



Managed services come of age

Lynn Strongin Dodds talks to Simon Byles, Global Head of Business Development, Managed Services, SmartStream about how managed services can help organisations navigate change especially with Covid-19.

The use of managed services is not a new phenomenon but one that has continually gained momentum as financial service institutions have looked to cut costs, improve quality, meet the growing needs of regulators, markets and clients, while maintaining risk and control. This trend is only expected to accelerate as Covid-19 sharpens the attention on maintaining and/or enhancing operational performance, whilst continually adding value for clients.

“The reality is that with the vast challenges

and associated volatility in the markets due to the global pandemic crisis, sellside firms, for example, have to ensure that their traders are fully operational, analysts are doing their research and that clients are being serviced,” says Simon Byles, Global Head of Business Development, Managed Services, SmartStream. “The question, never-more relevant than now, is do they want to be focused on the operating performance of a 1,000+ back-office staff, spread across the world, with the business and human capital challenges

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this holds, or would they be better positioned having in place a global managed service, whereby they can rely on the expertise and technology of a proven provider, operating in its area of excellence, delivering to the agreed service-level metrics, no matter the circumstances in which we all are operating?”

Exponential growth

Byles believes that there could be exponential growth in managed services as those in the ‘C-suite’ will more than ever want to outsource the management of applications and processes that fall outside their core strengths and in activities that don’t provide competitive advantage. Under a managed services model, a strategic partner takes on, and runs business operations and processes to continuously improve operational quality and efficiency on a long-term basis. It is also often the route to successful business transformation and digitisation. It works particularly well for processes, people, and locations that are increasingly expensive to maintain and are not competitive differentiators.

Byles also sees barriers to outsourcing being further broken down as the current experience with people in lockdown and working from home demonstrates that employees do not have to sit next to each other in an office to deliver objectives and cater to client requests. “With some organisations, historically, there has been some resistance to outsource services because they like the implied comfort of internal engagement and proximity,” he adds. “However, there is even more proof during the global pandemic that people can

work remotely and effectively and teams can be virtual and across organisation structures. This will lead to financial service firms raising the watermark in terms of the number and depth of services being bought.”

The sea change though started long before Covid-19 appeared on the scene. Over the past few years, financial service organisations have been under an increasing myriad of pressures that have impacted the bottom line. These range from the steady stream of new regulations being introduced since the financial crisis to tightening margins and greater client demands. In addition, technology is accelerating at such a pace that it is difficult for firms to update, integrate and maintain the new systems. Although increased automation through new technologies such as automation and artificial intelligence/machine learning are now transforming services, only the larger organisations can afford to create innovation hubs, and according to research these currently have a low success rate. Building internal capabilities is expensive and time consuming for many firms, plus it is not always easy to find the right people with the requisite skillsets and experience and for organisations to remain focused on the objective.

“Investment banks have been continuously looking at commoditised activities that were essential to run operations but were not core to client engagement or revenue generation. In the past, in my experience, this would often have meant moving hundreds of roles for example from Europe to Asia but you continued to manage the day-to-day processes and employees,” says Byles. “Today, it means looking at how many processes can be automated and how the business can be future proofed for tomorrow. It is not only about cost but also improving operational performance – driving for excellence.”

Improving KPIs

Byles points to one global investment bank as an example. It was able to reduce its IT application support resources by 50%, simply by allowing SmartStream to provide a managed service to the organisation. The solution resulted in the

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enhancement of the team’s actual performance, significantly improved key performance indicators while ensuring timely accurate enhanced reporting.

SmartStream’s managed service IT platform offers expertise across a wide array of back-office services including reconciliation, corporate actions, collateral and cash management, fees and expenses and security reference data. It recently launched SmartStream Air, an AI-enabled reconciliations platform designed to allow users to manage their reconciliation needs on an ad hoc basis in the Cloud, while simultaneously significantly reducing reconciliations processing and configuration times.

Artificial intelligence and machine learning will continue to be key drivers behind managed services, according to Byles. For example, “These can optimise the workflow in the back-office, including the reconciliation process, where you capture, transform and match the data as well as manage the exceptions. Understanding the root causes, the actions required and taken, the anomalies across large data sets, can be quickly assimilated into revised workflows and processes. Truly managing (removing) these exceptions is where the step-change efficiencies can be achieved,” he adds. “We had a top asset management company approach us as their existing technology could no longer handle the transactions volumes which had increased significantly. As a result, we deployed a hybrid model, leveraging our latest cloud based

technology and providing the business solutioning and support experts with considerable success.”

Byles points out that AI is also a big component in the decision-making process of investment banks because it can provide informed business insights and less exposure to processing failures. The technology leverages identification of patterns that could provide customised offerings to customers as well as alert and learn from unusual transactions. Moreover, it provides a competitive edge through the adoption of new algorithms and better human capital deployment – as the staff are able to direct their focus and resources on more insightful value-adding tasks.

Against this backdrop, it is imperative that managed service providers stay one step ahead of their clients and dig deep into their collective pockets to ensure that their platforms offer the latest cutting-edge tools. SmartStream, for example, has made significant investment into its own innovations lab which was launched three years ago. This has enabled the company to form partnerships with many of its clients as well as leverage the knowledge of our data and computer scientists. The teams work together to develop tools and case studies in the deployment of AI to enhance customer experiences as well as significantly improve the efficiency of their operations.

Lessons to be learned

If the corona virus has taught the industry anything, it is to be prepared for the most unexpected black swan event, while keeping the client front and centre. To achieve this, ensuring your full service and support model can deliver and maintain excellence throughout vastly changing and challenging times is key. Choosing the fastest track to this sustainable excellence, can be attempted through internal build/transformation, but as importantly, and increasingly, through proven expert managed service providers, which is going to be one of the more common executive table agenda items post this global situation. Already we’re seeing that the firms succeeding in these times are the ones already deploying sustainable digital strategies. ■