

# Instant messaging benefits

[Sociology](#), [Communication](#)



January 2009 Executive Summary Unfortunately, while Instant Messaging (IM) systems have the ability to change the way financial service companies interact for the better, many of today's implementations pose problems and challenges to address. IM technology has the benefits of gathering input from many different people in dispersed locations. This adds speed and ease to workplace communication, and presence detection eliminates the time typically lost to missed telephone calls and wasted trips to see colleagues. Speed and efficiency are increased from knowing the status of financial transactions in real-time. A main challenge in financial compliance is the regulatory financial framework, which forces financial service companies to archive IM conversations. Poor management in security and retention controls increases the legal risk and personal accountability to corporate officers. Consumer-grade IM has potential for security breach and the leak of corporate data which can be particularly devastating to financial service companies.

IM is widely used to distribute research, negotiate prices, execute orders, and stay in touch with clients and colleagues. It provides a direct mode of communication with co-workers, clients and other broker-dealers that enables far closer and more personal relationships. Imposing an IM ban could result in the loss of clients and valuable employees to competitors who are more tolerant of the use of IM in the financial markets. Key recommendations include: Installing an enterprise-grade IM system for all employees in the firm. The addition of consumer-grade IM for client facing employees to keep client loyalty.

Educating employees on a company IM policy including regulatory guidelines and using IM for personal use. Enforcing rules through software that monitors and records IM conversations, and also through disciplinary action. Forming a management team to coordinate a strategic IM plan that meets all regulatory and legal needs and effectively solves the challenges and problems discussed. Continuously investing in new technology, updating IM policy, and educating employees to meet long-term regulatory and security requirements, and issues regarding the future direction of the firm.

Introduction Instant Messaging (IM) was the first mass based communication application rolled out by users, rather than management who saw immediate business value in this new form of communication. Financial Industry and Government regulators have clarified IM as a form of real-time written correspondence that creates a business record. This paper seeks to explain the risks and problems IM brings to the financial services industry and challenges for management, such as determining the effect on employee productivity.

This paper reviews the benefits IM brings to the financial services industry, in the form of improved communication, collaboration, efficiency, monetary benefits and information archiving. It also discusses the problems and challenges that management should be aware as well as the impact on the business, and makes recommendations for addressing these issues and achieving benefits for financial service companies. The Potential Benefits that can be gained from IM Enhanced collaboration

There are many arguments for the use of IM as a communications tool in the business environment, including improved brainstorming capabilities and the ability to multitask. Many workers today use the telephone and IM simultaneously, so they can chat with each other privately while, for example, on a group call to a client. Ellen Isaacs (2005), reports that “ users like that they could respond to quick IM questions from co-workers while engaged in another task, such as talking on the telephone, or processing documents or email. Studies note the ability to multitask is a major benefit of IM in the workplace. Current theory emphasises the value of informal social interactions for exchanging information, collaborating, and initiating spontaneous interactions (Cross & Parker, 2004). IM suggests that systems that depict social cues facilitate information and social interactions, enhancing performance. Over time, people develop comfortable working relationships through prior collaboration and through socialising.

IM has proven its overwhelming value when it comes to gathering input from many different people in dispersed locations. For example, in financial trading, UBS has created over 5, 000 group channels around certain topics like foreign exchange, equities and fixed income. Pritchard (2006) reports that if something's happening in European equities, or in foreign exchange, someone can put it on the chat line and other traders can see it instantly.

Improved efficiency

Processes that were once agonizingly slow and inclined toward misunderstanding and errors can now be accomplished in record time. Handel (2002) reports how this has led to increased popularity among

workers because it adds speed and ease to workplace communication, and eliminates the time typically lost to missed telephone calls and wasted trips to the office of a co-worker who is absent or otherwise occupied. It is clear that IM can be an efficient, thought-provoking communications tool, not only within the office but as a bridge between geographically dispersed locations.

Jim Craige (2006) at UBS Investment Bank explains how in fixed income trading, having a secure connection to a network of dealers with whom he's in constant contact lets him take care of business faster, as “ it drastically cuts down on the time it takes" to know the status of transactions. Improved communication IM differs from email, primarily in that its focus is on the immediate delivery of messages. Many also acknowledge the tool as less intrusive and a time saver when compared to the telephone due to the ability to detect the presence of other users.

Users can set status messages telling others whether they are available or not, which adds to IM's value as a skilful means of communication. There is often some type of icon next to the name of their buddy to determine how long the person has been online, and if they are actively messaging or “ away” from their desk. From the author's experience, this saves on making unnecessary phone calls if you can see that the person you want to speak to is not at their desk. It can be decided whether to contact the person later or send an email, voicemail, or other message that the recipient can respond to later.

