



How Continuous Improvement techniques can be applied to a UK building society

BSA Conference May 2017

Dean Williams
HO CI & Operations Change

How Continuous Improvement techniques can be applied to a UK building society

Techniques to improve an organisation's efficiency and effectiveness have long been used in a wide variety of manufacturing industries and are now being applied to financial services.

Over the course of the last two years Principality Building Society has been doing exactly this via Continuous Improvement (CI)

This session is an opportunity to hear about:

1. What is CI and what are the benefits?
2. How has CI been deployed in the Principality?
3. How you could deploy CI in your own building society

Content

1. Introduction to Principality and 2016 highlights
2. The burning platform for Continuous Improvement
3. What is Continuous Improvement (CI) ?
 - Definition of CI
 - History from Manufacturing to Financial Services
4. The opportunity for CI
 - The iceberg syndrome
 - Typical benefits that are delivered
5. How Principality is deploying CI
 - CEO and Exec team committed to CI deployment
 - CI capability built to “do with”, not “do to”
 - CI method defined and applied to fit our need
 - CI initiatives shaped and delivered, aligned to strategic priority
 - Examples of benefits delivered for Customers, Colleagues, Financials and Risk
 - Communication and feedback from leaders and colleagues
6. How you could apply CI in your Society?
 - The top 10 reasons why CI deployments fail
 - Things for you to consider if you want to deploy CI

Overview of Principality Building Society

Tom Denman – Principality Acting Finance Director

Live :

- Overview of Principality
- Burning Platform for CI

Introduction to Principality Building Society

As Wales' largest building society, Principality Building Society, has over £7bn assets and is the sixth largest building society in the UK.

Founded as a mutual building society in 1860, Principality prides itself on providing excellent customer service and a home for its members' money and a real focus on delivering to over 500,000 Members and customers.

Principality strives to make a positive impact not just on individuals but also on their communities up and down Wales. Sponsors of the Principality Premiership, Only Boys Aloud and Junior Wales Open, the building society plays a key role in supporting life and culture in Wales as well as driving the housing agenda.



Principality 2016 Highlights



72.7%
Customer service net promoter score of 72.7% (2015: 65.9%)



£2 billion
Gross mortgage applications of £2bn

We continued to grow savings balances – they increased to over £6.1bn



£6.1 billion
(2015: 5.6bn)



23.47%
Strong capital ratios with a Common Equity Tier 1 ratio of 23.47% (2015: 20.97%)

We raised a record **£150,000** for our charity partnerships




70+
Branches

We're committed to the high street – Over 70 branches and agencies



£8.3 billion
We strengthened and grew our balance sheet to £8.3 billion (2015: £7.6bn)

124 Local Community Groups



£56,000

We helped 124 local community groups, investing £56,000

3500
first time buyers



We helped over 3500 first-time buyers onto the housing ladder

Our net retail mortgage lending grew by over **£600 million**



£50.3 million Pre-tax Profits



Our pre-tax profits grew to £50.3m (2015: £49.0m)



We entered into a 10 year partnership with the WRU to invest in rugby at all levels



The burning platform for Continuous Improvement

The burning platform for CI

- **Problem Statement:** Demands from our customers are increasing. Our plan is to grow our business. There is a risk of margin squeeze. We plan to make a significant investment in transformation. Our operating costs are too high.
- **Objective:** Improve our cost efficiency and effectiveness to support the delivery of Customer growth i.e. keep our costs flat to “Grow within our cost base”
- **Approach:** Use a CI approach to deliver breakthrough improvements for Customers and Colleagues, which results in Cost benefits and Risk reduction.

What is Continuous Improvement (CI)?

What is Continuous Improvement?

A culture where everyone continuously strives to make it better for Customers and Colleagues, resulting in Financial and Risk benefits through incremental or transformational change.

It is the never ending relentless pursuit for improvement !

What is Continuous Improvement about?

CI is about...



