



# Insight

Contents:

<i>Future Working</i> - achieving dramatic changes in profitability	page 1
Business Transformation	page 2/3
Why Banking and Insurance need to change to compete in today's world	page 4
New Faces at PSM Consulting	page 4

Driving Strategy into Results

Autumn 2001

## Future Working - achieving dramatic changes in profitability

With many companies now imposing substantial restrictions on air travel, increasing numbers of clients have been asking what they should do.

Our response has tended to be along the lines: *"It's not what you should do that is the issue, it is a question of what your company should do!"*

Individuals are concerned with bridging the gap until they are free to travel again, whereas the real question to be asked is how to continue running a competitive global business with permanently restricted travelling.

### A real life example:

A project team used to meet monthly for progress reviews, usually in the USA with participants from Europe, USA, Japan and the Pacific-rim countries, typically 10-12 people. Monday morning arrives and our London team member packs his bags and drives to Heathrow. He catches the afternoon flight to Chicago, checks into his hotel and goes to bed. Tuesday the meeting is held. Unfortunately the member from Thailand missed his flight, so he only arrived at lunchtime and slept most of the afternoon.

some telephone calls. Friday he was back in the office. Being a bit jetlagged he was fairly inefficient in his work, but reflected on a successful week; the project was moving along nicely.

### We looked at it rather differently!

Mr London had used almost a whole week of his time and spent over **£5,000** in expenses to achieve this feeling of success. He was not alone. Collectively the team had absorbed close to **£100,000** once salaries, costs of employment, benefits etc. had been taken into account. That was before any allowance had been made for how *ten man-weeks* of time could have been utilised to create opportunity for the company. Today these meetings absorb only *ten man-days* plus total expenses of about **£2,000**. The rate of saving on this tiny little activity is close to **£1,000,000** per year, and that goes straight on the bottom line!

### How?

The participants have been trained and empowered to work as a virtual team; a group that works closely together although geographically distant. The processes have been redesigned to support a way of working which is independent of location. Members work collectively, yet in their own time zones, many with fully equipped offices at home. They incur less cost, less stress and progress is noticeably faster. There is no longer a need to travel, so they don't!

It was not a case of what Mr London should have done, but what his company actually did - they implemented *Future Working*

While other global businesses struggle with the impact of travel restrictions on their management and decision-making processes, Mr London and his team continue to work uninterrupted. They are lucky. Their company embarked upon this transformation programme purely for the business reasons, which are the same today as previously. The current attention being given to travel is likely to be long lived. So many more businesses will be asking themselves how they can continue to operate effectively.

On our website is a case study of a UK-based company undertaking a similar transformation. It took a major rail network problem to open their eyes, yet the business case for *halving their housing costs*, as they now have, was present beforehand. There is also a short presentation on the website introducing *Future Working*, our framework for achieving dramatic changes in profitability through the use of virtual teamwork.

If you are experiencing pain from being grounded, check out the website:

[www.PSMconsulting.co.uk](http://www.PSMconsulting.co.uk)  
Or for an initial discussion on how PSM can help relieve the pain either email me at: [Simon.Townshend@PSMconsulting.co.uk](mailto:Simon.Townshend@PSMconsulting.co.uk) or call me directly on: **+44 (0) 1622 833103**



Simon Townshend

PSM can demonstrate how a business can operate with almost no travel whatsoever.

We have and will continue to do this for a simple business reason - *you can save a fortune!*

Fortunately Wednesday morning was kept free, as usual, and allowed the group to conclude its business. Wednesday night was a restless flight and upon arrival home on Thursday lunchtime, Mr London took a sleep before making

# Business Transformation

Traditionally businesses operate one or both of two kinds of Business Strategy, a 'Grand Plan' or a 'Business Plan'.

A 'Grand Plan' is usually for a conglomerate. This is a top-secret affair, created by a very few senior people, to plot the course of development of their whole enterprise. It typically focuses on achieving a progressive increase in shareholder value. The tactics at this level are about short, medium and long term re-positioning and creating changes in the portfolio of subsidiary businesses. It will also focus on building strengths and eliminating weaknesses among the subsidiaries.

