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The Use of XeP3 at Finance1



Understand • Engage • Evolve

The Assignment Background

The Client

Finance1* is a significant Australian financial institution operating in a competitive lending market. Due to structural reform and competition, margins were slowly contracting

* Not the clients real name

The Objectives

Finance1 hoped to make loan processing more efficient and thereby increasing the time available for sales effort. Furthermore it expected to reduce significant customer concerns around the process.

The Need

- ❑ Early Bevington analysis of the branch network had revealed a very significant opportunity to improve net margins by increasing sales per FTE. This could only be done by reducing the time staff spent on administration activity, and redirecting time to sales
- ❑ Further analysis indicated that a significant area for administration activity was that of loan processing

The Challenges



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Finance1 set itself the challenge of reducing time spent on processing loans, and increasing time spent on selling loans

Business Case

- ❑ One third of branch resource dedicated to taking applications
- ❑ **Consistent under performance** with regard to the benchmark 2 hour loan turnaround time
- ❑ **Inconsistent process** for signing up new loan customers
- ❑ **Turndown** of applicants not occurring until **late in the process**

Problem Statement / Opportunity

- ❑ Reduce Noise from the current assessment process and provide additional time in the branches to focus on **VALUE ADD** activities
- ❑ Develop **UNIFORM POLICIES AND PROCEDURES** that are clearly defined, compliant and repeatable
- ❑ Improve **RISK MANAGEMENT** in a change operating environment and market conditions
- ❑ Improve **EMPLOYEE SATISFACTION** through involvement in the programme and developing a process and environment conducive to achievement

Goal Statement

- ❑ The aim of the Lending Project is to improve the productivity of the branch channel to **grow the market share**, resulting in **improved revenues**

To Turnaround 100% of Loans Within 2 Hours

In doing so it expected to address core customer concerns

- ❑ Customers complained that advertised **turnaround times were not met**
- ❑ Customer **verification took too long**
- ❑ The completion of the loan application process was **rated as poor**
- ❑ The application form was **considered complicated** by the customers
- ❑ Perceived to be a lot “of **unnecessary checking**”.

