

# Learning to work together

*Transaction processing units are crucial in underpinning trade finance — but if properly leveraged they also add value and excavate new business. So, don't undervalue or isolate trade services teams from structured business lines Alexander R. Malaket\* tells trade banks in the following lessons from the trenches.*

Trade services operations units are well placed to substantially enhance the whole trade finance product through more than effective transaction processing teams. Trade services units can assist in creating a differentiated service offering in the market, and they can add to the value proposition offered by many trade banks.

Too often, a serious 'disconnect' arises between trade services groups and sales/structured trade specialists. This exists in many banks and must be replaced with a more enlightened and effective model.

Operations units need to become more deeply engaged in the business of trade finance, and they must form integrated teams with the sales and struc-

tured trade specialists. The typical organizational model (see diagram below), refers to the disconnect as the 'trade barrier', and it is, indeed, a barrier — to service delivery, substantive progress and innovation.

Today, trade clients have new service options, higher expectations and increasing leverage in dealing with their bankers. Competitive pressures continue to mount, and leading trade banks recognize the urgent need to redefine the trade value proposition. As stated by a Canadian trade operations executive, circa 1993:

*"If we don't significantly change our way of doing business, we will be out of business — or outsourced — within five years..."*

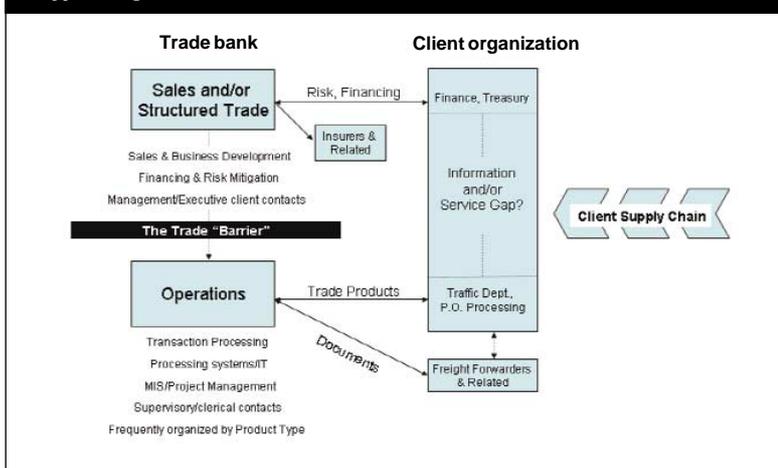
Several trade banks, both outsourcers and those who have made a business out of transaction processing for other banks, will recognize this as a prescient statement. Some have met the challenge, others succumbed to it, or simply made the strategic decision to exit or outsource. Many trade banks are facing the very same scenario today.

The following observations or 'lessons from the trenches' offer a few suggestions to enhance the dynamic within trade finance units that fail to fully leverage their operations groups.

## Lesson one: challenge assumptions; raise expectations

Trade operations units, as a group, are undervalued, poorly leveraged and generally underestimated in terms of potential contributions to the business, and to

## A typical organizational model



the development of successful client relationships.

Engaging operations staff in the broader business of trade finance will create a more effective, cohesive and responsive trade finance team. Such an approach will help to position trade bankers to address client needs based on enhanced insights into business needs, and will support efforts to extend value into the client organization, and supply chain.

An integrated approach to trade finance might look like the one shown in the diagram below.

A senior executive involved in trade in New York was once heard to say words to the following effect:

*'...I don't care if we have a bunch of hamsters moving the paperwork in a back room, as long as the transaction is successful and our service delivery looks good to the client...'*

Such a statement, intended to illustrate a point with an extreme position, nonetheless reflects to some degree, the extent to which trade operations units have been undervalued.

There is no room for 'hamsters' in today's trade finance business.

Operations specialists should be expected, and actively encouraged to contribute to the trade value proposition in ways that extend beyond transaction processing. They ought to be managed as 'organic' teams of specialists in an evolving business, not as transaction processors in an obsolete back office function, and every aspect of the business must align to support the new expectations.

**The lesson in action**

The benefits of challenging assumptions and raising expectations are perhaps well illustrated by examining the contributions of those who have successfully 'crossed the chasm' between operations and structured trade or sales, or operations and special projects. What measurable business benefits have been created by raising the level of contribution expected from trade services staff?

**Lesson two: eliminate the hierarchy**

Hierarchy obstructs creative energy and initiative, and serves to maintain the organizational status quo. The

relationship between operations and the rest of trade finance must be recast as a partnership, where each unit brings complementary and valuable skills and expertise to the business.

Enhanced career development, focused training and cross-training, together with the fluid movement of knowledge and staff across the trade finance organization, will combine to offset constricting hierarchies,

# Engaging operations staff in the broader business of trade finance will create a more effective, cohesive and responsive trade finance team.

and enhance value and service delivery. Managing trade services based on the 'lowest common denominator' (of expectations, aptitudes or value-added) is no longer a viable option.

