BlueNotes

Designing the future

Target Operating or Business Models seem to be all the rage with organisations undergoing major change such as a business integration. However, although the terminology of TOMS or TBMs is becoming more common, this is not accompanied with any real understanding of what they are and how they should be produced. From Blue-Plate's experience of developing TOMS we offer the following top ten tips:

1. Understand at the outset the strategic and business driver for the change that is driving the TOM.

2. Understand the value that the organisation wants to deliver to its customers.

3. Identify the customer lifecycle and the interactions with them.

4. Produce the TOM in two stages; the logical architecture before delving into the detail of the physical delivery processes.

5. Think process not functions or structures.

6. Identify the distinctive skills and competencies required to deliver value to customers.

7. Model the whole business not just particular functions.

8. The development process must be inclusive and participative, involving end customers and intermediaries

9. Time is of the essence in managing expectations; have major milestones no longer than three months.

10. Produce a gap analysis explaining how life will be different between the current and future TOM.

For more top tips give us a call.

Special points of interest:

- Top tips for a shared service centre
- Sell your project with a business case
- Don't confuse your KPIs with PIs and KRIs
- Don't be terrorised by accountants
- New uses for the mobile phone
- What do you do well?

Stakeholder management takes time!

Project managers often underestimate and undervalue the time taken to manage stakeholders. Underestimating is often due to not making a conscious effort to identify who all the stakeholders are and the communication effort required. Undervaluing can be due to not understanding the potential positive or negative impact of stakeholders, as well as the value to the project of effective, timely and pertinent stakeholder communications. Stakeholder management takes not only time, but may also need a dedicated competent resource to manage the various communication media that are now used in addition to face to face meetings. **Stakeholders are people too, so don't ignore them!**

Shared Services Centres

Shared Service Centres (SSC) are too big a topic to discuss fully in a newsletter, but we thought we would share with you some of the issues that must be addressed at the outset when establishing or reviewing the performance of a SSC:

- A SSC can become remote from its customers, not understanding their business issues because of a focus on trying to fit customers into standard processes.

- Becoming too customer reactive and not knowing when to say "no"

due to inadequate attention to account management and business analysis skills.

- Determining what gets moved to a SSC and what is retained within the business.

- Ensuring that the customer understands their own accountabilities which are clearly reflected and understood in a service level agreement.

- Developing organisation structures

for efficient resource management. Large enough teams for resilience and sharing of resources.

- Managing service delivery against the contract, so as not to over-deliver.

A Shared Service Centre should not be too remote from its customers!

Business Cases a marketing tool!

Programme Directors know that a business case must be done, but are often fearful of the financial modeling that goes with it. In so doing, they overlook the role of a business case as a principal tool of programme control and its use in internal marketing. A properly structured business case provides a compelling narrative of the reasons why investment in a particular initiative is required and why doing nothing is not an option if the strategic objectives and financial and non-

financial benefits are to be delivered. A well structured business case provides a focal point for rational and clear thinking and should aim to:

- Obtain management commitment and approval for the investment in business change.

- Provide a framework for informed decision making.

- Assess the shortlisted options.

"A business case is a principal tool of programme control and internal marketing"

- Agree affordability and the approach to delivery.

- Commit funding and agree the procurement process for the preferred option.

An appetite for risk

Risks are all around us, but what enables individuals and organisations to operate successfully in a sea of risks is not only how sophisticated they are in identifying them, but also the strategies adopted to either mitigate, avoid or transfer risk and how to manage the residual risk. One of the first questions to ask, however, when implementing a risk

Don't try this without insurance, permission from your mother and a safety net .

management strategy is "what is your risk appetite?" That is how much risk you are prepared to accept. A risk appetite that is too risk averse may be unaffordable in terms of compliance costs and opportunities foregone. But how do you express a risk appetite? This will of course depend upon the organisation and the circumstances, so the only clue we can offer

is that this can be done in terms of material impacts to reputation and financial loss and the maintenance of a scorecard within predetermined limits of key financial, operational and strategic objectives. For example return on capital of between 12-14%, a credit rating of A to AA-, market share of 15%-17%. We have expertise in this area, so call us to discuss with regard to the particulars of your organisation.

