

Our client, a leading provider of Outsourced Operations, with a Life and Pensions division needed solutions delivered at speed. Strategically it was agreed that the existing operational business processes required re-evaluation with a view to rationalising them for increased efficiency and optimal customer experience. This division handles extremely complex financial product lines and had a significant employee footprint both in England and India. dhp consulting was tasked with achieving an aggressive reduction in costs of 30% p.a.

## The scope

The Operational Excellence programme was required to make a significant contribution towards returning the business to a profit by increasing the efficiency and performance of the operational teams, reducing errors and consistently achieving service standards. The focus was on making the most of their people through measurement and performance management, whilst delivering an organisation structure that demonstrated clear accountability and appropriate spans of control. Significant improvements in process and controls were targeted through the elimination of waste negating the need for IT dependant change.



## Key benefits delivered

- £3.4m annualised savings from 2010. By month 7 the project had paid for itself and there was in year saving in 2009.
- Significant FTE reduction in both On and Offshore (+210 FTE) 40%
- Associated overhead savings such as disaster recovery and the fact that software licensing has been transferred to other parts of the company meant that those areas did not need further purchasing.
- 10% improvement in SLA delivery from the previous 6 months with significant improved cycle time and elapsed turnaround times.
- In line with divisional frameworks the site now has a true risk based approach to quality and robust MI for root cause analysis reducing the cost and apportioning the correct level of time and effort on those processes that require it.
- 45% reduction in received exceptions and outstanding secondary controls.
- Long-standing corrective action workloads were addressed and the ability to turn stones and action plan has been increased.
- Spans of control improved due to the re structure of the operation.
- The average plans under management per FTE increased by over 60%.
- Implemented a workflow management tools that gave a greater level of visibility in performance delivery and the ability to plan ahead and control.
- Investment in management and leadership training at all levels to drive performance, embed consistency and sustainability.
- Developed a transparent and aligned set of KPIs for all levels.

## Additional Offshore benefits

- Due to the introduction of fact based MI for both parties there has been a significant improvement in the relationship with the offshore operation.
- Shrinkage levels have been reduced from c 50% to 23%.
- 40% reduction in received volumes offshore (150k to 75k items per month).
- Consistent processing procedures and best practice shared and adhered to.

Due to historic management and process issues, the decision was made to use external consultants to assist the business to improve in key areas. The main reason for engaging dhp consulting was they had extensive experience in operational areas, and were able to bring focussed, fast paced change to deliver the reengineering of management processes and also business process improvements, and therefore the elimination of waste and materialising benefits the operation needed.

The initial stage was to complete a full diagnostic of the operation and determine its true current state. This health check was comprehensive and substantiated with hard facts. All the findings were fed back with detailed information which showed clarity and understanding of the root causes of issues and in addition a compelling benefit case.

The proposed deliverables were presented with a mixture of fixed and contingent fees, aligned to a balanced set of benefits:

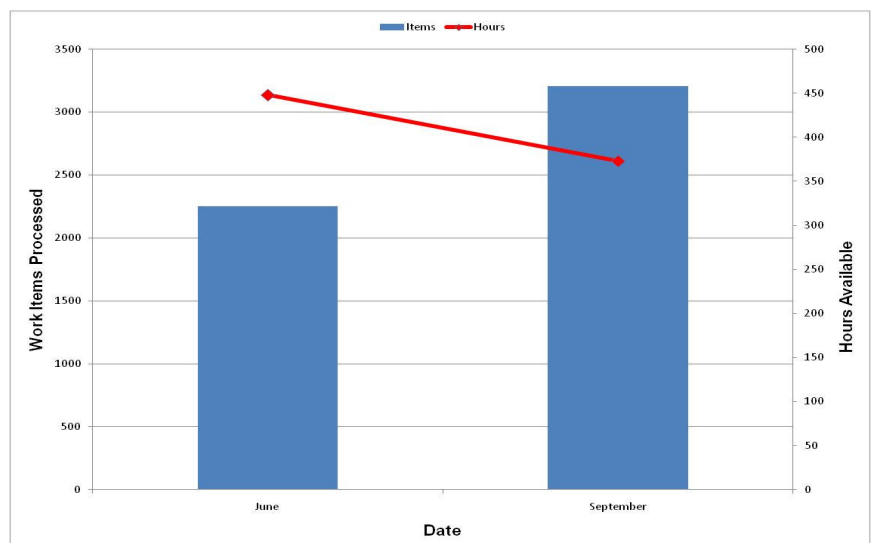
- Increase service delivery
- Maintain/ improve joint venture relationships
- Reduce the volume of exceptions, waste and the expense base.

The pace of change that dhp consulting set within the Operational Excellence Project was fast and had a metronomic focus on the deliverables. Anyone that needed to be involved very quickly were included to ensure all of the company felt the effect and gained from the project impacts.

dhp consulting had a consistent approach to implementation of change, ensuring that senior management are focused appropriately, and aligned with the team management population. This included embedding accountability, greater visibility and understanding of the day-to-day operational management processes, and more importantly the outcomes associated with them.

Once the full project commenced the dhp consulting team spent the first month measuring and understanding the operation and its issues in graphic detail, which would then allow them to implement a variety of controls and frameworks:

- Custom-built 'Productivity Models' were implemented. These placed a measurement framework around teams, allowing performance to be fully understood at individual, team and department level. This then resulted in ensuring accountability could be embedded.
- A key mindset change was ensuring workloads were understood in hours so managers could optimally manage the resources at their disposal, and ensure focus was on work throughput and not non-value adding activity.
- All tasks undertaken by each area were analysed and unit times assigned. This allowed waste to be identified and subsequently eliminated.