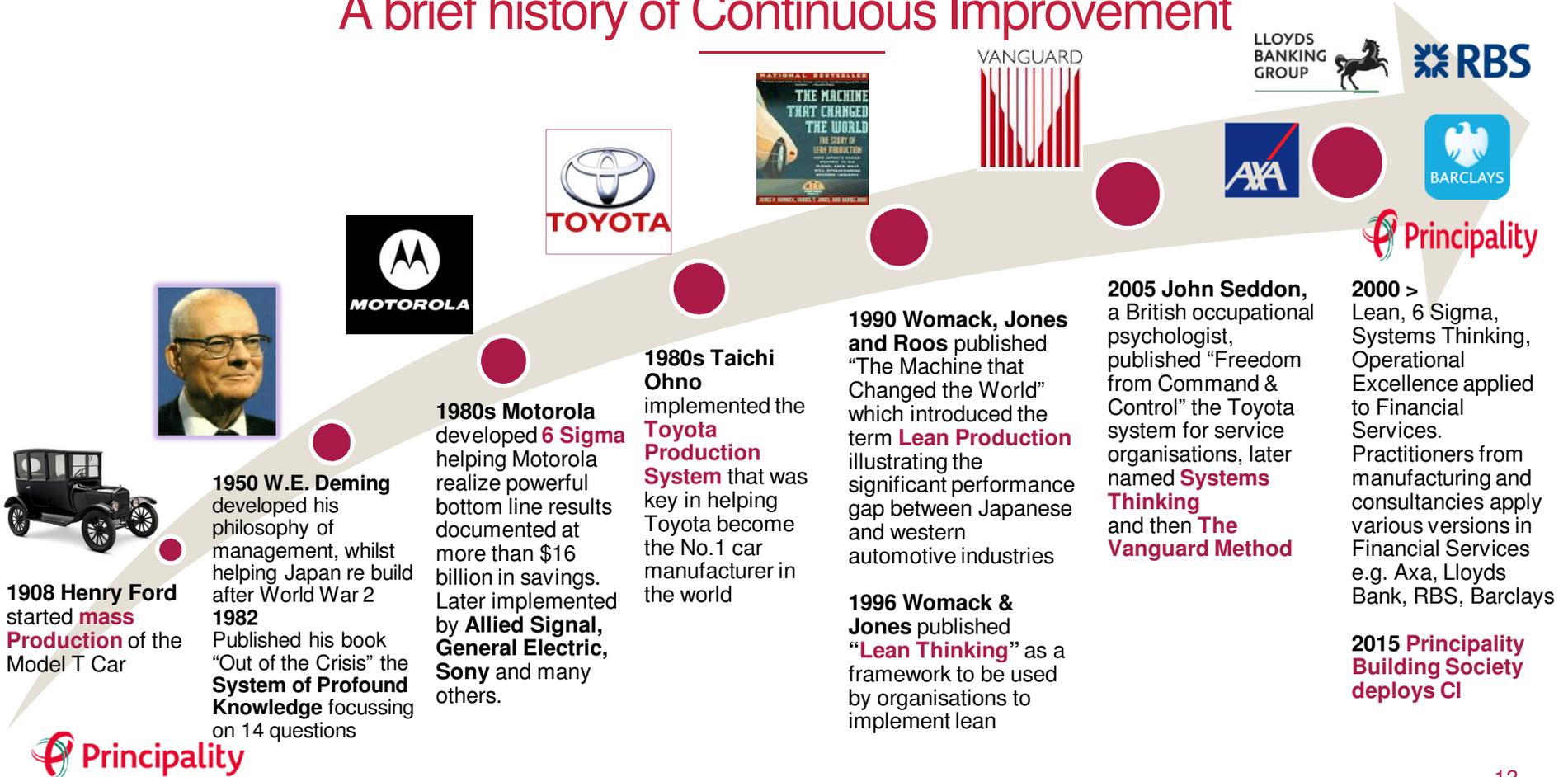
- Understanding what purpose our work serves for our customers, from their perspective, and endeavouring to only do value work
- Eliminating, simplifying or combining activities, processes and outputs
- Redesigning the system based on demand and minimising hand offs
- Making necessary activities and processes easier and better
- Colleagues, managers, heads of and directors working together to improve the end to end

CI is not about...