The XeP3 Approach

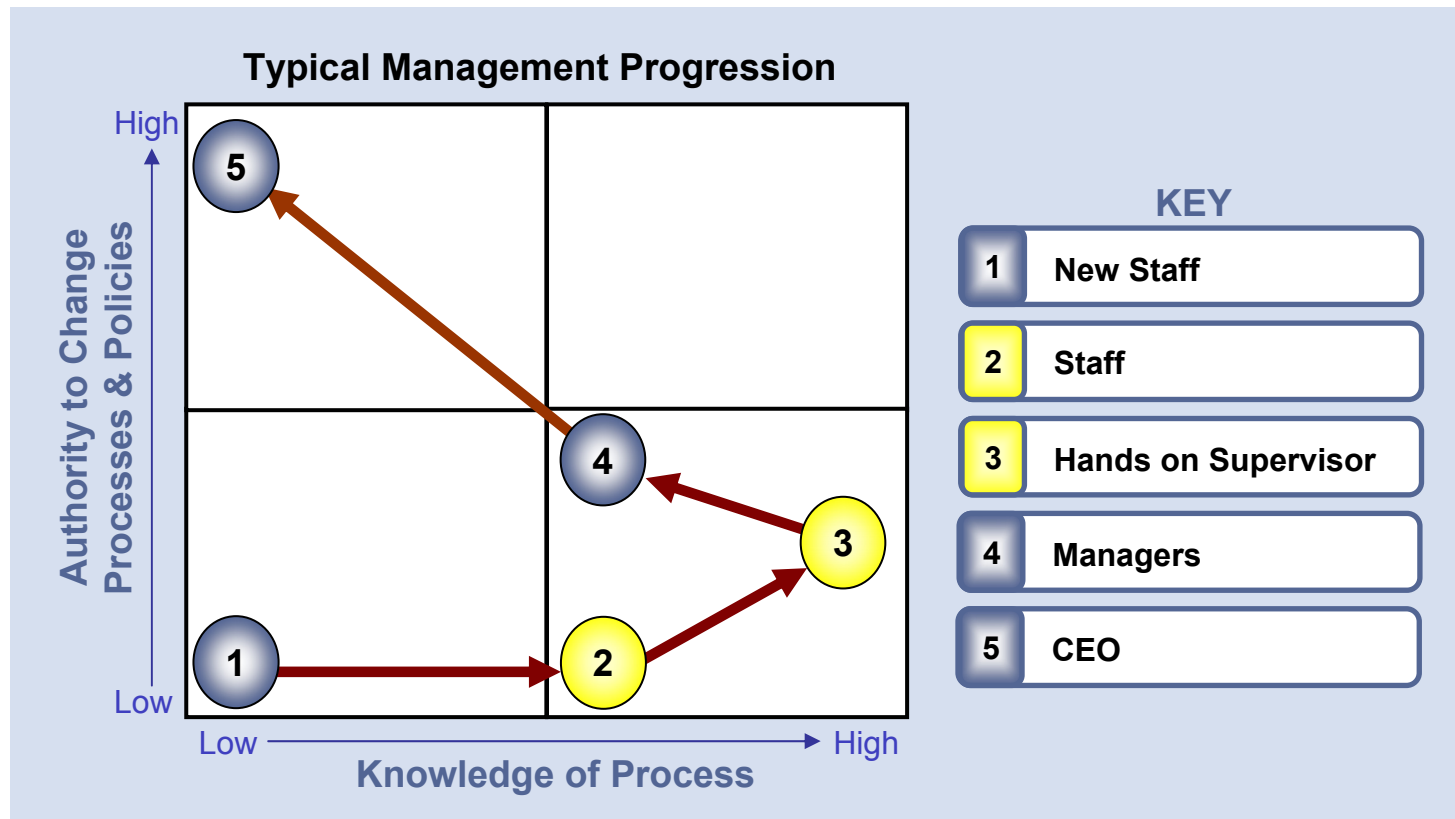


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Establishing the reality, not verifying the theory

Typically organisations find that with increased authority to change comes less knowledge of the detailed process ...

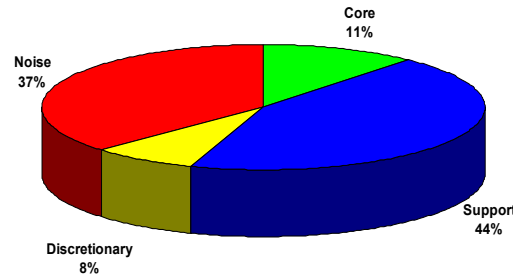
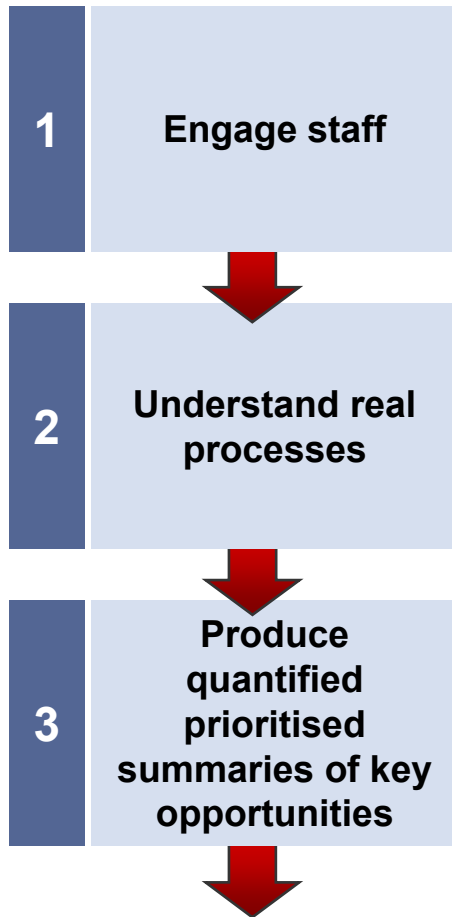
The people who do the job are best placed to tell us about it...



An assignment passes through seven stages...