Tactics at the Grand Plan level become **headline targets** for the strategies for the subsidiaries to implement.

## A 'Business Plan'

is for a 'single business', perhaps a single subsidiary or, often, a group of subsidiaries in a conglomerate. The **headline targets** handed down from Group HQ are sets of strategic imperatives for growth, competitive position and financial results. Strategic management in a single business, to create the 'local' Business Plan, is usually done by a small team reporting to the Chief Executive, often by the 'functional directors', with support from consultants and other advisors.

In reality many Business Plans created by local management teams are significantly manipulated by people from Group HQ to force-fit the subsidiaries' draft financial projections into the Group's overall financial plan. In conglomerates where this happens frequently, the local management teams often 'play safe' with their draft plans, knowing that what emerges after the tussle with Group HQ will be a quite tough set of targets!

These subsidiaries' business plans are often developed incrementally, year by year from 'this year's latest projected outcome'. There is nothing fundamentally 'wrong' with any of this, but it is not the best way.

## Let's examine why.

Typically, Business Plans are assemblies of ideas and intentions for the different aspects of the business:

- market and customer development
- product and service development
- investments in physical resources (fixed and working assets)
- improvements in operations
- developments of information systems
- investments in improving people.

These are all wrapped up with a financial plan that projects progressive improvements in sales, profits, cash generation and returns, as demanded by Group HQ.

The components of these plans will normally have been prepared by the functional directors responsible for the relevant departments in the organisation, often with help from a few people reporting to the directors. Each director tends to 'play safe' - there is nothing more uncertain than a forecast, and an over-ambitious forecast can have catastrophic personal consequences! So the first reason why this is not the best way to create a Business Plan is that the resulting strategy and tactics are not particularly ambitious.

A second reason is that the plan is an assembly of functional (vertical) intentions - it does not necessarily develop strongly enough the cross-functional (horizontal) opportunities. For example, a combined market-facing and internal

operational strategy might unlock both unforeseen market opportunities and unforeseen operational imperatives. Add an integrated product and service development plan, a new way of looking at systems and information requirements and possible people developments and you begin to see a different and more exciting way forward.

The plan grows out of the way things are today and projects forward to develop how things **might** be changed and improved within 2-3 years. A much more exciting approach is to start the planning process by deciding first what the future **must** be, then working out what needs to change and improve, and by how much, to convert from today to the intended end point in the two to three years available.

Lastly the plan is not really a plan. It is a set of intentions that may or may not be delivered because there is insufficient robustness in the implementation programme and implementation management process. Often there is built-in **'initiative overload'** because the management team is committed to do too many things at the same time, too soon. They have unrealistic expectations of what they can achieve, even with their very best intentions. There are too many projects to manage and do at the same time, especially as they are already very busy running their parts of the business. Within a few weeks or months at the most, the 'plan' will prove to be unworkable, improvements and changes will not be delivered satisfactorily and the whole programme may begin to crumble. It often happens this way.





To summarise, the shortcomings of what we can call 'conventional' strategic management are as follows:

- the end point is not ambitious enough
- the management team is not taking advantage of important cross-functional opportunities
- the team is working forwards, incrementally, from today rather than backwards from an ambitious intended end-point
- the various components of the 'strategy' are developed more or less independently by different parts of the organisation
- there is insufficient recognition that achieving 'remarkable results' requires huge changes in 'the way we work'
- the whole programme does not have a rigorous implementation plan nor a robust implementation management process that will underpin delivery of the intended business benefits, in full and on time.

ambitious end point that they want to achieve. The whole programme of strategic planning is then geared to working out how to make that happen.