- Making people work harder
- Doing more with less
- Making people redundant
- Cutting corners
- Introducing risks and reducing controls

A brief history of Continuous Improvement



The opportunity for CI

The iceberg syndrome

We can clearly see the performance “tip of the iceberg”

There is significant opportunity to improve “under the water”



Typical benefits delivered from CI



We make it better for our Customers by delivering what matters to them e.g.

- We make it easy for customers to understand our products and services
- We resolve what matters to customers at the first point of contact in the way they want to make contact
- Customers get what they need when they need it and how they need it
- We reduce the effort required from our customers



We make it easier for our colleagues to serve our Customers and carry out their roles e.g.

- Builds colleague capability and creates capacity
- Provides colleagues with optimised tools, processes and support
- Reduces the need to process non value adding work (from the Customers perspective)
- Improves quality and productivity

Which results in:



Financial benefits e.g.

- Cost saving, mitigation or capacity creation
- Income generation
- Operational loss cost reduction



Risk reduction e.g.

- Risk likely hood and impact improved
- Operational risk, incidents and loss reduction
- Better adherence to conduct requirements

How Principality is deploying CI

CEO and Exec team committed to CI deployment

- In 2014, the Principality Executive team agreed that establishing Continuous Improvement capability and culture was required to help us achieve our Strategy.
- In September 2014 a Head Of Continuous Improvement was recruited and a central team of 6 Continuous Improvement Consultants was established.
- A Cost Management strategy was agreed and a Programme was established with the CEO as the Exec Sponsor, as the mechanism to drive Continuous Improvement deployment.
- Improvement initiatives are identified, shaped and delivered aligning to strategic Customer, Colleague and Financial outcomes and targets.
- The following approaches are used:
 - > **Service Excellence:** To improve the end to end customer experience, make it easier for colleagues to carry out their roles and create the capacity to absorb growth.
 - > **Activity Value Analysis:** To help support functions to identify and deliver opportunities to improve their service to internal customers and create capacity for growth.
 - > **Supplier Spend Optimisation:** To reduce the number of suppliers used, negotiate improved contract terms, optimise supplier spend control and challenge usage.
- 2015 saw the first year of strategically aligned Continuous Improvement delivery.

Julie Ann Haines – Customer Director and CI Exec Sponsor

Our Customer Director and CI Exec Sponsor talks through:

