



Postcards from the leading edge

If STP has lost some of its lustre, perhaps it's because the vendors to financial services have failed to bestow upon the industry the benefits of modern technology, as vendors in other key verticals have done

The question has been raised as to whether we are seeing the end of STP – not just as an acronym, but also as a business concept. Some believe that all the STP products, with their respective propositions, are old (often true), but nevertheless have solved the STP problem. If STP is defined as the need to automate processes to reduce fail rates, operational costs and operational risk and improve customer service, then these requirements have most certainly not yet been met, and the problem remains unsolved.

The concept of STP has been with us for a fair old while, and is likely to be with us for a good while longer. When we talk STP today, we are not necessarily talking about the same thing as we were, say, five years ago, since which time we have seen STP emerge from the back office and move across wider business boundaries. The apparent evolution of the meaning of STP is interesting, as long as we still understand the problem we are all trying to solve.

While the language may change, the software from vendors in this sector typically does not, and maybe this is why STP has become stale. The vendors have not come up with ideas that are sufficiently radical to evolve into the true end to end solutions that are really needed to keep the STP concept alive and attainable.

In sharp contrast, other industries have been revolutionised by their vendors: Pixar is probably the best example of this in the field of cinematic animation. In the world of internet services, Google has done an amazing job of significantly improving search engines through the application of creative thinking and “modern technology”. Technology can be deployed to do much more complex things than have as yet been attempted in the financial industry, which is not at the leading edge yet.

The scope of the STP problem has increased, but have the solutions kept up with the pace, or addressed the changes in scope that have emerged? When people say STP has been solved, what they mean is silo projects have been done. Some pieces of the jigsaw have been put together, but the complete picture is far from finished. A silo based approach is useful in a small way, but

the customers I interact with are looking for higher total gains, and need to hear about achieving competitive edge through new solutions.

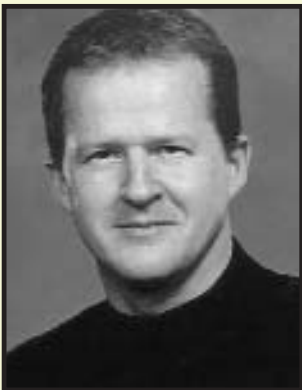
One evolutionary approach to creating a complete STP picture is an information centric approach, which looks at the problem as a complete entity, rather than as a collection of silo solutions – the latter having been done to death. Ethernets were passionately discussed in the 1980s, yet today they are not discussed at all, despite forming the backbone of our work environment and increasingly our homes.

The benefits of an information centric solution are enormous for operations and a company's customers. This is still STP, with the same STP problems being addressed, but through an information warehouse approach. Sometimes data warehouses are seen as archives of information, which indeed they can be, but in addition, with today's technological improvements in performance and scalability, they can also be active data stores where information is entered once and only once, routed, cleansed, corrected, reported from, and then securely seen everywhere. However, it is the application of modern computing that has enabled this, including state engines for EAI, true rules driven engines for matching, cleansing and reconciliation, XML *et al* (ie learning from and inheriting technologies that have successfully been applied in other industries).

Having been actively involved in four start-up financial software companies, applying relational database technology in the 1980s, client/server technology in the early 1990s, EAI in the mid 1990s and state machines and XML in the late 1990s, one thing I do know about is the difficulties of selling to a conservative customer base, and the challenges the first customers bring with their initial teething problems. However, the industry needs to sensibly evolve through the adoption of modern technologies to move forward and replace the legacy solutions.

To the conservative customers, this may all look like a revolution, but in this competitive market customers will have no choice and can only afford to be cost leaders, brand leaders or niche players. This will be evolution to the smart thinking community.

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By John Wise