



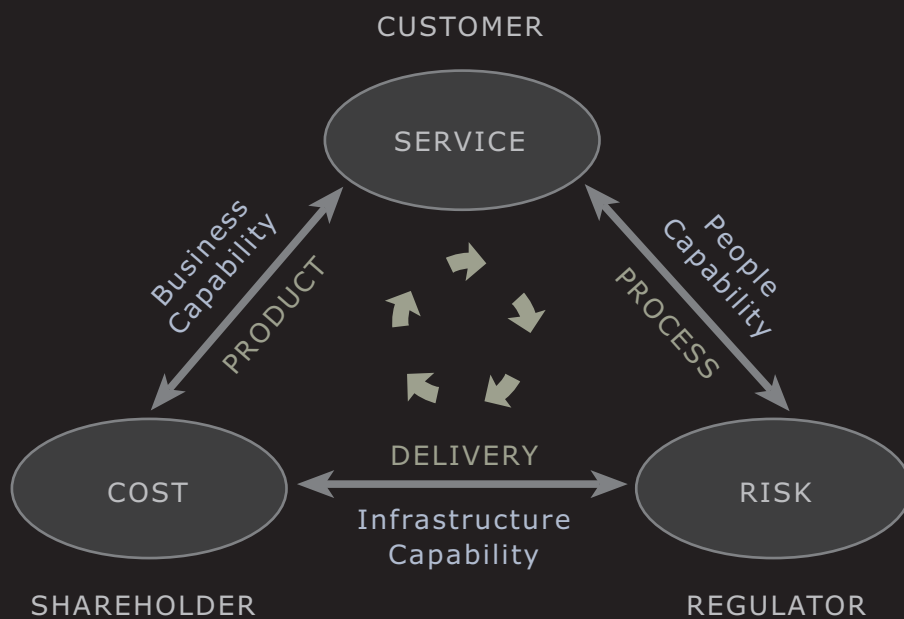
DELIVERING VALUE THROUGH OPERATIONAL
EXCELLENCE IN FINANCIAL SERVICES

DESIGN FOR OPERATIONAL EXCELLENCE™ A NEW FINANCIAL SERVICES BENCHMARK

Based on engagements with over 50 top financial institutions and on recent market research, Venturehaus' Operational Excellence Benchmark provides financial services businesses with a detailed assessment of their current performance and a comparison with selected peers or segments and the industry as a whole.

THE BENCHMARKING MODEL

The benchmark assesses how well an organisation is performing in the pursuit of excellence in its business operations. Operational Excellence is neither a discrete change programme nor a management initiative; it is a business-as-usual approach to instil a culture of effective business management on an ongoing basis across complex organisations. In financial services, this invariably involves the consistent management of the inter-dependent, ever-changing, and often conflicting, requirements of **cost optimisation**, **service differentiation** and **risk mitigation**.



- The benchmark establishes an organisation's rating in the 8 core categories, or "levers", which together represent Operational Excellence (these are described below).
- The model ranks each organisation's current performance against the 10 key factors in each lever which reflect industry best practice, and compares it with almost 400 other examples of current practice.
- An overall score is calculated, together with scores for each lever, based on the weighted average of the organisation's positions in each of the key factors.

DESIGN FOR OPERATIONAL EXCELLENCE™ 80 BEST PRACTICES IN THE ACHIEVEMENT OF OPERATIONAL EXCELLENCE IN FINANCIAL SERVICES



1. STRATEGY AND PLANNING

Businesses which are genuinely focused on achieving Operational Excellence will ensure that this focus is consistently demonstrated in both strategic intent and tactical execution. The primary operational objective for the business is to achieve best execution of service, at optimal cost, with warrantable levels of risk. Many businesses will focus on one or more of these for a period of time, but will then shift attention as circumstances dictate. This often leads to a lack of balance across the three factors, and to a “pendulum” effect as the focus switches, for example, away from service investment in favour of cost and/or risk reduction and then has to switch back again, when it becomes evident that one or other factor has been favoured to the detriment of the other(s).

These strategic priorities will be cascaded throughout the organisation so that individuals have clear and measurable objectives for each of these imperatives, with specifically targeted operating plans by which they are directly managed and rewarded. Without exception, budgets and results are rigorously managed with clear consequences. The business achieves a balance between infrequent major transformational change and regular continuous activity to improve the business’ performance, without “initiative overload” and with the active and direct support of the business’ leadership.

2. SERVICE DIFFERENTIATION

An operationally excellent business promotes best execution as its principal delivery objective. Such a business will have a clear definition of which service factors differentiate it in its market and these will be clearly understood and embodied by all constituencies within the company. The business will recognise that competitive differentiation can be attained through the achievement of consistency and predictability in the delivery of service to customers in a repeatable and reliable manner.

The best businesses exhibit an unerring focus on the customer. They recognise that retention of the customers they serve well is better for their business than a constant need for new customer acquisition. They actively manage fully established and effective channels for obtaining feedback on customer requirements and service performance. This focus provides them with a very clear understanding of the “must have” and the performance attributes of their products and services. Their product and service design consistently incorporates these. These businesses also recognise that the capability to deliver consistency and predictability in service performance is greatly enhanced by process standardisation rather than complexity or multiplicity of offering.

3. COST OPTIMISATION

The majority of companies operating in the financial services sector regard their management of costs as 'active', but this is not always representative of the true situation. As a result, companies often launch specific cost reduction initiatives to rein back the costs that have grown around the business in more favourable economic conditions. In operationally excellent companies, cost reduction is an ongoing business-as-usual activity and not a one-off programme. The leadership in such businesses will drive an operational strategy that is singularly focused on the creation and maintenance of "operating leverage" across the business. This operating leverage enables the business to create exponential capacity for growth and volume absorption through increases in productivity and efficiency, thus achieving "more for less" in an operational context.