A methodology to understand the opportunities

Engaging the staff, identifying and summarising the opportunity...



XeP3 Tasks and Activities		MF2
General Administration Main and Sub-Activities A) Receive 40 leave applications per month 1 Receive Applications 1.1 Sort to leave trays 1.2 Sort to priority (pay periods) 1.3 Distribute and allocate work 1.4 If 12 days before pay, pull out pay critical forms (TC009) e.g. LWOP, Rec Leave 1.5 Put into trays 2.12 If insufficient leave (1-2 days), contact facility 2.13 If authorised, highlight form for letter 2.14 Generate letter if more than 3 days 2.15 Generate proforma 2.16 If future events are booked, phone manager to request if amendment required 2.17 Enter requirements 2.18 May send letter to request 2.19 Print 2.20 If not enough leave available, generate letter to advise of options 2.21 If old leave forms used, return form with letter 2.22 Enter leave details (form) 2.23 Check if bonus indicated 2.24 Note claim of bonus penalties 2.25 If yes make sure for current year 2.26 If noted, indicate payout via timesheet 2.27 If not noted no bonus to be paid 2.28 Handle queries from Call Centre re Rec Leave processed 2.29 If penalties and bonus locked, look at history 2.30 If always paid bonus, give bonus note not to count as service 2.31 Check if pay in advance requested 2.32 Check administration		

4.6	Receive call via 1800 call centre number and review customer info via system pop-up (if available)	S	7.5	3.1
4.7	If not available, search SAP for customer	N	5.0	2.1
4.8	Check email account for EDI advice and review request	S	6.5	2.7
4.9	If received by fax request (imged via email), distribute assigned accounts to whom they belong to	S	3.0	1.2
4.10	If not for own area, move fax email to diff folder for supervisor to allocate	N	3.0	1.2
4.11	If not on Distribution List, check if Trad or non-Trad account information (if non-Trad, ignore)	N	3.5	1.5
4.12	Go into system, view customer order entries	S	6.0	2.4
4.13	Phone customer if unclear / missing information	N	7.0	2.9
5.1	Enter order	S	5.5	3.2
5.2	Validate pricing	D	3.0	1.7
5.3	If pricing looks w... / customer questions, check source (eg. CC, scheduled pricing)	N	5.0	2.9
5.4	Save order	S	1.0	0.6
5.5	If customer on credit hold, contact customer for past dues and advise credit	C	3.5	2.0
5.6	Enter request delivery date	S	1.0	0.6
5.7	If delivery date is within 3 days and is required, raise emergency order	N	1.0	0.6
5.8	Send request to customer to check availability	N	2.75	1.6
5.9	If available, rack schedule	N	1.75	1.0
5.10	If not available, contact customer to negotiate delivery date	N	3.0	1.7

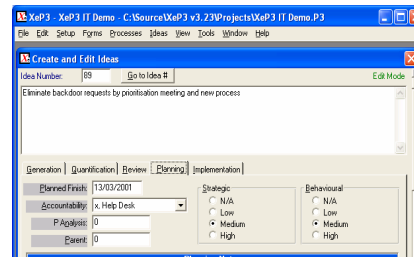
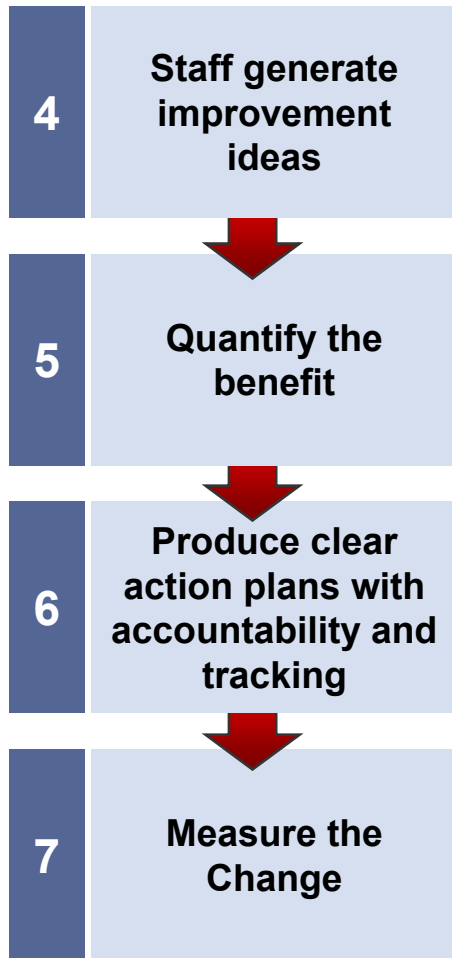
	C	S	D	N	CSDN
% Hours:	2.7%	35.2%	7.6%	54.4%	100.0%
Total Hours:	27.2	352.5	76.5	543.8	1,000.0
pa Cost:	15.1	187.2	46.6	268.3	517.2

