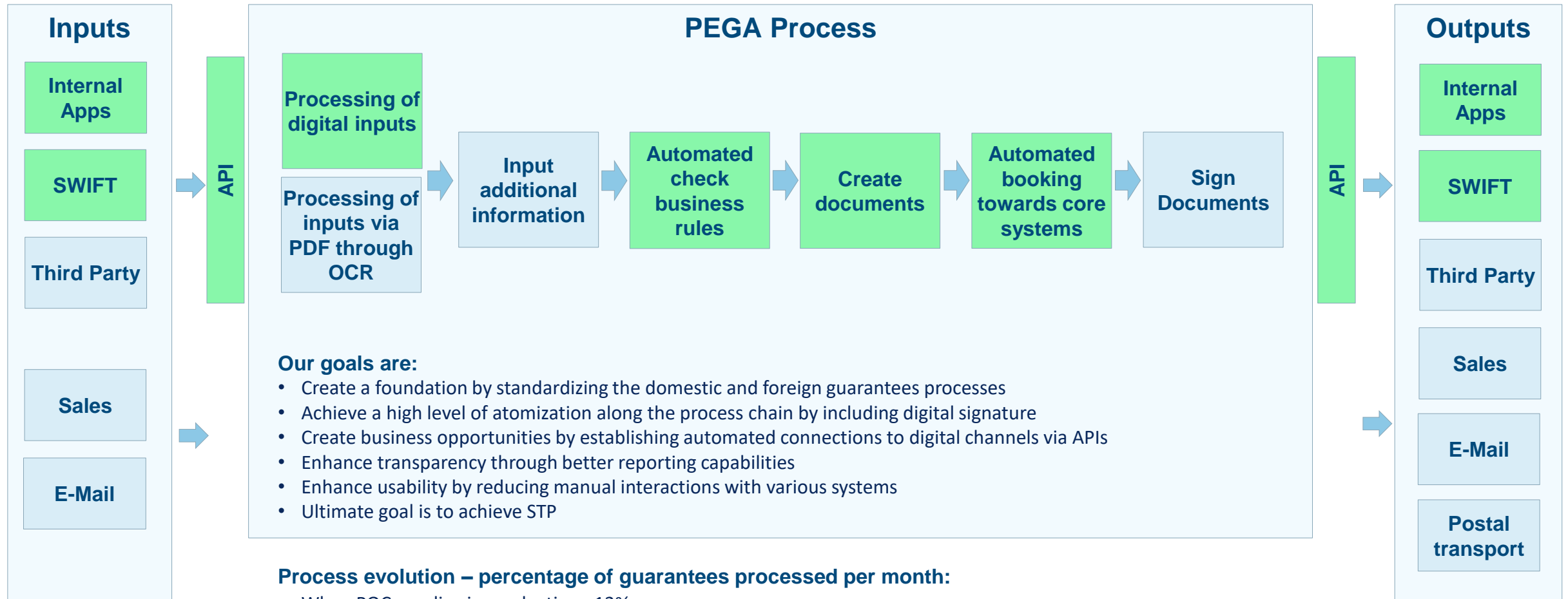
- Identify an experienced Product Owner to lead the team with process know-how
- Increase know-how within the business team to think process from PEGA perspective
- Setup of Centre of Excellence on IT side
- Segregation of Technical teams – Application vs Platform
- Work on building Re-usable Business components and IT features

What is a good way to determine the implementation steps in PEGA?

- Built on useful IT architecture model within the organization
- Determine the corner-stones of the process (don't build the roof before the foundation is completed)
- Align vision and business benefits and key results with efficient technical setup
- Inclusion of further sub-processes to increase the digi-degree across all related processes

With the answers we have managed to rebuilt the process in the right way

Features improved/added post POC

Inputs

- Internal Apps
- SWIFT
- Third Party
- Sales
- E-Mail

API

PEGA Process

- Processing of digital inputs
- Processing of inputs via PDF through OCR

→ Input additional information → Automated check business rules → Create documents → Automated booking towards core systems → Sign Documents

API

Outputs

- Internal Apps
- SWIFT
- Third Party
- Sales
- E-Mail
- Postal transport

Our goals are:
- Create a foundation by standardizing the domestic and foreign guarantees processes
- Achieve a high level of atomization along the process chain by including digital signature
- Create business opportunities by establishing automated connections to digital channels via APIs
- Enhance transparency through better reporting capabilities
- Enhance usability by reducing manual interactions with various systems
- Ultimate goal is to achieve STP

Process evolution – percentage of guarantees processed per month:
- When POC was live in production : 12%
- Post implementation of booking in core systems via PEGA : 21%
- Post implementation of SWIFT : 38%

From the POC we took following lesson learned for the future implementations

Business related

- **Clarity of Essential Vision:** focus on essentials, especially at the beginning – start with MVP and progress towards MLP.

- **End-to-End Process Mapping:** analysis of the As-Is Process and setup of To-Be Process to be as accurate as possible with clear vision of the end goal and the business benefits.

- **Business-Technical Collaboration:** business/technical know-how within the project team – it's important that also business teams have PEGA know-how to think the To-Be process from PEGA perspective because the goal is to transform and not transfer.

IT related

- **Greenfield Development:** don't build new applications on POCs. Start actual application implementation from scratch.

- **Implementation Planning:** Be sure to have enough organizational architecture know-how to get implementation basis right during initial setup.

- **Iterative Approach to achieve MLP:** Every release means taking a calculated risk, don't wait for perfection.

- **Organizational Design:** Building up of the right organizational setup linked to a Target Operating Model – Centre or Excellence (CoE) to manage platform topics and application teams to manage individual applications with the right balance of internal and external staffing.

- **Process Design Best Practices – Configuration over Customization:** know the limitations of the PEGA platform along with the benefits and design the processes on those lines without going into customization of features to ensure scalability and sustainability in the longer run.

- **Early setup of progress analysis tools:**

  - Reporting and Monitoring dashboards for daily business to be setup as part of the MVP to monitor daily progress and usage

  - Process Mining setup should be done to evaluate the current process and identify inefficiencies, bottlenecks and scope of improvements

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Thank You

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