

Where did it all go wrong?

If you can't trust the banks or Bernie Madoff with your money, who can you trust? Blue-plate consultants have been busy consulting in the banking sector on a variety of engagements focused on efficiency, planning, performance monitoring, cost management and new ways of working. From our privileged position deep in the banking bowels, all that can be deduced is that banks borrowed money from lenders they didn't know and invested it in products they didn't understand, with scant regard for risk and credit underwriting. However, the vast majority of banking employees are doing an honest and worthwhile job in serving the best interests of their bank and

customers. As the banking froth evaporates in the destruction of shareholder value, priorities are now focused on the basics of efficiency, effectiveness and risk management. Banks and other large financial institutions are finally trying to get to grips with converging their people, processes and systems, the features of which include :

- The relocation of processing to Shared Service Centres in low-cost regions
- Common processes, job families and sharing of best practice
- Internal and external benchmarking
- Performance management
- Rolling Operating Plans
- Rationalised and simplified

system architectures

- Common customer experiences

Although a global architecture strategy may appear to be obvious from both a business and financial perspective, the complexity of the transition is often not fully appreciated. Basic programme and stakeholder management spread over several time zones has its own challenges, let alone the convergence of people, process and systems around common architectures.

We've been there and have the T-shirts!



"The mere formulation of a problem is far more often essential than its solution, which may be merely a matter of mathematical or experimental skill. To raise new questions, new possibilities, to regard old problems from a new angle requires creative imagination and marks real advances in science." - *Albert Einstein*

Are change programmes ever successful?

A lot of publicity is given to big change programmes that fail, but the successes often go unreported. In Blue-plate's experience, there is no formulaic approach to bringing about step-change improvement in an organisation's per-

formance. Any change must be planned and implemented within the particular context of each unique organisation. For example, there are no shortcuts to understanding an organisation's business model, structure, market, culture and

decision making processes. The motivation and impetus for successful change must be internally driven, and preferably before feeling the heat of a burning platform!

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Special points of interest:

- Build your TOM in layers
- Measure Finance Function Effectiveness
- Lose weight with ABM
- Be prepared with scenario planning
- A flexible approach to public sector bids

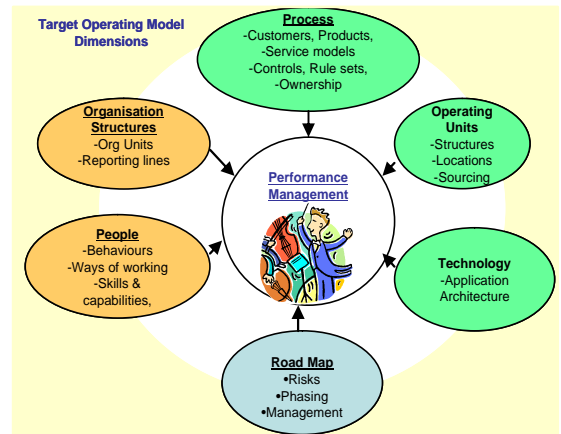
Make Music With Target Operating Models?

Following on from previous newsletters regarding Target Operating Models (TOMs), we offer a diagrammatic model of the way that a TOM is developed in dimensional layers. Each dimension having both a logical and physical expression.

In our experience, the look and feel of TOMs differs depending upon the needs of an organisation. These differences are driven by priorities such as process and system rationalization, or organisational restructuring following a business acquisition. However, what makes the TOM

work as a physical operational business is the ability to orchestrate its management. This requires a performance management system that cascades business goals down to individual performance and accountability.

Developing and delivering a TOM cannot be prescribed like an orchestral score, but is more akin to jazz; so let Blue-plate help get you jamming on those TOMs.



Performance Monitoring - Global Finance Dashboard

Blue-plate has been engaged by a global bank to facilitate the development, implementation and offshoring of a Global Finance Dashboard that monitors improvements in finance function effectiveness. The outcome focused dashboard of performance indicators monitored improvements to:

- The control environment
- The provision of regulatory, management and financial reporting

- Efficiency ratios
- Personnel, and
- The convergence of systems, process and people architectures

The Excel based system produced regional, function, product and a consolidated global finance dashboard, **RAG** rating performance against end of year targets. A "heat map" of **RAG** status provided a one page overview of performance and the hot spots for attention. One

“Stimulate a performance management culture and more explicitly link rewards with performance”

of the impacts has been to stimulate a performance management culture and more explicitly link rewards with performance.

Cost Reduction With Activity Based Management

The current economic climate is focusing attention on cost reduction, which is similar to going on a diet; you may lose a few pounds in the short term only to put it all back on. Blue-plate helps clients to understand what makes them hungry in the first place by describing their cost drivers, activities, operations and performance management



Keep the weight off with ABM

systems. Building an **Activity Based Management** cost model of the business shows the true costs of processes, products, services and customer segments. The model illustrates the profile of the cost base, providing the basis for redirecting resources to those activities that provide the best returns, not only financially but also

in terms of customer service. Identifying, for example, the hidden costs of the inefficient production of management information or the real costs of acquiring new business, is the start point for intelligent activity management and that slimmer cost base.

