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Why Irish Banks Are Poised for Greater Productivity

Ray Bowe from Dublin-based international operational management solutions provider Xcentuate, explains the nuances between the UK and Irish market, how Ireland's banks are benefiting from the exit of two foreign players, and the impact that is having on operations teams.

> *With AI and an evolving technology landscape, the nature of operations is changing and no business can afford to be left behind.*

Operational performance in Ireland has historically moved broadly in tandem with the UK. Yet in the wake of Brexit, economic fortunes have started to diverge, which has implications for the Irish banks and their operations teams.

To start with, Ireland is running a substantial surplus[3], whereas the UK is dealing with a significant deficit[4]. Inflation is also running slightly hotter in the UK[5], while growth is higher in Ireland[6].

All of that is feeding into a sense of a booming economy in the country, with the banking, tech and pharma industries all benefiting and Ireland setting the pace for other European markets.

Ireland's banks have also grown stronger since the financial crisis and have worked hard to improve their capital ratios. The hangover from the crisis was still being felt this year, however, when two foreign banks – Belgium's KBC Bank and Northern Ireland's Ulster Bank (owned by NatWest) – both exited the country after gradually winding down their Irish presence, in part to redeploy capital in their domestic markets.

Those exits have created a once-in-a-lifetime boom for the remaining three big banks – AIB, Bank of Ireland and PTSB – by absorbing their customers, with around one million former KBC and Ulster Bank customers left looking for new homes for their current accounts and mortgages.

At the same time as that influx of new business, the brighter economic outlook also resulted in increased staff turnover last year as pent-up demand from COVID (when fewer people sought to change jobs) washed through.

All of that has had an outsize impact on operations teams. Onboarding those new customers from KBC and Ulster Bank saw a massive spike in activity, particularly in areas such as operations, while resources were stretched from higher-than-normal staff churn. The net result: productivity declined. So, while the stresses and strains that caused that decline were different than in the UK, the overall impact on productivity was the same.

That onboarding work is largely now completed, and the uptick in staff turnover seen last year has eased. Yet the increase in customers means operations teams are now having to handle a higher workload (and we haven't even started to see the effects of cross-selling or up-selling new products to ex-KBC and Ulster Bank customers). The higher baseline of work has manifested in two trends – a fresh hiring push for more back-office staff and an increased shift towards outsourcing to manage higher inbound work volumes. There is also likely to be a steady stream of tidy-up work required to bed those new accounts in and iron out any issues.

To help with that, I expect to see continued efforts on digital transformation and automation, and a greater focus on efficiency. There will likely be an uplift in productivity levels in the coming months as conditions stabilize and operations teams at Ireland's remaining banks get comfortable with the higher level of activity.

So, what should Irish banks operations leaders focus on in the second half of the year? Firstly, ensuring their systems can smoothly manage a massive influx of new business and not buckle under pressure (while also effectively managing their existing customers). Secondly, accelerating their ongoing digital transformation and automation programmes. Why? Because with AI and an evolving technology landscape, the nature of operations is changing and no business can afford to be left behind. As AI advances, operations teams need to get an integrated view of their data to feed into those systems and support better decision making, driving efficiency gains and boosting productivity levels.