Top 6 Activity Drivers for this Process		
2	Product not available or in stock by require date	7.4%
12	Customer not happy with product and wants to return	7.1%
1	Missing/unclear information from customer eg. locati	4.0%
9	Manual look-up of product number or calculation due	2.4%
7	Customer on credit hold and required follow up	1.7%
4	Customer has unreasonable delivery request (ie. not	1.4%

Supporting technology provides a fast, visual and structured understanding of opportunities

A methodology to implement the improvements

Engaged staff generate the improvement ideas; and a plan with clear accountability is produced



Management Report Implementation Monitor

Status:
Completed by: _____
Team Member Check:

Idea #	Description	Total Hours	Hours Saved	Hours Added	Planned Completion	Current Est. Completion	Accountability
5	Proactively seek on-sell during interaction with customer	20.51			4/04/2004	30/04/2004	Miller, Brad
6	Order forms to be completed and sent electronically to suppliers	42.38	7.74		4/04/2004	29/05/2004	Miller, Brad
3	Develop Supplier Agreements with performance measures to improve service	35.96	14.39		2/02/2004	2/06/2004	Miller, Brad

Action Plan

Process: Despatch Process Co-owners: Steve Hardy

Idea No: 715

Idea: Install internal direct line telephone between despatch area and office to reduce wasted staff travel time to and from office when despatch queries occur.

Step	Action	Person Responsible	Start Date	Estimated Completion Date	Actual Completion Date
1	Formalise request to facilities management	Steve Hardy	5/01/2006	5/01/2006	5/01/2006
2	Inform despatch team of change	Steve Hardy	6/01/2006	6/01/2006	6/01/2006
3	Install phone	Steve Hardy	7/01/2006	7/01/2006	7/01/2006
4	Place notice by the phone with instructions and internal numbers	Steve Hardy	8/01/2006	8/01/2006	8/01/2006
5		Steve Hardy	9/01/2006	9/01/2006	9/01/2006

Number of enquiry visits to office vs Number of enquiry telephone calls


Week	Weekly total	Comments
1	235 office, 10 Phone	Need to monitor and enforce use of phone
2	100 office, 150 Phone	Staff utilizing phone facility much more effectively
3	70 Office, 200 Phone	Few despatch visits to office, mostly telephone queries
4		
5		
6		
7		
8		

Supporting technology quickly provides an integrated implementation plan and benefits tracking tool for managers, plus clear and simple-to-use "to-do" lists for staff

Capturing the detail within the process 'reality'

XeP3 captured the current reality from the staff who worked in the process, allowing the real processes and the real problems to be captured from those who experience the process failures every day.

Notice the level of detail captured. This is critical to the success of implementation

**Tasks and Activities**

MF2

Status: **AU19 - Help Desk**

Completed by: Date: Tuesday, 5 September 2006

Team Member Check:

Main and Sub-Activities

<p>A) Request forms - 150/ week</p> <p>1 Request Forms</p> <ul style="list-style-type: none">1.1 HD Coordinator receives paper based request forms (new user, hardware, software, telephone, resignation, relocations)1.2 HD Coordinator enters details into an Excel spreadsheet1.3 Forms are distributed to Helpdesk team1.4 Raise a new request in HD completing details1.5 If details missing from form, contact signee1.6 Enter reference number into Excel spreadsheet1.7 Complete request which may involve setting up user in application, or setting up new hardware/relocations1.8 Request may need to be assigned to other group eg voice support. Re-assign request to them1.9 When request is completed change status to "resolved"1.10 Customer receives HD system generated e-mail advising them is resolved1.11 Open up Excel spreadsheet and enter completed date next to appropriate form1.12 File form in filing cabinet <p>2 Request Forms B</p>	<ul style="list-style-type: none">3.5 Generate report on HD regarding number of calls logged/resolved/transferred for individuals3.6 Cut and paste into Excel3.7 E-mail Excel document of individual statistics to individual Helpdesk team members3.8 Summarise in Excel team average, GOS, % Abandoned Calls, % after hour calls, maximum delay in answer3.9 E-mail Helpdesk Manager with team average results3.10 Save on K/: drive3.11 Calculate number of request forms for the period3.12 Review HD projects for the week3.13 Clarify any resource issues3.14 E-mail statistics to administration <p>4 Coordinate Helpdesk Roster</p> <ul style="list-style-type: none">4.1 Determine business needs for roster through Business Change Requests e.g. new clients, new projects4.2 Set up roster in Excel for one month ahead, accounting for appropriate breaks, annual leave, etc4.3 Individual team members arrange own swaps if required and advise Helpdesk manager or Helpdesk Team Coordinator for approval4.4 E-mail roster to Helpdesk team
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Classifying the tasks and activities

The value of activities are then classified. Finance1 saw their in-house teams quickly grasp the importance of XeP3's CSDN (Core, Support, Discretionary, Noise) categories.

Category	Definition	Examples
Core (Value Added)	<ul style="list-style-type: none"> • Core increase revenue • Reduce costs 	<ul style="list-style-type: none"> → Obtain ideas / opportunities for cross-selling and up selling → Identify type of loan suited to customer (complete best loan sheet)
Support (Value Enabling)	<ul style="list-style-type: none"> • Deliver service • Support core activities 	<ul style="list-style-type: none"> → Complete life insurance needs analysis → Complete capacity analysis
Discretionary	<ul style="list-style-type: none"> • Management discretion 	<ul style="list-style-type: none"> → Present loan approval to manager with recommendation manager to sign off on approval → Update company car log → Complete daily report for daily reconciliations
Noise (Non-Value Adding)	<ul style="list-style-type: none"> • Re-work • Chasing Up • Process Failure 	<ul style="list-style-type: none"> → Chase up head office for approval → Follow up on any missing documentation

Categorising the activity was an important step in understanding the issues.

Integrating smoothly with internal methodologies

The “Stages” of Different Process Improvement Methods

PDCA	Bevington XeP3	“DMAIC”
Plan	1. Diagnostic Analysis	Define / Measure
	2. Solution Generation	Analyze
	3. Solution Quantification	
Do / Check	4. Planning and Development	Improve
	5. Implementation and Communication	
Act	6. Measurement Definition	Control

The Findings



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There was an opportunity to double the “Core” activity in the branches by addressing the Noise Drivers