In other instances, help consists of referrals to others who can provide answers or help solve problems. UBS formed a help desk channel for IT

where employees could input trouble tickets (a specific IT problem) through a chat system and then receive real-time feedback on the status of their ticket. IM offers a way to quickly resolve questions and issues as they arise. Cost Benefits IM has proven return on investment benefits in certain situations, such as conferencing. Group members can be conferenced in to a conversation from around the world, which saves on long distance calls and travel expenses.

Diseconomies of scale in distance can be solved through IM, due to increased collaboration and the cut in communication costs (Cameron & Webster, 2004. ) According to Saeedi (2005), Morgan Stanley saves \$18 million annually by relying more heavily on IM than phone calls, plus another \$98 million per year in trimmed travel costs, as there is diminished need for face-to-face meetings. Many analysts see IM as stimulating positive change in organizations because of its rapid diffusion, diminishing costs, and ease of use (Jones, 1998).

Information Archiving Archiving IM meetings and conversations has become an essential business process for financial companies, since IM users don't generally just chat, but they also exchange documents, contracts, trade details and other financial information. Starner, T. (2004) says how " Instant messages are business records, just as e-mails are business records. " This enables employees to go back and review crucial information (they may have forgotten) that is needed for themselves or that is requested from them.

Financial institutions are wary because of regulations where in some areas such as trading they cannot use instant messaging without logging and archiving them. There is also scope for managers to review IM conversations and therefore ensure productivity is not being compromised by personal IM use, and that disclosure and industry regulations are being followed. The challenges and problems with the implementation of IM Compliance regulations, such as Sarbanes-Oxley, have forced companies to archive IM conversations. This is because an IM conversation is still regarded as a sort of document.

Sarbanes-Oxley regulation requires an annual evaluation of internal controls and procedures for financial reporting, as well an assessment for the effectiveness of these controls. As IM is involved in this process, these communications need to be logged, archived and available upon request. Many IT units are having difficulty managing several IM systems installed without their knowledge that are used for both personal and important business communications. For example, Thomas Weisel Partners LLC in San Francisco tried to shut down the use of America Online Inc. 's Instant Messenger, Microsoft Corp. s MSN Messenger and Yahoo Inc. 's Yahoo Messenger after the 11th September terrorist attacks. However, due to resistance from users, the company was forced to adopt monitoring software instead. Managers are in agreement that in financial services, client facing employee's need the more popular systems to communicate with customers, so efforts to implement a standard IM product rarely work. Beth Cannon, a former Chief Information Officer at a brokerage explains that " it comes down to some of our institutional customers who required IM as the method to

communicate with them. When a client insists on using a specific consumer-grade IM and management who choose to shut it down, they create the possibility of losing that client. However, if they keep it then they open up the company to risks, as well as additional costs in monitoring, archiving and enforcing policy on the technology. The problem of resistance to the removal of the multiple IM systems can be circumvented to a large degree through the use of monitoring software. More vendors of all sizes, such as Stellar Technologies Inc. are scrambling to build robust tools to monitor IM for financial firms, which must meet new government regulations requiring that electronic conversations be monitored and recorded. When organisations implement information management solutions, they must ensure adequate management controls. Grace Financial report that their administrative tools are great for inputting problematic key words and reviewing highlighted logs. On the other hand, they also report that they have had limited, if any, issues with misuse – just increased software costs.

However, they find that it has come in most useful for reviewing conversations where there is a problem with a client order. There is a significantly increased legal and security risk from lack of user management, security and records retention controls for employee use of instant messaging technologies. Following the lead taken by the New York Attorney General, the SEC (Securities Exchange Commission) has already issued some multimillion dollar fines for non-compliance of regulation (Ministries, J. 2002).

In May 2002 Merrill Lynch agreed to pay a \$100mm penalty resulting from hyping stocks that internal communications revealed that they knew to be



bad. However as part of the settlement Merrill Lynch set up a proper system for logging and monitoring IM. With IM becoming such a popular communications tool, it's reasonable to assume that conversations conducted will, at some point, contain information that is company confidential. Therefore an IM system is needed that provides security for messages as they are transmitted, even if all such transmissions will be within the company's own network.