- We arrange to do the detail of the planning using cross-functional teams, so that the full spectrum of opportunities to deliver change and improvements is brought into play.
- We help to involve as many people as is practical in the planning process, to ensure that there is a critical mass of ownership and commitment to the resulting strategy.
- We focus the design of the future around transforming resources and transforming the way business processes work.
- We encourage the people involved in developing the strategy to create and share a vivid description or "vision" of the future, to step forward in time and to assume that the strategy has been implemented successfully.
- We make sure (a) that the implementation plan is realistic and fully-developed and (b) that the whole management team adopts some very simple and obvious 'rules' for managing implementation, to ensure that the intended business benefits are delivered on time and in full. Managing change is an integral part of the whole strategy.

The process for strategic management involves helping our client's management team through a process that addresses five questions.

1. What is our **Ambition**? What do we want to be (or to achieve), in which markets, where and by when?
2. What are our **Strategic Objectives**? What must we achieve in our markets, for customers, for shareholders and for our other stakeholders?

3. What are our **Operational Objectives**? In what ways must we transform our resources and day-to-day operating processes in order to be that good? What is our vision of what the future will be like when this transformation has been implemented?
4. What are the **Initiatives** that we need to take to deliver the changes? What fundamental operational process change projects and performance improvement projects must we undertake?
5. What will we actually do to **Make It Happen** over the implementation period? How will we plan and manage individual projects, and the whole programme, to ensure that we deliver the intended business benefits?

We summarise the resulting strategy on a single sheet of paper, a **Strategy Summary**. A typical One Page Summary template looks like this:-

enables people from every part of an organisation to contribute to the strategy. The One Page Summary also acts as a means for guiding updates of the strategy as implementation proceeds.

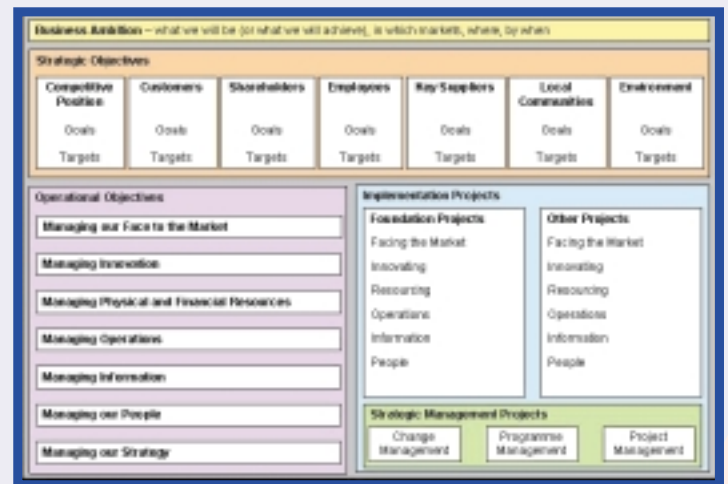
Most of our clients' strategies are implemented over several years. Some are longer term, especially for capital-intensive businesses where investments take a long time to deliver results. Some are much shorter, such as dot.com and FMCG companies.

This Business Transformation process has been used successfully world-wide to deliver massive benefits in large, medium-sized and small businesses, in subsidiaries of multinational companies, in professional partnerships and in the public sector.

**PSM offers a powerful solution to these shortcomings, a process continuously developed since 1983 and now applied all over the world in over 100 businesses. The solution is the third kind of Business Strategy - a 'Transformation Plan' of a single business.**

There are some significant differences in our approach that help to overcome the shortcomings in conventional long range planning.

- We help the management team to decide on an



### A One Page Summary

is a powerful tool for communicating the strategy as well as a framework for guiding all the people involved through the planning process. They can see which part of the strategy they are working on and how that fits with the rest of the plan and the planning process. This takes the mystique out of strategic management and



**Julian Gray**

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# Why Banking and Insurance need to change to compete in today's world

The impact of globalisation on UK businesses has prompted change....



In an increasingly competitive world many UK businesses have suffered as they have lagged behind their foreign rivals. Those that survived did so by focusing on the key areas of growing sales, improving operating efficiency and improving profits. Many took advantage of 'Management Initiatives' such as TQM, BPR and CRM, and these initiatives have helped contribute to the successes of the survivors and continue to do so.