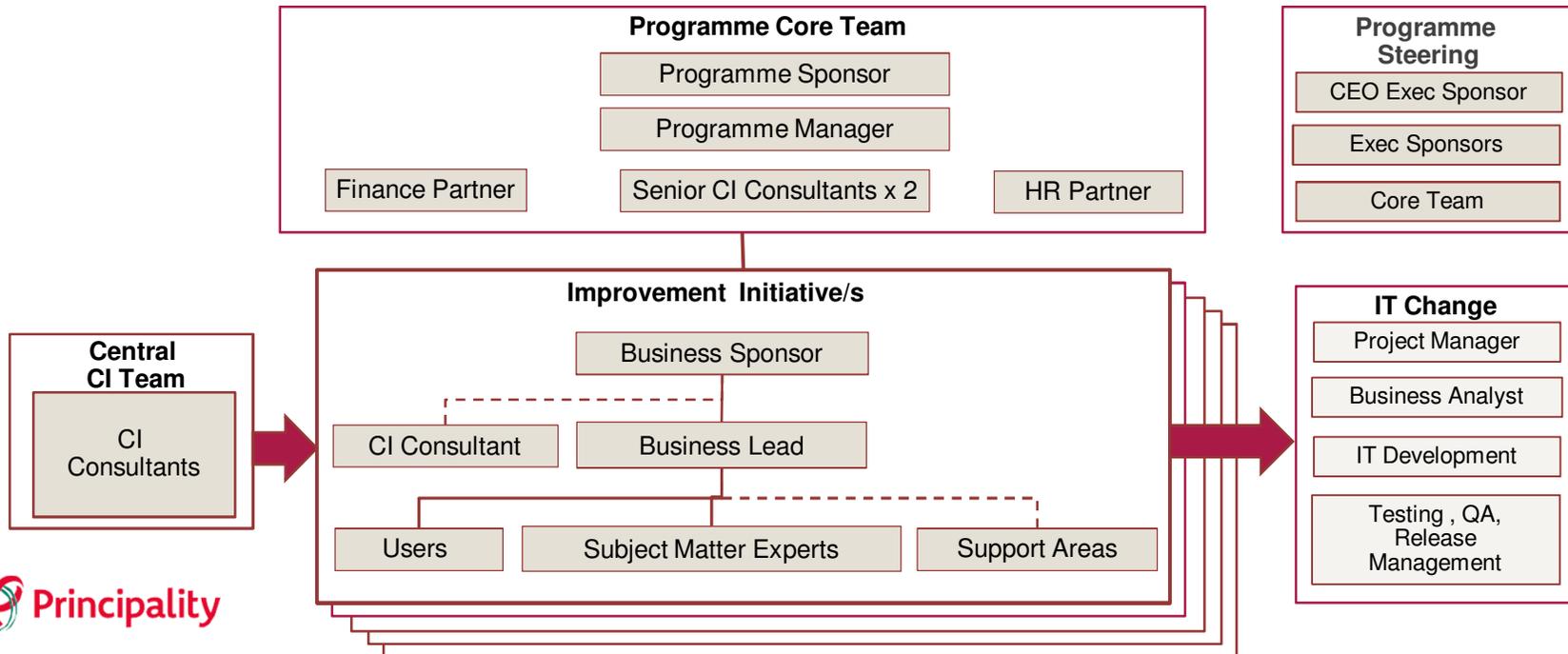
- Alignment of CI to strategy
- Benefits of CI approach
- Key considerations for the Exec Sponsor

CI capability built to “do with”, not “do to”

The **programme core team** facilitate the identification, shaping, delivery and embedding of CI initiatives as well as building CI capability.

CI Sponsors, Business Leads and teams are set up to shape and deliver each initiative.

CI Consultants are allocated to each initiative to facilitate the CI approach and build CI capability in the team.



CI method defined and applied to fit our need

There are a number of approaches used in the industry to deliver continuous improvement



We have defined an optimum approach to suit the needs of the Principality that predominantly utilises:

