



Choosing the Right Partner to Grow the Asset and Investment Management Business

Findings of the WNS-FSOkx Survey on Outsourcing
Trends and Analyses

Vijayanand Ajagare, Vice President,
Banking and Financial Services, WNS Global Services

In today's fluctuating global economy, still rattled from the global financial crisis and recovering from one of the worst recessions in history, many companies are using various channels of outsourcing to meet business objectives. One of the hardest hit industries is the financial services. With stricter regulatory parameters, unpredictable growth rates and pressures to reduce operational costs, asset and investment management industry leaders are faced with the daunting task of having to choose viable options to meet challenging targets.

Given the current economic climate, in order to make prudent decisions, it is essential that the financial services industry is armed with all the necessary information on the specificity of challenges and also clearly understands the benefits of solutions such as Business Process Outsourcing (BPO). With this in mind, WNS, a leading global BPO provider, commissioned FSO Knowledge Xchange (FSOkx) to conduct an independent market study to analyze industry trends and identify specific concern areas plaguing the Asset and Investment Management Industry. In addition to highlighting the pain points, the study, *Asset and Investment Management Industry: Outsourcing Trends and Analyses*, also assesses the outsourcing models preferred by the industry in the wake of the current financial regulatory turmoil. The study was conducted in November 2010 and saw the participation of 51 senior-level executives across geographies. Responses were collected from C-Suite executives, top-level management and process experts within the asset and investment management industry - with Assets Under Management (AUM) ranging from less than USD 1 Billion to more than USD 1 Trillion.

The main objectives of the WNS-FSOkx survey was to delve into:

- The operational challenges faced by the industry
- The status of outsourcing in the financial services industry
- The factors affecting an organization's decision to outsource

Key Findings of the Survey

Operational Challenges Faced by the Industry

- **Narrowing down the most important operational challenges:**
The profile of operational challenges that exist in the financial services industry today makes up a long list: High operating costs, low operational efficiency, improving risk management, meeting compliance and regulatory requirements, enterprise-wide operational integration, end customer's dissatisfaction with services, operations scalability to manage varying volumes and access to global talent pool / skilled specialists. The survey found that high operating cost was cited as a critical problem by relatively smaller organizations, while larger organizations found gaining operational scalability (so as to handle fluctuating workload volumes) a larger challenge. Banks and securities service providers felt risk management was the most challenging while asset managers considered high operating costs as their topmost concern. Geographically, North American firms leaned in the direction of enterprise-wide operational integration as a critical operational challenge as compared to their European counterparts. In a nutshell, recessionary pressures and the recent regulatory changes have brought out high operational costs and improving risk management as the most critical operational challenges faced by organizations.
- **Breaking down operational challenges by functional area:**
After assessing the major operational challenges in the industry, the WNS-FSOkx study asked respondents to identify specific functions wherein they faced operational challenges. The functional challenge areas highlighted by the findings were: Managing high operational costs in 'Investment Research' and 'Finance and Accounting' operations. While improving risk management was seen as a functional challenge in 'Risk Management' operations. Other notable functional challenge areas were: Operational scalability to manage varying volumes of workload in 'Reconciliation' and 'Data Management' operations and



meeting compliance and regulatory requirements in 'Compliance', 'Report and Analysis' and 'Customer Relationship Management' operations.

The Status of Outsourcing in the Financial Services Industry

■ **Lift-out versus component-based service delivery model:**

The WNS-FSOkx study revealed that the two major models taking shape in the outsourcing arena are: Lift-out and component-based model. The survey revealed that asset managers prefer the lift-out model while banks and securities industry service providers prefer component-based outsourcing. Geographically, the preference for the component-based service delivery model is popular in organizations in the North American region as against their European counterparts. A key finding of the survey is that the component-based service delivery model is likely to gain importance to get cost-effective and expert service from service providers.

■ **Strategies adopted to address operational challenges:**

The WNS-FSOkx survey highlights the need for the asset and investment management industry to arrive at the right mix of internally and externally focused strategies in order to stay ahead of competition. Operational re-engineering and developing in-house skills with a vision for continuous process enhancement are instances of internally focused strategies; whereas externally focused strategies would comprise adopting a shared services model and outsourcing non-core activities to captive centers or third-party service providers.

Factors Affecting an Organization's Decision to Outsource

Challenge areas shown in the study are in fact the main drivers for outsourcing, especially in mitigating high operational costs. However, respondents also described an *increase to focus on core activities* as another key element in pushing them to outsource.

The WNS-FSOkx study's findings ultimately reveal that the scope for outsourcing in order to manage and overcome challenges for the Asset and Investment Management Industry is solid. Risk Management and Data Management appear to be at the top of the list of processes to be outsourced. Lower priority is allotted to regulatory reporting and customer relationship management. Although recession has pushed financial services players to prioritize the functions to outsource, partnering with an outsourcer is still beneficial. Benefits of outsourcing, as outlined by respondents who are currently outsourcing or plan to outsource, fell into place with the inherent issues faced by the asset and investment management industry: *Reduction in total operating cost, operational scalability to manage varying volumes, and ease of managing compliance and regulatory requirements on time.*

The WNS Edge in Asset and Investment Management Industry Outsourcing

As the financial services industry strives to re-shape itself to adhere to new market conditions post-recession, the BPO industry follows suit. WNS, in a mission to continue providing valuable benefits to its financial services clients, has prioritized the changes needed now and in the near future.

Selecting an outsourcing service provider is a strategic decision as it impacts overall costs and the value of the organization. WNS offers a strategic long-term partnership and collaborates with clients to build a viable outsourcing program. WNS has domain and knowledge expertise and operational excellence via technology optimization. In offering a seamless level of service, WNS also keeps pace in knowledge of new products like brokerage products, annuities, insurance and managed products.

To learn more, please write to us at marketing@wns.com