

Financial Services Case Study

Building reliable service performance to build competitive advantage...

One bank's quest to align and streamline its internal processes yields improved customer and employee satisfaction along with new revenue opportunities, and lower operating costs.

Situation

Alpha Bank¹ was formed from the merger of two earlier institutions. The combined bank changed its charter from a mutual to a publicly traded institution. Subsequent acquisitions and new distribution channels (telephone, internet) added to the scope and complexity of the organization. The bank was also facing ever larger competitors in a more consolidated financial services marketplace. Alpha had to distinguish itself against competitors two and three times their size. In response, the bank's branch network undertook an extensive sales and customer service program. A much stronger culture of sales and service emerged. Changes in staff behavior were so noticeable as to have been recognized by customers in surveys and by competitors in their "mystery shopping".

The Business Challenge

The improvements in the branch network, however, did not extend to support functions. Internal service processes were cumbersome and focused on procedures, not service to staff or customers. The branch network began to struggle with the services provided and demands imposed by the corporate office. Branch staff and management realized that there was a gap between the service and support they expected from corporate departments and what they received. Worse still, those support functions with direct customer contact weren't providing reliable, responsive, or often even friendly service when customers interacted with them. The whole effort to distinguish the bank on the basis of its service could come undone.

Adding further urgency to the situation, the bank embarked on a new marketing strategy, one that emphasized higher volume and lower margin business to increase market share. All of this while promising outstanding, personalized service. It was critical that the bank's processes not only be able to provide good service, but do so more efficiently or this whole strategy would fail.

Approach

The corporate organization was made up of widely differing functions spread across four major sites. Some departments depended on external suppliers to provide their services. Some departments had direct contact with branches or external customers. Other departments, such as legal, served still other internal functions or government regulatory agencies. A "one size" program wouldn't fit everyone as the customers and processes were simply too different; yet the program had to produce a consistent culture of high performance. The whole system had to be engaged in the change with a great deal of individual adaptation and without trying to reach every member directly. So instead of a traditional "roll-out," or "cascade" design, the consultants² used an innovative approach known as Rapid Organizational Alignment_{sm} (ROA) since it builds widespread change quickly through cycles of learning from action.

The ROA design incorporated the following elements:

¹ "Alpha Bank" is not its real name. For competitive reasons, certain details have been changed.

² Rick Lent worked with Jim Van Patten and Bonnie Sontag on this effort.

1. A cycle of four workshops for cross functional teams over a five month period. A series of four workshops about six weeks apart were held for cross functional teams. Departments sent one or more teams to the workshops. Each team formed around a key process in that department. These teams included a “diagonal slice” of all levels of the department from senior manager to staff member, plus one or two of the department’s internal customers for its service. In the workshops they challenged their assumptions and prevailing ways of doing things, redesigned their approaches, identified necessary improvements, and planned actions to implement changes. Five to six weeks later they met again to reflect on what they had been able to accomplish and plan the next steps. The emphasis was on learning about leading change from both their successes *and* their failures.
2. A set of specified leadership practices to be performed at each level from staff to senior management. These specified actions formed a “contract of expectations” for consultation, feedback, coaching, and involvement. No matter where someone was in the organization, they had a short list of specific daily, weekly, monthly or quarterly actions they were expected to complete, and they knew what practices to expect of those to whom they reported.
3. Specific opportunities for participation and leadership by senior managers/executives. Throughout the effort, specific opportunities were created to engage the top team in aspects of the program. These opportunities began with a “setting the scene” session in the beginning to enable top managers to engage the challenge and some of the key tools of the change. Later, there were opportunities for senior managers to join with their teams in the workshops, to spend time in departments, and to communicate key support through various channels.
4. A process for engaging others. After each workshop, team members were provided with a set of materials to support in-department meetings. These materials outlined several 30-minute staff meetings for each month. At these meetings one or more members of the cross functional team attending the workshop engaged other members of the department in their own activities to begin the change.
5. Service Chain Blitzessm in selected processes. Several critical business areas were chosen for short, focused improvement efforts to build early “quick wins” and improve performance of each link in the service chain. All improvement work was done by the people who work in the process with a few days of consultant support.

Resources and Results

In a little more than a year, 34 teams from such diverse areas as customer service, mortgage banking services, marketing, human resources and legal had completed the cycle of change activities. The positive stories of change had spread to the point where more departments were asking to get involved and some departments already in the program began sending additional teams.

Results from this change effort covered a wide range of corporate activities including dozens of departments and key service processes involving more than 2500 staff. A sample of these results are listed below:

- New services for families of deceased investors which can generate new service revenue and retention of much of the \$25 million worth of funds that historically flowed out of 7,000 savings accounts annually.
- Changes in the way product information was updated in the branches, providing faster updates and saving up to a day a month of branch staff time which was reallocated to customer sales and service support.
- Increased productivity in a special asset recovery unit yielding an additional \$850,000.
- Revised processes to enable calls to a customer service “help line” to be handled at the first point of contact, improving responsiveness, efficiency and effectiveness.
- A 50% improvement in rework, backlogs and responsiveness in one credit processing unit, with significant financial returns in both processing costs and retained business.

- Increases in employee skill levels leading to increased satisfaction and career options. In one department, 90% of staff displaced in a reorganization of the department were recruited for new jobs elsewhere in the bank on the strength of their new capabilities and commitment to making improvements.