

# Advantage

## A BANKING UPDATE FROM NAVIGANT CONSULTING

### Operational Effectiveness

Current market conditions and the economic downturn have changed the financial services environment. One result is an increased focus on strong operational effectiveness. Companies are feeling the pressure on their budgets now more than ever and are currently looking for ways to reduce costs—but without undermining their ability to sustain business as usual and respond when the economy picks back up. Operational effectiveness is the equilibrium point of optimal customer service at the most reasonable cost.

To remain competitive, banks and building societies must develop ways to achieve greater efficiencies through aligning people, processes, organisational and operation structures, technologies and control mechanisms to meet customer, external and internal requirements.

Navigant Consulting has identified critical success factors that are necessary for organisations to reap the benefits and to stay ahead of the competition.

- » **Delivering good quality service.** The basics, such as speed and empathy, seem straightforward – but unfortunately many customers report having merely a neutral rather than good interaction with even the best organisations. There are many ways to improve customer service. For example, Britannia have done away with some SLAs and just make a tailored “customer promise” to get back to customers. Standard Life spent a year coaching all front line staff to see things from a customer point of view – because quality service is not just a two hour training slot.
- » **Maintaining a reasonable cost base.** Understanding customer demand and reducing the right elements can have a significant impact on costs, whilst improving the customer experience.
- » **Managing the methods by which transactions are received can make a big difference.** One bank targeted their top ten transactions, such as requests for a mortgage payment holiday, and set up a mini-project to improve their processes to complete these tasks ‘one and done’.

- » **Managing operational risk.** Identifying, quantifying and managing the risk within operations can remove cost as well as improve your relationship with the regulator. HBOS (one of only two AMA status banks) spent a year mapping core processes in order to improve operational risk.
- » **Optimising operational responsiveness.** Clever organisations are using more than just people as a lever to control costs. Adding flexibility with your business processes and systems improves your ability to react quickly to market forces while simultaneously holding tight reins on manageable costs. One mortgage lender has created a virtual resource pool of branch, head office and support staff to support processing areas during periods of peak volumes.
- » **Getting the most from your employees.** Managing the capabilities of people and ensuring the right spans of control are tools to maximise the effectiveness of your biggest cost base—but also a critical tool for ongoing success. By moving one client’s operations closer to the industry benchmark for best practice, Navigant Consulting identified several million pounds of cost saving whilst improving the management efficiency of the business.

Our experience has shown that in order to have strong operational effectiveness, organisations must be willing to make fundamental changes and improvements in these five critical areas. This requires a commitment from the Executive Committee to ensure that these changes are embedded throughout the organisation and to ensure there is continuous and consistent quality. The result is an organisation with the right balance to thrive in the lean times, poised for sustainable success in the future.



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