Goldman Sachs has spent considerable financing on 'Bond. Hub' which delivers secure messaging beyond firewalls of new fixed-income product issues. This new software could only be implemented with complete security as they wish to protect their extremely valuable client list. The security of 'Bond. Hub' has kept control with the dealers and protects access to the high-value content. The right solution of IM security will depend largely on the value of the data, and the company's view of risk.

Unmonitored, uncontrolled consumer-grade IM, such as Yahoo Messenger and MSN Messenger are essentially open channels between corporate networks and the outside world. This involves an amount of risk that most business leaders are unwilling to accept. "Instant messaging could be fine between two companies if the data being exchanged is very insensitive," says Miles Clements, a project manager at an Information Security Foundation. "But a trader should not be able to use IM to trade with another bank." It is argued by security experts that free consumer chat programs can tear gaping holes in security efforts.

This is mainly because consumer-grade IM allows unlimited numbers of people to connect directly to a corporate network. " This was made evident in a case that occurred at the beginning of 2001, where a hacker stole logs from an instant messaging client belonging to the CEO for a company called eFront which specialises in financial services software. The hacker posted the logs to several places on the Web, thereby creating one of the worst possible corporate nightmares. These logs included sensitive company data regarding business partners, employees and affiliate websites.

After the posting of the logs, several members of the senior staff for eFront resigned. There are reports already of cybercriminals and hackers exploiting the growing popularity of IM by using it to introduce viruses or other malicious software into financial firms. The Vice President of a top investment bank had his computer infected by a virus and found that his entire ' buddy' list had been sent a record of all his IM conversations. He was fired because of negative comments he'd made about his colleagues in what he thought were private IM conversations.

Obviously, for the firm in question the logs leaked several confidential facts that were hurtful to the company's reputation and future business deals. In spite of this, virus attacks are not yet frequent on IM applications, but the latest threat is likely to send worry in to the mind of IM users and the financial service firms that employ them. IT departments need to take a strong lead on securing IM through many different approaches. However, an outright ban on running IM software is unlikely to succeed or risks damaging productivity by closing down a useful communications channel.

It seems that financial companies need to act to assess the state of IM use within their organizations and put into place the necessary measures to make sure their IM use does not run afoul the compliance requirements and vital security needs of the financial services industry. From the author's own experience at Morgan Stanley, employees have to view and learn several materials and then take a test on the dangers of IM, in order to educate users on correct use and also place more legal obligation on the employee and take it away from the company.

Employees can frequently disclose information when they are conducting several different IM conversations at once, and accidentally send a message to the wrong person. Inside information, prospecting information etc. can be leaked in these ways fairly easily, with no malevolent intention on the part of employees. This author has experienced the simplicity of replying in the wrong IM conversation when several conversations windows are open. The leak of valuable corporate data can be particularly devastating for financial service companies.

Computer experts have warned that a lot of leaks are actually intentional and that financial service professionals are increasingly using untraceable electronic instant messaging systems to communicate sensitive information secretly. The Financial Services Authority said there had been concerns about instant messaging for some months. However, the City watchdog said its existing rules covering conflicts of interest were sufficient to cover such new forms of communication as IM.

In the US, securities regulators have cracked down on the use of instant messaging, when the National Association of Securities Dealers told its members they must save instant messages for three years or restrict employees in using the technology. There is the impression that some companies have banned the use of IM technology. On the other hand, Mr. Palmer of Kroll Ontrack, said it was reasonably easy to place a device on a computer server to divert the messages and search for information. If IM technology is to be allowed then employees need to be advised of its use, due to the interception of private information.

There is a mixed view on IM security; however there are solutions to plugging leaks and enforcing policy to keep employees in line with company policy. Productivity Instant Messaging can be a productivity-enhancing tool for efficient financial communications with co-workers, clients, customers, vendors, and the like. Although, Nehra (2005) explains that various reports describe how productivity may be adversely affected by employee abuse or overindulgence in personal instant messaging communications.

This presents the major challenge with implementing IM technology into the workplace. One thing that has kept deployment of instant messaging at investment banks a low priority among business managers is the perception that it can distract workers from more critical tasks, says Kim Cross, a VP at Morgan Stanley Investment Management. Many financial companies believe instant messaging detracts from employee productivity and introduces new temptations to converse with others beyond their job duties.

From the author's experience at Morgan Stanley, IM offers the opportunity to converse quickly and continuously with friends in a secret manner that the telephone does not allow and this can decrease productivity significantly. However, a study by the Radicati Group looked at the time it took employees to complete two typical daily tasks—both with and without IM—and found that companies could save an average of 40 minutes a day per user with IM. They estimated that a financial services organisation with 5,000 people could see a \$37.5 million a year savings in productivity.