An operationally excellent business constantly assesses what is contributing value or representing non-value-added activity in its operations and processes, and takes action to eliminate waste. In addition to the increased efficiency and capacity created by reducing waste in operational units and processes, the business will exhibit rigorous financial discipline across all units, ensuring that all budgets and costs are actively managed and under constant review - with clear consequences for financial indiscipline at the cost code level. Leading organisations will also make best use of opportunities to rationalise, centralise and share operational services to maximise economies of scale, and to relocate or outsource operations for maximum economic benefit.

4. RISK MITIGATION

Financial businesses must attempt to secure the right balance between reward generation and risk assumption in constantly changing markets. All therefore need to accept some risk in order to get paid. Ongoing success ultimately depends on continuously being able to determine and manage warrantable levels of risk across diverse regulatory environments and complex operational requirements. Those who succeed do not take on excessive risks and thus suffer loss, censure or worse, nor do they avoid manageable risks and thus forfeit revenue or customer relationships. Any risks that they do assume in their business will be fully understood, owned, controlled and mitigated to the fullest extent possible.

To achieve this, full transparency and clear accountability across all operational processes in the organisation are required. The best exponents demonstrate complete oversight end-to-end, without any gaps or duplication in coverage. They deliver this through the appointment of operations managers or process owners who are directly responsible for, and fully aware of, all operating and regulatory risks in their business without the need to cross-refer or delegate this authority. The resultant control environment mitigates and prevents breaches and losses, rather than reacting after the fact, and is fully effective without negatively impacting service delivery or cost performance.

5. MEASUREMENT AND MANAGEMENT INFORMATION

A business cannot function without effective measures of performance. Excellent companies ensure that every process is measured and monitored specifically in relation to 'critical to quality' requirements. This means that all key performance indicators are relevant, are directly aligned to the specific needs of the customers or stakeholders, whether external or internal, and are thus measuring only those elements which are critical to the recipients' evaluation of the outcome.

The best performing businesses in this area will have re-designed their portfolio of measures and other key performance indicators to ensure that they are all customer centric and are regularly reviewed against clearly defined specifications, addressing both service and compliance requirements. There will often be a temptation to measure too much, and/or to rely only on information which is readily available. Best practice in this field is represented by an appropriate level of management information on a timely basis across the business, achieving a balance of relevant and meaningful measures to control financial, effectiveness and efficiency performance.

6. CONTINUOUS IMPROVEMENT

The ability to improve a business on a continuous basis is an essential capability for operationally excellent companies. This enables a business to differentiate itself competitively on an ongoing basis. Historically, many businesses have invested in improvement programmes from time to time as targeted separate initiatives, but few have been successful in building an internal capability and culture to initiate and foster continuous improvement for the long term in a business-as-usual context.

Success in this area requires an aspiration to achieve self-sufficiency, with the capability to execute effective and sustainable change without the need for external support. In reaching this objective, operationally excellent companies are able to refinance their ongoing operations through continuously improved performance and productivity.

7. PROCESS MANAGEMENT

Businesses which “manage by process” regard the achievement of process excellence as a core strategic capability with the opportunity of providing them with a strong basis for competitive differentiation. Such businesses consider their core processes to be strategic assets, to be managed with equal importance, and in a similar way, as the management of customers, products, markets and other organisational groupings. Their organisational structure will be aligned to the direct management of core processes throughout the business, irrespective of other functional or departmental hierarchies and matrices. This allows management a holistic view and complete transparency across the business, giving them the ability to make more informed decisions in the ongoing management of service, cost and risk.

Many large businesses are stymied by the complexity of their management organisation and the resultant difficulty of gaining absolute clarity across their operational footprint. This often results in decisions being made in one area which affect other areas in unforeseen ways, and/or issues “falling between two stools” because accountability is divided between differing management structures. Best practice businesses have clearly defined process architectures with end-to-end process ownership allocated within the management structure.

8. CAPABILITY AND SKILLS

Businesses aiming to achieve operational excellence in a sustainable and cost-efficient manner need to invest in the long-term capability and skills of their people. To ensure that a business has the capability to implement effective change without extensive external support, executives, managers and staff will require the necessary skills to improve the business on an ongoing basis independently. Leading companies are continually investing in the capability, development and training of their employees to ensure that they can not only execute best practice operational management, but can also deliver change and process improvement within and across their businesses.

Companies leading the field in this respect will ensure that they rotate their highest potential employees and highest calibre managers to engage in the delivery of cross-functional change initiatives before promoting them back into operational management and business leadership roles. In addition, they will establish a formal and effective training and development plan for employees on a very selective basis, with the objectives of satisfying the defined capability and skills requirements in a lasting and engaging manner.

For more information, or to arrange an assessment and benchmarking of your organisation, please get in touch with your usual Venturehaus contact, or send an email to: info@venturehaus.com

WHAT OUR CLIENTS SAY ABOUT US

"Venturehaus are THE experts in Operational Excellence within financial services. I have not seen a match. I would highly recommend them."
Senior Manager, Best Practice, HSBC Corporate, Investment Banking and Markets (CIBM), London

"I really appreciate your support in trying to get us all to the right page of the book, not just the one with the obvious benefits shouting from it, but the subtlety that turns a good delivery into an outstanding one."
Director Corporate Operations, UK Top 5 mortgage lending firm

"This is a fantastic result - very well done to all involved. It feels like a different place than three months ago - much more confident and focused. Well done again."
Managing Director, Leading worldwide private banking and asset management firm

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