First Albany Corporation,
Albany, New York

North America Excellence Award: Imaging, Finalist

Executive Summary

Business process reengineering (BPR) often is viewed, especially by workers, as a euphemism for corporate downsizing. However, at a forward-looking organization such as First Albany Corporation in Albany, New York, reengineering fulfills its true promise—as a strategy for rapid growth and complete customer satisfaction in a business environment of intense competition and constant change.

To implement reengineering, this investment bank has combined a highly structured BPR methodology with essential business process automation (BPA) tools, including client/server workflow software, imaging technology, and a computer output to laser disk (COLD) solution. In one key area-customer accounts processing and records retention-the results to date have been remarkable.

Large amounts of paper output and physical storage for hundreds of thousands of account documents have been eliminated. Procedures have been streamlined, reducing processing errors from 50 percent to five percent while collapsing process transfer times. First Albany has expanded its productive (sales-related) workforce by approximately 15 percent during the past two years while maintaining the same size support-related workforce. All together, these results are helping First Albany achieve its ultimate goal of providing "second-to-none" service leading to complete customer satisfaction.

The Challenges

First Albany Corporation, the main subsidiary of First Albany Companies Inc., is an investment banking and securities brokerage firm with 650 employees and approximately $120 million in annual revenues. The organization provides institutional securities brokerage services as well as retail brokerage through 35 branch sales offices concentrated primarily in the northeastern U.S.

As a securities dealer, First Albany Corporation is fully regulated by the Securities and Exchange Commission, the New York Stock Exchange, the National Association of Securities Dealers, and other agencies. As a result, First Albany must track thoroughly all transactions and retain voluminous documentation to fulfill regulatory and reporting requirements.

Until recently, First Albany's regulatory responsibilities translated into paper-vast amounts of it-as well as microfiche records that needed to be filed for years, often indefinitely. One of the most prolific producers of paper was the customer accounts area. Both regulatory and customer service requirements dictate use and retention of up to 50 different forms.

"The requirement is that these forms must be retained for as long as the account remains with the firm," explains Ed Brondo, chief administration officer for First Albany Corporation. By the end of 1993, he continues, "We had about 500,000 documents supporting a base of approximately 120,000 customers, and we were opening 50 to 100 new accounts a day."

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At that time, in 1993, the information technology infrastructure was minimal at First Albany. There were very few personal computers (PCs) and no networks. Securities transactions were processed via a service bureau, which owned the mainframe computers and provided First Albany with access through "dumb" terminals.

As Brondo explains, "We would have some downloads of hard copy for our database, and that was the state-of-the-art. We needed something for budgeting, planning, and in-depth financial analysis. Use of the service bureau for control and analysis simply wasn't working for us."

Brondo was hired in June 1993, and charged with changing the situation through process reengineering and automation. By December 1993, First Albany Corporation had signed a contract with Computron Software, Inc., to implement financial software, a COLD solution, and workflow. During the spring of 1994, the computer hardware and software foundation was laid: local area network (LAN) and IBM RS/6000 server installation; PC installation and training; selection of an NKK optical "jukebox" for high-volume information storage; and conversion of service bureau information to flow into the Computron system.

By May of 1994, with both the information technology infrastructure and a business support analysis group in place, First Albany was prepared to launch its various process reengineering and automation projects. What follows is a detailed description of the efforts that ensued.

Workflow-Enabled Customer Accounts-Reengineering Implementation

On October 1, 1994, First Albany "went live" with its first ever in-house financial software system-accounts payable and general ledger modules from Computron Software. However, "that wasn't enough to keep us busy," Brondo says. "At the same time, one of the big things we wanted to accomplish was to eliminate paper."

As noted above, the firm was retaining approximately 500,000 documents, and adding between 50 and 100 new accounts daily to the pile of paper.

"Trying to locate those documents could be a nightmare," Brondo notes. "We wanted to eliminate several thousand square feet of file space and replace it with an optical 'jukebox' that takes up a couple of square feet of floor space."