Limitations and communication consequences are a definite cause for concern when implementing a new IM system. Possible decreased worker productivity, a lack of direct communication among colleagues, and misinterpretations can be common place when using instant messaging. Additionally, IM does not give the same personal verbal delivery that direct communication gives. From the author's experience at Morgan Stanley, IM does not always give the same authority or conviction that a 'real' conversation over the telephone permits and so may not make clear enough the importance of particular requests.

Although IM may have been initially frowned upon, some managers look at this communication as team building "because it enables peers to bond and form stronger working relationships." (Robbo, R). However not all sources concur. Shiu, E. (2004), suggests that in fact, 32% of those individuals who use IM in the office acknowledge that IM can encourage workplace gossip, and 29% note that IM has been a distraction at some point in the past. These

extensive risks still do not change the opinion of most executives, who are in agreement, that blocking IM entirely is not an option.

The question is how to bring out the benefits of consumer IM while ensuring it is properly managed, secure and compliant. The impact of IM when implemented in financial service organisations The primary reason that IM has been such a success in the business environment is that its benefits, even when weighed against the risks, are both immediate and tangible.

Industry-wide effects Centrally managed IM deployments have just begun to take hold in business, says Aberdeen Group analyst Dana Gardner. The rapid increase in the adoption of IM is linked to the fact that recent university graduates have developed a strong affinity for IM.

Although there is a strong concern over the security of consumer-grade IM, managers have to accept that IM is a preferred communication technique of young employees. Clients want to use IM and so employers have to set-up and integrate IM in to their firm's communication network. The clients of broker-dealers will also deal with their competitors, and they don't want systems that only allow them to deal with one company so firms need to meet the IM requirements of clients. Top investment banks now share directories to create an open messaging environment for broker-dealers to communicate with each other and to customers.

It even opens up the ability for customers to communicate with other customers. Barriers in the industry have come down as customer and broker-dealers are commingling in one giant address book. IM provides a direct mode of communication with co-workers, customers and vendors that

enables far closer and more personal relationships than is available in virtually every other means of electronic communications. This could have the negative effect on the industry of making information more transparent and therefore increase price transparency and negatively affect profit.

On the other hand, the increase in real-time communication links to other broker-dealers and clients could mean a larger more liquid market.

Performance of employees Business IM allows employees to be more efficient in their work output. Data shows that IM users engage in multi-tasking at a rate considerably higher than non-IM users. In a recent survey, 91% of IM users reported that while participating in IM sessions they also perform additional tasks either most or all of the time (Haskin, D. 2004).

However it can be argued that users tend to chat often, setting aside legitimate business tasks in the process.

Some employees find it hard to concentrate when messages are continually popping up on screen. If the user has their presence detection on, then colleagues and clients will believe that their message has been received and read, therefore attention needs to be given to each instant message. This could mean an overload of information for the user, continually distracting them from their primary tasks and therefore decrease their performance. However, the more successful employees could use the multitasking capability of IM to take on even more work, and show up the less successful employees.

This in turn could create the effect of preventing those less successful employees from wasting time using IM for personal use. The multitude of

information sources that broker-dealers have competing for their attention could definitely result in a negative impact on performance, as incoming messages add to the pile of e-mail, news summaries, and other data that competes for the users productive time. Therefore management needs to maintain whether some users perhaps require IM and others do not, and if they do, to enforce rules and policies to battle the challenge of productivity.

This policy along with many other things, would need to drive home this point that the organisation provides IM to boost business productivity, not as a diversion from work. It needs to be instilled into employee's that policy will be enforced to coerce users from personal IM use. Given the chatty nature of IM, some would argue that it is bound to have a negative impact on performance, as employees chat about personal matters throughout the workday. Although personal chat with other employees throughout the day could help forge more inter-firm relationships, and this collaboration could have a positive impact on overall company performance as more and more employees in different teams are being brought together. Therefore the firm needs to find a way to manage this balance between business and personal conversations. This seems unlikely to be controlled to a large extent and so a large amount of trust will be left with the employee. Internal and External Relationships IM appeals to broker-dealers because they feel that IM delivers a necessary advantage that e-mail and the telephone cannot match, which is speed.

They believe that they will not get clients if they do not use the technology. Banning IM seems a possible solution to the risks of IM, however it may not



be so easy to enforce. Many broker-dealers facing the financial markets, where seconds make the difference between profit and loss, may be reluctant to part with consumer-grade IM. The impact of banning consumer-grade IM across the board may trigger a revolt among employees and the clients they are in regular IM contact with.