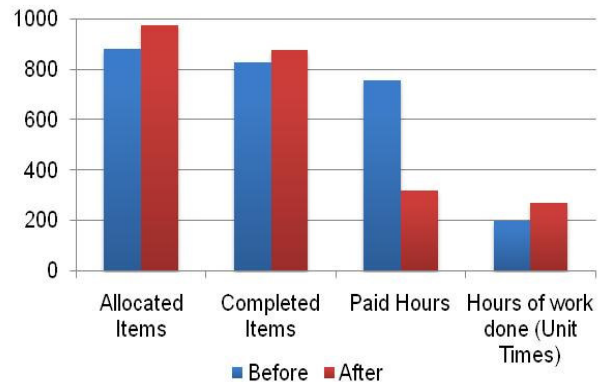
- Workflow Management best practice implementation and the associated practices, principles and competencies which are essential to ensuring consistent customer service delivery.
- All practice and principles were delivered in such a way they quickly became ingrained in the culture of the business. This was done through a combination of workshops and observational activity combined with robust feedback. This is now evident as they are now applied consistently by all levels of the management population.
- Best practice routines were introduced to all operational teams which included daily team huddles, management state of play briefings, and visual and verbal communication of progress throughout the day, week and month.
- Whilst the operation recognised the need for sampling, this practice was not consistently deployed across the operation. In some areas, no quality checking was taking place and in other areas, as much as 300% quality checking was observed.
- A risk based quality model was implemented aligned to the Group divisional framework. This facilitated the ability to identify errors and opportunities, and in turn this drove the focus for Business Process improvement and is facilitating a continuous improvement mindset going forward.
- Key Performance Indicators (KPI's) were introduced and cascaded down from the Operations Director to all administrative staff. This ensures everyone is focused on what matters. This means the day-to-day activities drive the correct outcomes for the customer, corporate partners, shareholders and staff.
- Proactive management is now in place and this includes the forecasting of incoming volumes and proactively planning their resources matching demand, supply and skills capability in the operation. There is now a focused challenge process on how to utilise spare resource capacity across the divisions. This ensures sustainability and optimal use of resources.

### Leadership

- One of the cornerstones to change and ensuring longevity was to equip the operational management team with new skills to manage in the new world - many of them were capable in crisis management but struggled to lead in a pro active and continuous improvement focused environment.
- Much needed leadership training and coaching was delivered to the management population, via a practical Performance Management programme that was embedded by operational experts and not 'formulaic' trainers. This delivers consistency in the way all staff are led and managed and focused on sustained change by modifying behaviours, mindsets and attitudes.
- Having observed the Management team carrying out their key performance management activities i.e. their 121s. dhp consulting then provided a generic structured approach to leading their people which demanded they spend more time with their people, focus on achieving the 'best outcome' to the customer every day and encourages people to take ownership for their own performance.
- Through 400+ observational events over a 4-month period the managers received intense coaching, feedback, action plans and support on how to embed and sustain their new skills. This is an ever-evolving learning process for them as they continue to explore the opportunities and challenges that leading in a performance management environment brings.

Once the key Management Process-Reengineering activity had begun to take hold the next focus became the delivery of Business Process Improvements interventions, the next section gives a flavour of the activities undertaken:

- Productivity Models gave transparency and understanding of what work was being received and completed, by whom and how quickly. Once this was understood dhp consulting set about eliminating processes that contributed no value, altering processes to reduce cycle time, identifying and reducing avoidable rework and eliminating duplication of effort.
- Business improvement activities also included elimination of handoffs, segmentation of duties, cyclical effort on pending and diary work, and targeting the root cause of exceptions and how to stop them.
- High volume processes and processes with high error rates were targeted and changed how the operation interfaced with the end customer remove unnecessary steps, clarifying requirements, stopping manual calculations, stopping over production and moving work to calls rather than paper.
- The business was obsessive about items due to failed service levels (SLA) and the teams were narrowly focussed on a few key tasks. Now there is a broadened focus so that the leadership team match capacity to demand, and deliver same day/ next day processing, which has a much stronger commercial focus with a by product of improved SLA delivery.
- Workflow document types were split accurately to represent what work actually arrives from customers and distributors. Once this was complete there was an intense focus on reducing elapsed times of end-to-end processing to improve customer service.
- Unit times are predicated on delivering speed at the correct level of quality. They have been refined to be accurate and fair resulting in significant benefits.
- Substantial support and skills transfer was undertaken to ensure the ownership and the management team is driving delivery of continuous improvement.



*The above chart shows the change in input/outputs from one of the Administration areas. After the changes to processes were implemented, more work was being completed with less than half the paid hours*

## Offshore

- A key decision was to give dhp consulting the delegated authority for on and offshore process redesign. This ensured the regulator rules were consistently applied and the end-to-end process was reviewed from a customer perspective.
- The scope of the custom built Productivity Model implemented onshore, was widened to include offshore operational teams. This delivered a consistent measurement framework around all teams, allowing daily, weekly and monthly performance to be fully understood.
- The management team was not using the Management Information that was produced. Shrinkage was not understood therefore waste was abundant.
- 'Average Take Time' was the metric that Offshore used to base resourcing needs. The introduction of unit times aligned with skills competencies drove the adherence to documented best practise.
- With the introduction of a risk-based approach to quality the ability to focus only on tasks that gave high results was removed. This resulted in a true reflection of quality standards being reported and allowed actions to be identified to improve failing processes and routines.
- Processes were changed so that 3<sup>rd</sup> parties deliver data in the most cost and time efficient way, so manual interventions were eliminated. This had the impact of significantly reducing the offshore operations workload.