By September of 1994, First Albany had installed Computron's Workflow product and was prepared to scan documents into the imaging system.

"In September, we decided that all new accounts would be scanned into the optical system. Then we started a project to work backwards scanning the records of current accounts.

"We now have a workflow system in the neighborhood of 300,000 documents, and we continue to scan all of the new documents opened every day," Brondo continues. "All of these are readily available, all are indexed and easy to find. This technology also satisfies the regulatory bodies-it has to be WORM (write once, read many) technology, and it has to have an off-site backup."

Beyond Paper Savings

Paper and space savings, however, represented only the beginning of what First Albany wanted to achieve with imaging and workflow. The company's busi-

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ness support analysis team, formed in the spring of 1994, had determined by fall, 1994, that significant gains could be achieved by reengineering and further automating the customer accounts documentation process. This process generally originates in First Albany's branch offices, then continues after documents are sent to the central offices in Albany, New York, for processing.

"At the time, the error rate in the document completion process was about 50 percent. Therefore, we were constantly sending documents back and forth between people and offices," says Brondo, "The other thing we found was that we had about 15 steps and 13 different 'hand-offs' from initially filling out forms through approvals. We decided that didn't make a whole lot of sense.

"So we put together a design team composed of people from operations, sales, and support. They came up with a process design and determined that we could ultimately reduce the number of steps from fifteen to five—though in the interim, the number of steps would be reduced to eight."

First Albany also realized that the process would be streamlined simply by scanning documents into the workflow system at the branch offices. Though scanners are gradually being installed in branch offices, the simplest way to capture document images was with the fax machine.

"Faxes are captured as images automatically by our workflow system, then identified as to the branch, then transmitted to our new account department electronically. The documents are put in a work queue. New account personnel can call up images, review the documents for completeness and accuracy, index them, and store them in the optical system. That entire flow now has been automated, eliminating all the paper for customer accounts going from branch offices to the main office."

The combination of workflow-enabled automation and process reengineering has not only eliminated paper and reduced process steps, but also slashed the error rate from 50 percent to an average of five percent and even one percent at many branches.

Furthermore, "In addition to maintaining the basic account documentation, we have to confirm every trade and transaction a client requests," Brondo says. "We send out a confirmation, and copies of those are stored optically and linked to the other account documents. So we're winding up with a rather extensive picture of the particular client, which is rapidly accessible through jukebox storage."

Further Reductions with COLD

During this same time, First Albany installed a client/server COLD system (Computron's COOL, or Computer Output On-Line) to further reduce paper printing and storage.

"To give you a sense of the level of production, we used to print on a regular, daily basis six full boxes of greenbar paper reports—over 700 reports daily from our service bureau directly relating to our reporting requirements," Brondo explains. "We don't print them any longer—we store them in COOL and people access them from their desktops. As a result, printing has been reduced from six boxes to two boxes."

These COLD documents share storage space with workflow documents on the optical jukebox. Also, many of these reports previously had to be stored on microfiche, which now has been eliminated.

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"We're saving on computer time, printer time, the bursting and distribution process, the cost of paper, and the cost of microfiche," Brondo says. "And we're saving the cost of people's time researching through microfiche and paper files. That used to take hours, and now people can retrieve answers in seconds. So our estimate is that we are saving about $100,000 a year with COOL."

Workflow—An Enterprise-Wide Impact

The powerful impact of First Albany's customer accounts workflow application is being felt across the entire organization.

"This particular application most directly affects the retail segment of our business," Brondo explains. "Out of 650 employees, something like 400 are directly related in some way or another to retail-so workflow directly impacts 400-plus people."

Currently, direct access to the workflow system and imaged documents is available in the central office. However all branch offices (including 12 that are not yet equipped with a PC LAN, but still have at least one PC) are connected to the home office through high-speed ISDN telephone lines. These lines allow hourly database replication of the company's enterprise-wide Lotus Notes application. Computron Workflow is linked to Lotus Notes, which allows rapid delivery of imaged documents (via fax or electronic mail) to any location in the First Albany organization. And this is a stopgap measure.