Get the measure of KPIs

We increasingly live in a world controlled by key performance indicators (KPIs) and their very ubiquity from NHS waiting lists to process error rates, lulls us into believing that we know what a KPI is, that they are a good thing and, therefore, the more the merrier. KPIs are *"those measures for which the combination of impact and influence delivers the greatest value"* The whole set of KPIs should provide the focus for what is critical to the current and future success of the organisation. True KPIs may be monitored and acted upon daily or more frequently, for example response rates to marketing campaigns, late plane departures, major transaction loss ratios. There must also be clear accountability for a KPI with a particular team or individual. The proliferation of so called "KPIs" is often due to confusion between a true KPI and other measures such as Performance Indicators (PIs), that indicate to managers what needs to be done to manage and enable performance, but are not in themselves critical to the business. The measures that are most commonly confused with KPIs are the Key Results Indicators (KRIs) that are reported monthly to the Board. These will include the measures of financial results, such as profits, return on capital and survey results of employee and customer satisfaction rates. They may indicate the direction you are going but not what to do to maintain or alter course, because of the ambiguity of what is driving the results.

A cholesterol count is of interest while heart rate monitoring may be critical.

Account Code terrorism

Account codes are what accountants use to bring order and structure to the world around them. The theory is that an account code structure enables transactions to be delicately placed in precisely the right classification bucket for financial and management reporting and to respond to ad-hoc queries such as how much did the Department spend last year on management consultants? As the onus on data entry is increasingly distributed around an organisation, account codes are also used to terrorise unsuspecting employees into using the correct codes. However, what happens in practice is that systems are undermined by the use of any code that is acceptable by the system, not necessarily the right codes.

In devising account code structures, accountants must recognise that this is only one aspect of a financial and management information system and they must work with system and management information experts to fully utilise the whole set of management information tools and technology, in order properly devise workable account code structures.

> "systems are undermined by the use of any code that is acceptable by the system, not necessarily the right codes"

The Hunt for Best Practice

Blue-Plate has recently been involved in finding and documenting "best practice" processes within an international financial services organisation. The initial challenge was to determine what best practice means and to evaluate it? One of the findings that, perhaps not surprisingly emerged, was that

Collecting bright ideas is not always easy.

the most insightful arbiters of best practice were those managers who were relatively recent arrivals to the group and had sufficient experience to be able to compare and contrast the group's processes with other similar organisations. Without the benefit of this benchmarking experience or participation in a more formal benchmarking club, long standing managers had no real objective understanding of process performance in comparison with their competitors. They recognised poor performance, but their isolation from competitors resulted in reliance upon the traditional ways of doing things within the group, rather than being challenged to change by competitor insights.

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● The financial management specialists

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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Chip and SPIN

If you are tired of hearing the apocryphal story of NASA scientists spending millions of dollars on developing a pen that would work in the zero gravity environment of space, only to be outsmarted by the Russians who used a pencil, then read on for an almost similar but true fact, honest.

The introduction of chip and PIN technology to combat credit card fraud has been hailed as the reason for an overall annual reduction from £439.4m to £428m in 2006; a reduction of less than 3%. According to APACS, the investment in the chip and PIN roll-out has amounted to £1.1 billion. Although chip and PIN is a great leap forward, it has not prevented cardholder-not- present fraud through purchases over the internet, mail or phone which have increased by 16% to £212.6m. Overall UK fraud has reduced by 13%

while fraud abroad has increased by 43%, which include withdrawals from overseas ATMs using cloned cards.

The overall fraud reduction is to be welcomed, but in Hungary and Russia they have recently taken a different approach to combating credit card fraud. When customers conduct credit card transactions, they receive a text confirmation on their mobile phones, with details of the transaction such as amount, time and merchant. The cardholder can ignore the text or contact the bank immediately if there is a problem. The system, using the current technology infrastructure is of course very cheap. The surprising fact is, that there has been a reported 93% reduction in fraud. Compare that with the 3% reduction due to chip and PIN. To be fair, the chip and PIN technology has been in use in mainland Europe for many

years and was no doubt developed at a time when mobile phone technology, infrastructure and penetration rates were much lower than they are today. However, it is encouraging to the see the benefit of innovation, not through new technology but through smart thinking and new uses for existing technology.

What next for the mobile phone?