Systems Thinking

Lean

Six Sigma

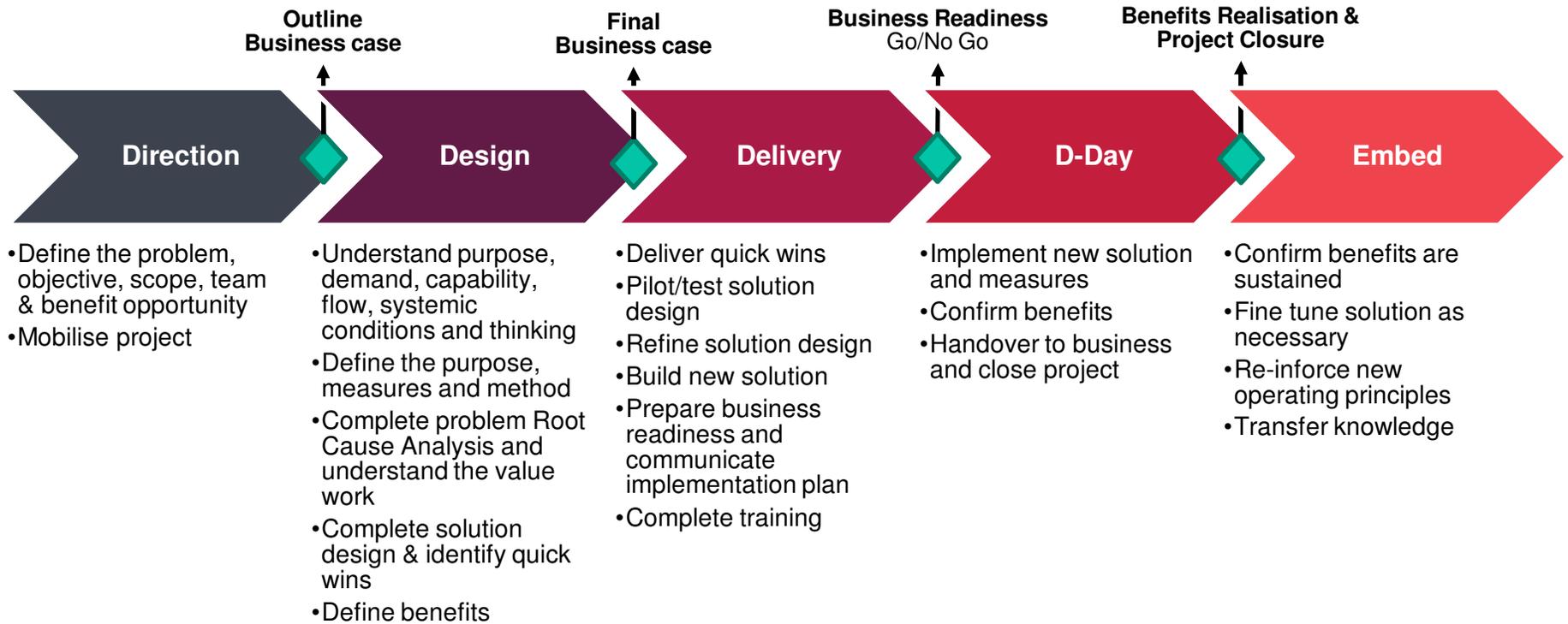
Service Excellence:

To improve the end to end customer experience, make it easier for colleagues to carry out their roles and create the capacity to absorb growth.