"Once we've installed networks and PCs in every branch, they will be connected to the central system in Albany by a frame relay network," Brondo says. "Then the workflow-based customer accounts system will directly impact almost everyone in the company."

Since 1994, workflow already has made it possible for First Albany to add some 100 "producing" or sales-related employees to the firm while staffing levels in support areas have remained flat.

"We've had very sizable growth of personnel on our revenue side, but haven't had to add people to support them."

Moreover, the revenue-generating members of the workforce have become more productive as well.

"If our document error rate with new accounts was 50 percent, there was a sizable amount of time that used to be wasted," Brondo says. "Now since we've reduced errors to five percent, the 100 or so sales assistants who are involved in opening new accounts each day now are freed up to directly support our client base.

"So I have to believe that we have more satisfied clients, because there are more people who can service the clients quickly without being hung up in clerical nightmares."

The Future...

Next on First Albany's reengineering agenda is to workflow-enable its accounts payable department. As with customer accounts, Brondo anticipates a powerful impact despite the small size of the accounts payable department, which has two full-time employees and about five others who work there part-time.

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"Beyond those people, we have some 200 managers who spend time approving transactions or otherwise getting involved in the accounts payable process," Brondo explains. "So it's currently cumbersome. It's not only the paper wasted. Our mailroom is sending paper all over the firm. The transmission time is long, whereas an image gets there in a few seconds. Now it's a real trick to determine where approvals are, who needs to sign-off next, and so on. With workflow, we'll know exactly where everything is, and it will speed up the whole process and make it more efficient.

"Managers who waste time handling paper can do the approvals right on-line. The incremental savings will add up to more time people can spend with their clients, and in general, more time they can be productive. We really want to free up time for the managers. That's the main goal."

The Methodology

In the spring of 1994, First Albany formed a six-member business support analysis team. The team's first critical task was to document, through interviews and other research, all of the individual procedures that comprise the company's operations.

"They spent about six months in that documentation process," Brondo explains. "What they came out with was a book of about 600 pages of flow charts and related narrative describing procedures."

From there, the team began analyzing specific functions that integrate various procedures into a process flow involving a number of individuals. For example, in the new account process, the analysis team determined what it took to open an account, what the client does, what the salesperson and sales assistant do, the mailroom clerk, everyone who touches that process.

"Then we put together a design team that included representatives from each area impacted by the process flow, perhaps 10 people," says Brondo. "Their purpose was, within the framework of six well-defined design criteria, to figure out the best way to perform a process."

Those criteria are as follows:

- Any process has to be done to provide quality customer service.

- Speed in process is equal to quality. "If you're a customer who calls on the phone and somebody has the correct answer immediately, then you feel comfortable about First Albany," says Brondo.

- In order to have speed and quality, you have to have simplicity.

- Simply offer the right choices. "In many cases, there are multiple ways of doing something, but all are not efficient or good for the customer. We define what is good and offer only those choices."

- Done once and done. "We want people in jobs who are trained, who understand what is expected, and who do things right the first time. Correcting errors takes much more time than doing it right the first time."

- Simply try to achieve a paperless environment.

Once the process design team, working in concert with the analysis team, develops a new design, the team makes a formal presentation to a steering

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committee comprised of senior managers representative of impacted areas. The three teams then hammer out agreements on the process redesign, and the business support analysis team manages and implements the changed process. In areas where workflow technology is key to implementing the reengineered processes—such as the reengineered customer accounts documentation process—the analysis team works closely with Computron consultants to "convert our thinking into the actual workflow."

"We've completed this procedure with approximately 10 areas of the firm besides new customer accounts, and we have another 30 or so to work on," says Brondo. "A lot of people talk about reengineering, but they don't have senior management support or a formalized process to make sure it happens. We have the design criteria, the basic documentation, the formal process and top-level support for the effort."