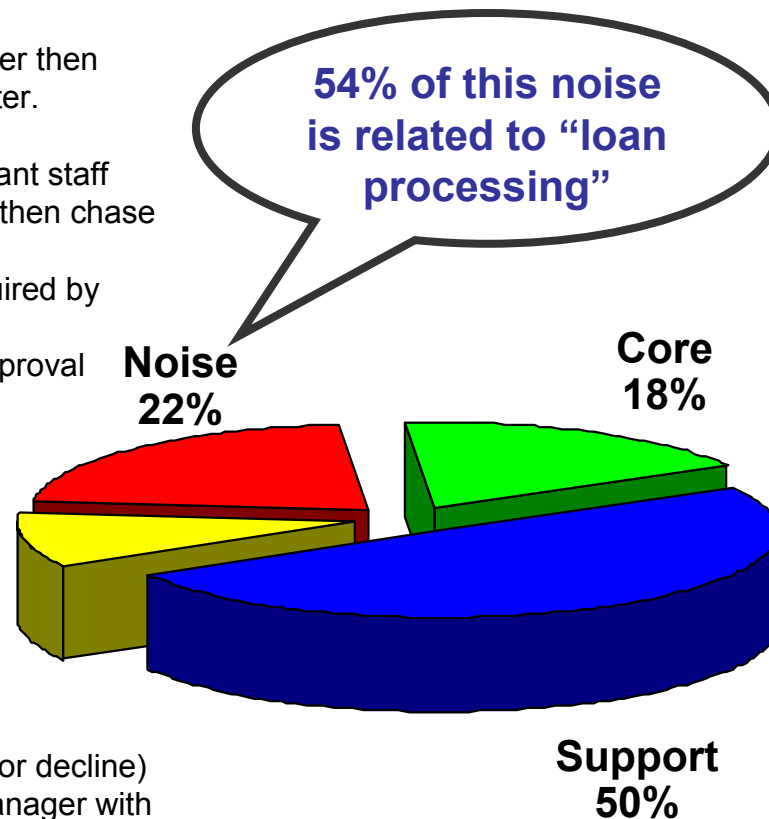
Noise Examples

- If cannot find account number then conduct search with computer.
Discuss customer enquiry
- Re-allocate enquiry to relevant staff
- If can not contact customer then chase up references
- Get more information if required by manager
- Chase up head office for approval
- Follow up on any missing documentations
- Handle complaints

Discretionary
10%

Discretionary Examples

- Attend meetings
- Refer to manager (proceed or decline)
- Present loan approval to manager with recommendation and BLO for manager to sign off on approval
- Complete daily report for daily reconciliations
- Prepare daily reports for district manager
- Update company car log



Core Examples

- ✓ Complete loan application form with customer (over phone, or in person)
- ✓ Arrange payment if able to speak with customer
- ✓ Credit score by inputting data into computers
- ✓ Telephone customer to renew insurance
- ✓ Explain to customer what we offer at insurance
- ✓ Prepare best loan offer
- ✓ Complete life insurance needs analysis
- ✓ Complete Capacity Analysis
- ✓ Prepare for call by analysing options
- ✓ Inform dealers of new promotions

Support Examples

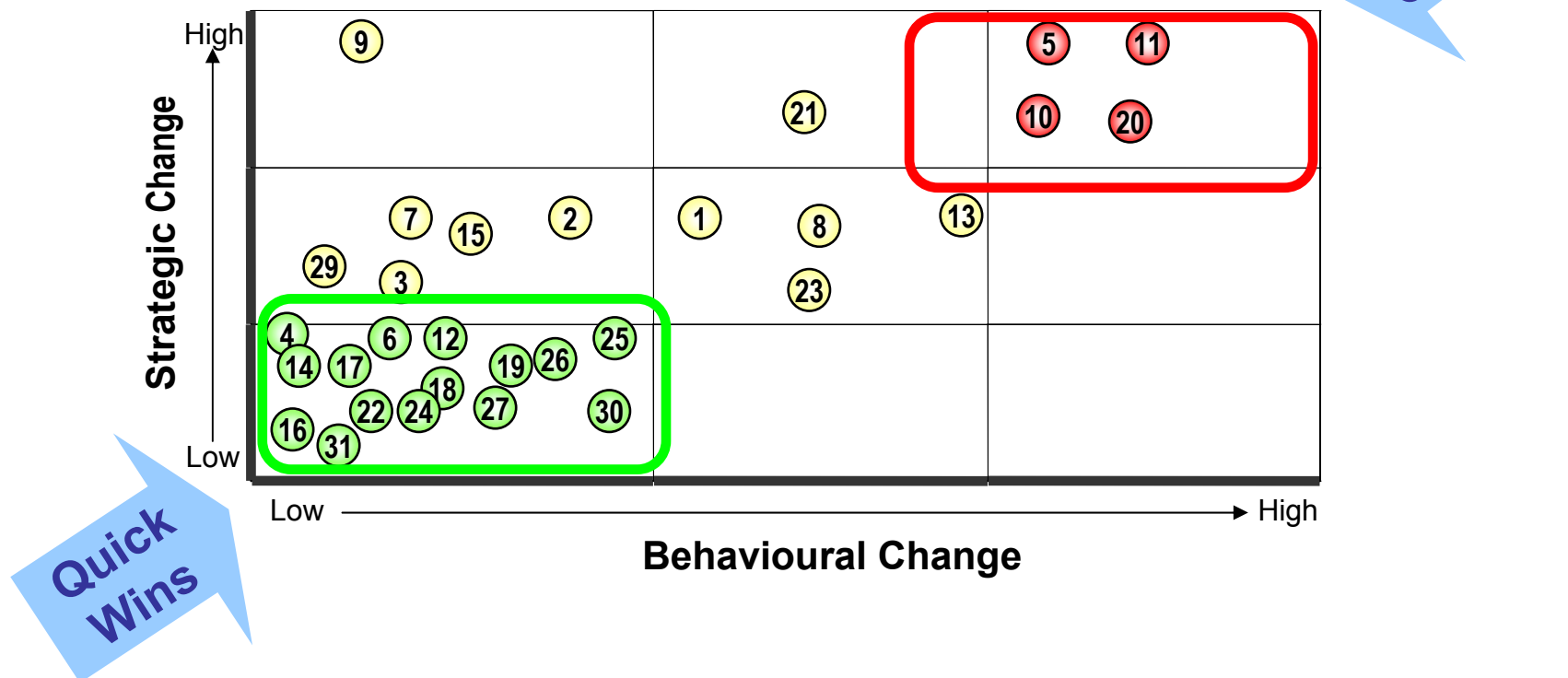
- Ring customer at Residential address
- Check credit references (most refs are only obtainable between 10-12 2-4 pm)
- Process payment
- Update IBIS with arrangement
- Print CRAA report
- Send Please Contact me letter if unable to reach customer
- Drive to customer’s home