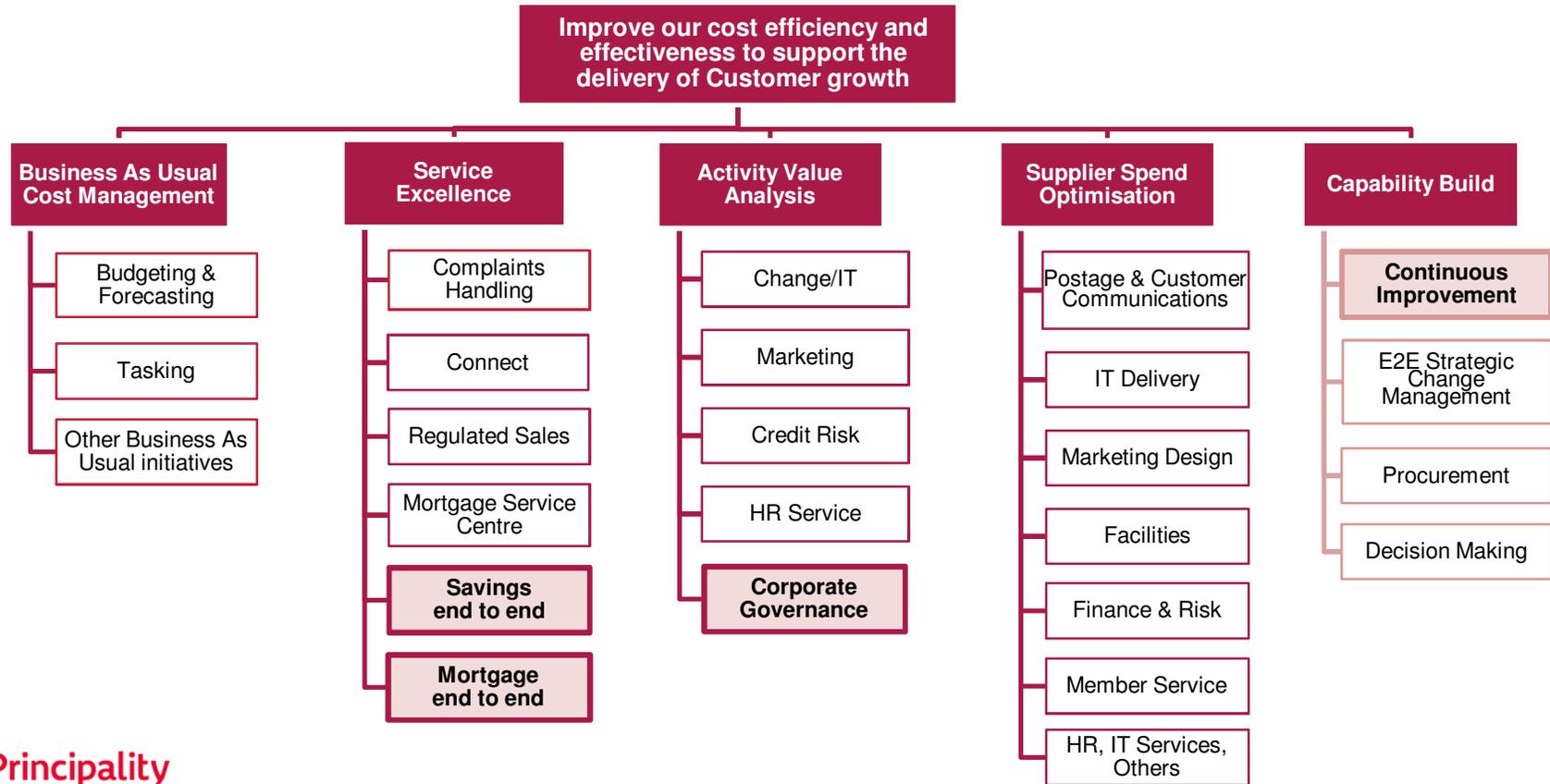
Activity Value Analysis:

To help support functions to identify and deliver opportunities to improve their service to internal customers and create capacity for growth.

CI method aligned to Principality Change Management approach



CI initiatives shaped and delivered, aligned to strategic priority



Examples of Benefits delivered for Customers, Colleagues, Financials and Risk

Mortgage speed to offer reduced by 20%

Capacity to process Mortgage applications increased by 40%

Capacity to deliver Strategic Change increased by 35%

Complaints resolved within 21 days improved from 18% to 92%

Mortgage telephony NPS improved to over 90%

Capacity to complete Mortgage switching increased by 30%

IT defects reduced from releases into live

Complaints handling errors reduced

Broker registration effort reduced by 50%

Time to process a Mortgage switch reduced by 60%

HR Service and Admin effort reduced by 30%

£3.3m of annual run rate Cost Benefit delivered for £1.3m investment

Feedback from Mortgage team

Shaun Middleton our HO Regulated & Intermediary Sales and Sponsor of Mortgage Service Excellence talks through:

- The difference with the Service Excellence approach
- Mortgage benefits aligned to strategy and Mid Term Plan

Feedback from Mortgage team

Nathan Hughes a Mortgage Consultant talks through:

- Feedback from customers
- Impact on himself and his colleagues

How could you apply
CI in your Society ?