Are You Controlling The Future?

Blue-plate consultants Jeff Herman and Mike Almond contributed an article “Are You Controlling The Future?” which was published in the Institute of Chartered Accountants’ Finance & Management publication. The article explored the issue of why internal controls are often neglected when an organisation redesigns its strategy and working processes. In the excitement of designing the future, the design teams often neglect internal control issues. Although internal auditors and finance staff are those most able to contribute to the building-in rather than bolt-

ing-on of internal controls, they are often not attracted to participating in project work. The article further explores the complex mix of reasons for not embedding internal controls during process design, which include:

- Poor understanding of internal control issues
- The nature of projects
- Lack of process design skills; and
- Lack of an appropriate framework within which to consider internal controls.

Ideas for action, include:

- Evaluating the risk management strategy on a scale of one to ten
- Ensuring that employees understand their internal control responsibilities
- Including internal control as part of employee induction training
- Ensuring that internal controls are specified with the “to be” processes

The article can be downloaded in full from our website www.blue-plate.co.uk

Business Case Management-Lessons Learned!

Lessons learned are frequently a reiteration of repeated mistakes. However, Blue-plate’s experience with a Netherlands based bank, reminded us of the following issues:

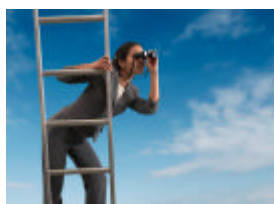
1. The need, at the outset, for aggressive top down stretch targets
2. Don’t underestimate stakeholder management
3. Cascade the business case into the planning processes

4. Understand the current processes and resource impacts of changes
5. Better management can produce big benefits
6. Challenge the IT costs; what is the cost of doing nothing?
7. Set business case expectations for each stage of the process
8. How will benefits be realised and identified?
9. Clarify the business case sign-off process
10. Avoid the trap of double-counting of benefits

“We ought to be able to learn things second-hand. There is not enough time to make all the mistakes ourselves. Harriet Hall.”

Scenario Planning

In times of stability, planning and budgeting is a very rational approach to facilitating strategy implementation and resource management. However, when the economic environment is volatile, uncertainties about the future tend to paralyse any rational planning process. One approach to link uncertainties



Scenarios link uncertainties with today’s decisions

about the future with decisions that have to be taken today is scenario planning as pioneered by Royal Dutch Shell, who define **scenarios** as *carefully crafted stories about the future embodying a wide variety of ideas and integrating them in a way that is communicable and useful. Scenarios help us link the uncertainties we hold about the future to the deci-*

sions we must make today. Scenarios prepare organisations to respond quickly and appropriately to changing circumstances rather than blame their predicament on unforeseen circumstances!



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If you wish to discuss any issues raised in this newsletter or explore ways in which Blue-Plate can help your organisation, then in the first instance contact Jeff Herman.



Blue-Plate Consulting specialises in financial management issues within the public and financial services sectors, providing a truly independent and viable alternative to the big consulting firms. Our core competencies are in financial management, business and process architecture and design.

Blue-Plate's scalability of talent, skills and the use of only experienced management consultants and qualified accountants provides clients with top class consulting delivery. Clients appreciate that they only pay for the consultants actually working on the project and not for additional account management overheads that are typical of the large consulting firms.

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Public Sector -Too Costly To Bid?

Speculate to accumulate is a common mantra especially applicable to major government contract bids. Public sector bids consume significant resources that must be flexible, deadline driven and cover a wide range of skill sets, which even the largest organisations find difficult to resource from within. Blue-plate's Stephen Lockwood has been assisting on a major bid and his observations are that a modern public sector bid process is not a case of submitting a standard sales pitch with the lowest price. The assessment is increasingly determined during intense dialogue stages between the procurement and bid teams, where it is expected that subject matter experts will have challenged the bid teams thinking and clarified ambiguous points. Experienced external consultants can provide an ideal solution to address the resource issues of expertise, flexibility and

value. Consultants not only possess the required skills, but can work at a senior level as part of the bid team and, most importantly, hand over efficiently to a permanent team should the bid be successful. If unsuccessful, there are no contractual issues with terminating the consultant relationship with respect to a particular bid. Whilst the various phases are demanding, there are often inter-phase gaps to allow the procurement team to evaluate responses. Such gaps not only provide an ideal opportunity for the bid team to recharge their batteries, but may enable the consultants to be stood down but still accessible, until required for the next phase. Such an approach provides not only cost and resource flexibility, but access to a range of skills that would not be cost effective to maintain internally.



Blue-plate associate Stephen Lockwood has been providing financial modeling and business expertise on a major public sector bid.