## ....primarily in the Manufacturing Sector

However, most of the improvements have been in the Manufacturing Sector. For example the Nissan plant in the North-East of England now boasts the highest output per employee of all European car plants. Comparatively few Finance Sector organisations have embraced these initiatives and reaped the benefits. Why is this?

From our experience of many business sectors, the reason is that Manufacturing had to make the change. They were in a global market. Their competitors had significantly lower labour rates or higher productivity. There was no choice - it was a survival issue.

By contrast, most Banking and Insurance companies have dealt predominantly with the home

market. Having enjoyed higher margins, they felt less pressure. Banks though have started to change, with the advent of greater charging transparency and increased competition.

The good news is that most have found it comparatively easy to make significant improvements.

## Current impact on the Finance Sector

After a period of comparative protection, most of the finance sector is now facing significant increased competitive and/or regulatory pressure.

For example insurance companies need to offer Stakeholder Pensions at or below 1% annual management charge. Traditional banks are facing stiff competition from on-line competitors with lower overheads and sales costs. Building Societies are finding it hard to lift margins on mortgage lending.

## Our recommendations

Early action is advisable. The starting point is to carry out a diagnostic exercise using **DRIVE (Delivering Results In Value and Excellence)**, PSM's approach to achieving business excellence. This uses an internationally respected yardstick and measures capability in all areas of the organisation. It confirms which levers to pull by evaluating and prioritising the changes to make and how to implement them.

Many Finance Sector businesses don't operate efficient processes: our **DRIVE** diagnoses show this repeatedly.

With advice and training internal staff to do the work, **DRIVE** will help organisations reap the multiple benefits of:

- Bottom-line business improvement at lowest cost (25% savings in operating cost is typical)
- A thorough understanding of the business dynamics, and how to achieve maximum

benefit now and in the future

- A transfer of new skills into the organisation to sustain current, and develop future improvements.

A typical PSM **DRIVE** assignment in the Finance Sector follows a logical sequence of steps....

1. Initial diagnosis to determine the biggest opportunities
2. Focused management workshop to commit to the necessary improvements and to agree priorities & objectives
3. Train an internal team in the approach, tools and techniques
4. Guide the team through mapping and measuring of business processes
5. Facilitate a challenge workshop to identify "quick wins" and longer term process development opportunities
6. Implement the "quick wins" and obtain payback on the time invested so far
7. Develop process improvements, often in conjunction with the IT team
8. Implement process improvements and "cash-in" on the big benefits

## Keys to success

Our experience over the last 4-5 years is that this approach delivers significant benefits, and using our expert help ensures resources are focused on the most important opportunities, and prevents expensive mistakes. PSM has both the industry knowledge and the consulting skills to offer maximum support in the Finance Sector.

If you would like a discussion please email me at: [Stephen.Herbert@PSMconsulting.co.uk](mailto:Stephen.Herbert@PSMconsulting.co.uk) or telephone me directly on: +44 (0) 1606 301640



Stephen Herbert

# New faces at PSM Consulting

New players on the team who will be providing insight in future issues



**Louise Wickham** specialises in corporate strategy and customer management focussing on consumer goods and services companies, particularly relating to the recruitment and retention of customers. She worked for a number of consumer goods companies in a variety of roles including marketing and corporate development.



**Steve Lowe** has significant experience of Marketing and IT in global IT, telecommunications, engineering and construction. He has also held line management positions in insurance and accountancy. He provides support in the review, development and deployment of Business Strategies, with a particular emphasis on Marketing and Business Development.



**Stephen Herbert's** experience as a Marketing Director helps him to provide hands-on guidance and support to clients seeking real insight into how to simplify and improve business processes particularly in the commercial area. Stephen has experience in a wide range of sectors including Manufacturing, Banking, Insurance, and a range of service industries.



Could your photograph be here?  
Do you have the skills and experience to...

**'Make a difference'**

If so, please eMail your CV to: [Caroline.McVey@PSMconsulting.co.uk](mailto:Caroline.McVey@PSMconsulting.co.uk)