Leading trade banks have begun to manage operations units as skilled specialists, embracing accreditation programmes and establishing quality schemes as part of their service delivery commitments. Such steps represent an investment in trade services, and reaffirm the value contributed by operations staff.

Operations should contribute to strategic thinking, and structured trade/sales specialists ought to lend a client-centric view to workflow analyses and operational redesign efforts.

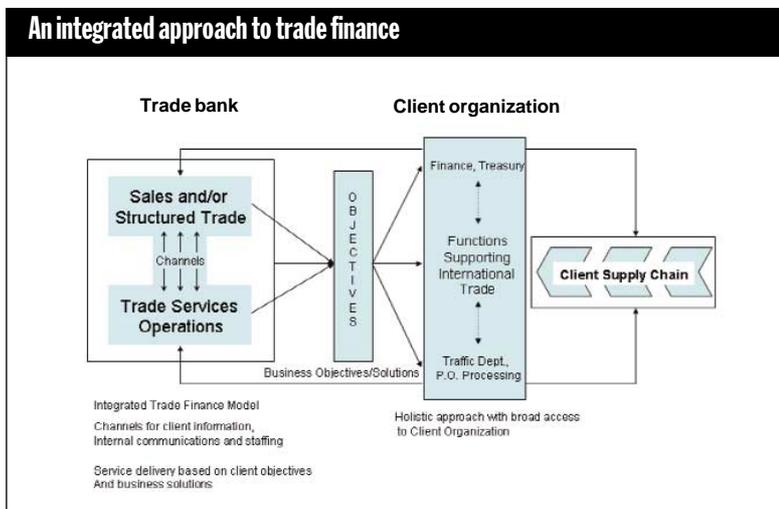
**The lesson in action**

Members of a trade operations group were given the task of developing a sales unit, mandated to identify business opportunities and to develop a calling programme targeting selected clients. Despite the passive resistance of the sales team, this group completed basic sales training, and demonstrated that the contributions of trade services can extend beyond transaction processing.

**Lesson three: redefine (recognize?) the value proposition**

Trade finance is much more than a transaction business. The value proposition around trade finance is being seriously underestimated by many banks, even as importers and exporters consistently express a desire for greater engagement (and value-added) from their trade finance providers.

Trade finance, viewed holistically, and delivered by an integrated team of specialists, is about providing effective business solutions to complex and high-risk



## Processing – the operations/SCF disconnect

► international business challenges. These may range from payment facilitation, to risk mitigation and financing, as well as business process solutions and general advisory support. Whatever may define that value, it must be driven from the needs of trade clients, and those are most fully understood if trade services staff contribute their insights to the process, and assist in delivering value-optimized solutions.



Alexander R Malaket at Opus Advisory Services International in Toronto

Trade advisory services, for example, offer largely untapped potential in the value proposition, and represent an opportunity to leverage synergies between trade services units and structured trade specialists. In addition to providing differentiated value, advisory services create opportunities to engage with clients on a strategic level, and to learn more about the client organization and its future requirements.

### The lesson in action

Leaders in trade finance have begun to position their services in the broader contexts of international business, cash management and working capital optimization, and have sought opportunities to extend service offerings into the supply chains of client organizations.

Hybrid payment and financing options, sector-specific solutions and services targeting evolutions in e-commerce will challenge the value proposition of trade finance, and offer new opportunities to innovative trade bankers. The trade value proposition is neither static nor finite, but rather, dynamic and growth-oriented.

### Lesson four: client relationships are everybody's business

In many trade finance groups, there is a conspicuous lack of coordination between operations, sales and structured trade, in managing client relationships and business development.

Trade services operations are often an untapped source of current and practical insights into the business and transactional challenges faced by clients. With basic coaching, even the most transaction-oriented operations unit can become a valuable source of information, insight and opportunity.

Integrated trade finance teams require frequent, organized and active communication across all levels, about client relationships, client needs and expectations. Client management must involve all members of the trade finance team, in an ongoing process guided by shared ownership of the relationships.

### The lesson in action

This lesson has numerous examples, many of which can be distilled, for operations, in terms of learning to ask the right questions at the right moment.

A trade services specialist engaged a long-time client in a brief discussion about discounting term letters of credit, despite a standing instruction that the client organization 'never discounts'.

The client confided that the company experienced cash flow challenges due to a slowdown in business, and proceeded to discount its term credits for the next several months, generating significant revenues and goodwill for the trade group.

### Final lesson: there is no final lesson!

Creating an integrated and cohesive trade finance unit, and offering a business/solutions-based approach to service delivery represents an important step forward for many trade banks. The reality is, however, that success in this area will serve only to create a more secure foundation to move forward.

Internet-based trade models, PDA-level international payment solutions, online marketplaces, and many other developments represent serious challenges to the nature of trade finance, and whatever sea-changes may occur in the business over the next five years, trade bankers will have to continue to learn new lessons about value propositions and service delivery. ■

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