Therefore imposing an IM ban could result in the loss of valuable employees to competitors who are more tolerant of the use of IM in the financial markets. As discussed in the previous section, personal use of IM can be used to help forge relationships with colleagues. These same personal conversations can be transferred to those employees who are client facing and used as ‘business’ conversations in order to build and maintain relationships with clients. The fact that IM conversations can be left open so that brokers can maintain an on and off dialogue throughout the day with their client adds significant value.

Previously a broker could not call up a client to, for example, make a flippant remark on current news but this can now take a few seconds to write it in an open IM window and their client could view this while multitasking. This casual dialogue can help maintain client loyalty which is the crux of sales in the financial services industry. Not surprisingly, the vast majority of employees believe that the use of IM within their organisation improves productivity, external relationships, and their efficiency.

More significantly, however, is that even business managers and IT personnel who are aware of the risks posed by IM, overwhelmingly favour its use noting that the added “real” business performance more than offsets

the potential risks. Management Recommendations Managing the problems and challenges associated with implementing IM This author recommends a dual approach in response to the challenge of the multitude of IM programmes in the company. Primarily, installing an enterprise-grade IM system (an internal instant messaging system where messages can be encrypted) for all employees.

Then employees can be allowed to communicate confidential information internally, but only in the guidelines of the company's written policy. The second approach is to allow client-facing employees consumer-grade IM who insist they need it to keep client loyalty, even though consumer IM tools travel across the public Internet (not encrypted). Monitoring and security can then be focused more on these employee's who potentially open the organisation to security breaches such as eavesdropping, accidental confidential information loss, and also the risk of intentional information leaks.

This can be further facilitated by the installation of content filters to capture messages that use potentially problematic words like "rumour". Then these IM conversations can be reviewed to ensure that neither laws nor corporate policies are broken. Achieving the business benefits of IM Instant messaging use is recommended to communicate instantaneously with other brokers, dealers, clients and other third parties so that client loyalty is increased through immediate responses and colleagues can get answers from client questions in real time.

IM should be used as a less intrusive method of avoiding tasks, as a broker can use IM simultaneously with chatting on the phone and e-mailing. IM presence detection should be used so that it is possible to see whether clients are online and open to chat and brokers can determine whether they are available to incoming IM transmissions. This can be reflected through IM settings such as “ away” and “ in a meeting” which lets the user know that the instant message may be read or acted upon.

In addition managers can quickly see who is online at the office at any given time. Employees can also be strategic in the way they contact their colleagues by first checking they are online before, for example, calling them. IM should be used to avoid the cost of travel and group conference calls through multiple people joining in on real-time IM conversations. Also whilst travelling, employees can engage in IM conversations with clients and colleagues to facilitate the efficiency of information flow.

All conversations should be logged for at least three years due to compliance so that after the instant message vanishes, after it is read, and its window closes, employees can go through archiving and find the message again if they did not note important information from the conversation that they need. Further to this archiving should take place to meet industry regulations and as possible evidence to future litigation. Controlling the transition and longer term issues Once the extent of employee’s IM use is identified, the transition should be controlled through developing a strategic IM management plan.

A team should be formed, comprising of risk management, compliance and litigation in order to structure a companywide policy so the firm meets financeregulations, and information security needs. Senior Management should lead the IM management controls through bridging the gap between problems and recommending effective tools to manage those risks, such as retention and archiving tools as previously discussed. New financial regulations would need to be adhered to in existing business activity and also reviewed in new financial markets. Therefore future investment in new technology is vital to help maintain IM use and abuse.

The firm will need to develop effective, accessible IM tools to meet future needs of broker-dealers who rely on IM for internal and external communication. Employees need to be trained and kept up to date with regulatory guidelines and retention rules. Long-term issues of security will need to be constantly addressed. Those employees who are using consumer-grade IM offer the constant possibility of data theft and electronic eavesdropping. IM needs to be constantly updated with the latest antivirus software to protect from viruses and other threatening security breaches that might be able to penetrate the firms firewall.

Finally, if the direction or structure of the firm changes then IM policy must be changed to meet this. References Electronic journals Mearian, L. (2004) IM Spread Causing Management Headaches. Computerworld. [online] 38(49), 7. Available from: <http://proquest.umi.com/pqdweb?index=35=759250251=1&sid=6=3=PROD=PQD=309=PQD=1231380861=5238> [Accessed 4 January 2009] Cameron, A. F. & Webster, J. (2004) Unintended

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