The top 10 reasons why CI deployments fail

Reasons for failure
1. Lack of a clear executive vision
2. Lack of an effective communication strategy
3. Failure to create and communicate a real sense of urgency
4. Poor consultation with stakeholders
5. Lack of structure methodology and project management
6. Failure to monitor and evaluate the outcome
7. Failure to mobilise change champions
8. Failure to engage employees
9. Absence of a dedicated and fully resourced implementation team
10. Lack of sympathetic and supportive Human Resources policies

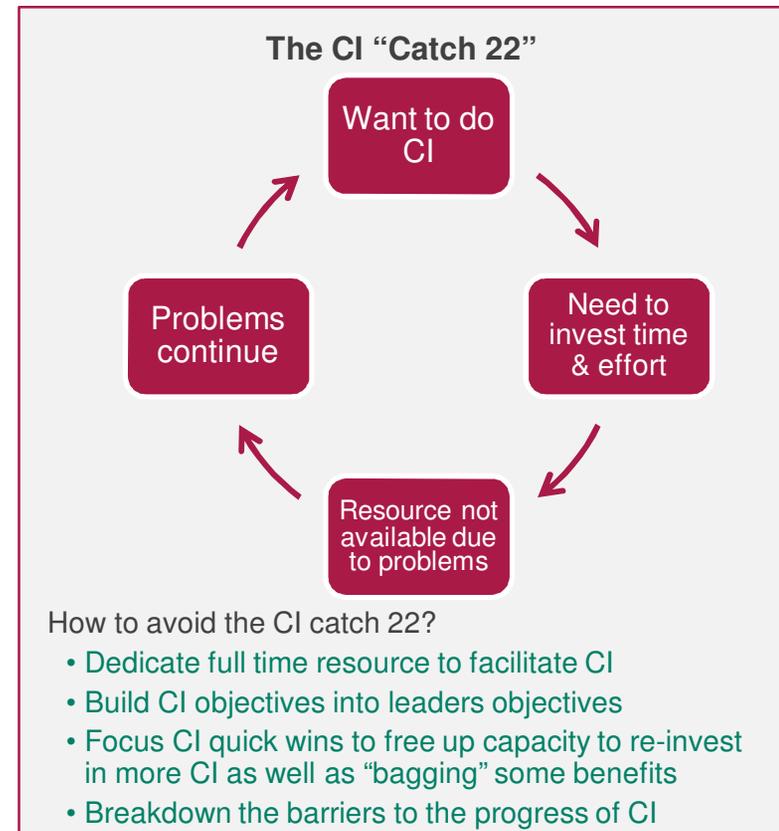
Things for you to consider if you want to deploy CI

If you can answer the following questions positively, then you stand a good chance of deploying CI successfully:

- 1) Do you have a “Burning platform” for CI ?
- 2) Is there alignment of CI to your strategy ?
- 3) Do you have CEO and Executive team buy in ?
- 4) Do you have access to CI Specialists with a track record of successful CI deployment?
- 5) Are you willing to invest the significant effort that is required to deploy CI successfully ? (Avoid the CI “Catch 22”)
- 6) Do you have the appetite to challenge and overcome the traditional ways of doing things ?
- 7) Are you willing to commit your organisation to CI over the long term ?

Successful deployment of CI will deliver breakthrough improvements for your Customers and your Colleagues, resulting in significant Financial and Risk benefits and long term Cultural change.

Good Luck!



Feedback from Savings Leaders

Michelle Wade our HO Retail & Agencies and Sponsor of Savings Service Excellence talks through:

- Mobilisation of Savings Service Excellence
- Benefits aligned to Strategy and Mid Term Plan

Feedback from Savings Leaders

Alun Parker our Savings Service Excellence Business Lead talks through:

- Approach to Savings Service Excellence
- Focus on Savings Customers

Thank you
for your time

Dean Williams
HO CI & Operations Change

D 029 2077 3508

M 07411 299480

Dean.williams@principality.co.uk

 @principalityBS

 Prinsipality Building Society