The initiatives were quantified and prioritised

QUANTIFIED

- ❑ Bevington analysis concluded that the benefits were extremely attractive
- ❑ Pay back period of project was 6 months
- ❑ NPV of the project (with perpetuity) was >\$20mil

PRIORITISED



Imperatives were identified to drive implementation

Process / Issues	Imperatives	Effectiveness
Doing unnecessary work	Introduce Upfront Capacity Calculation	<ul style="list-style-type: none"> • Will free-up time to allow an increased focus on selling activities (load generation) • Will enable the processing of the good customers sooner • Productivity gains from a more consistent repeatable process
Credit Score Card not trusted by staff	Updating Credit Score Card and it use in application	<ul style="list-style-type: none"> • Improved consistency in lending decisions • Lower portfolio risk through which is achieved through (1) Efficient pricing to risk (2) setting credit limits to risk
Unnecessary verification	Target verification of customer details by type of customer and rationalise the information verified	<ul style="list-style-type: none"> • Will free-up time to allow an increased focus on selling activities (loan generation) • Will add professionalism to the selling approach by segmenting the requirements for different customers • Will free-up time to allow an increased focus on selling activities (load generation)
Loan Application form difficult for customers to complete	Loan Application form redesign	<ul style="list-style-type: none"> • Customer can follow Logical flow of information requirements, assisting them in providing information. Stops wasted customer time as CSR fills in form

Behavioural Change Indicators were used to ensure “embedded change”

The BCI Methodology *Streamlined Verification Processes*

	KPI Key Performance Indicator	PI Performance Indicator	BCI Behavioural Change Indicator
Process	Value Drivers	Issues / Problems	Solutions
Application	An increase in both the volume and value of Loans written	Staff not advising of document requirements	Staff to check mark form at point they advise of documentation
Measurement	Units per employee	Percentage of loans not completed at sign-up due to wrong documentation	Number of forms that don't have check mark at correct point

Summary

- ❑ Finance1 achieved its objectives of
 - **Reducing** time spent on the loan **application approval** processes
 - **Increasing** time spent on **sales**
 - **Addressing customer issues** with the process
- ❑ The financial benefits were material (a **6 month payback!**) and a **\$20m NPV**
- ❑ Both customers and staff derived benefit from a smoother, less time consuming, less cumbersome process.