|  |
| --- |
| Business Proposal Template Sample |
| Proposal for Operations Transformation at Westpac  |
|  |
| March 26, 2009 |
|  |
| To: Ms. Gail Kelly, CEO and Managing Director, Westpac Bank |
| Mr. Peter Clare, Group Executive, Products and Operations |
| From: \_\_\_\_\_\_\_\_\_\_, Principal, Asia-Pacific & Australia, and Verint Systems |
| Date: March 26, 2009 |
| Re: Operations Transformation at Westpac |

We are very pleased with the opportunity to deepen our partnership with Westpac and believe our proposal provides the most comprehensive approach for Westpac to execute its strategy successfully. This initiative is critical for Westpac to differentiate its service delivery model in the midst of an industry shift towards growing customer share. Westpac lags behind its key competitors and the risk of further customer attrition will result in a systemic deterioration of profitability.

Westpac and Verint have formed a shared perspective on the importance of operational improvements to the bank’s overall transformation. Our diagnostic work earlier this year suggests that a successful transformation program can free up at least 2,000 personnel for frontline sales roles over the next 12-24 months. Assuming current levels of Westpac sales productivity, migration of 2,000 personnel to the frontline could add $156 million in annual revenues.

As important, a successful redesign of existing operating processes will allow the bank to substantially improve turnaround times for customers and free up time consuming tasks carried out by frontline staff. We therefore view operations transformation not simply as gaining efficiencies in back office processes, but as a strategic catalyst to lower cost, reduce frontline work, improve customer service, and increase the bank’s capabilities as if offers more complex products and services to market. As such, operations transformation is an integral part of Westpac’s customer centric strategy that must be executed in full alignment with the bank’s new strategic direction.

This proposal outlines an operations centralization program that seeks to quickly add to the bank’s bottom line performance and is organized as follows:

* Executive Summary
* Expected Benefits to Westpac
* Project Focus
* Key Success Factors
* Proposed Approach and Deliverables
* Our Qualifications
* Professional Fees

We recognize the importance of this transformation project to Westpac and the interdependencies in successfully delivering in a timely manner. Westpac is demonstrating leadership by recognizing that it is time to enhance its branch channel, and implement new improvements to enable its line leaders to better meet the needs of customers.

**EXECUTIVE SUMMARY**

The fundamental issue that has plagued the performance of retail branches at Westpac is the significant amount of time spent by staff on low-value administrative activities that deliver little value to the customer. The current branch environment is prohibiting Westpac from achieving its new customer-centric vision of providing fast, convenient and reliable service to customers across all delivery channels.

Our proposal will allow Westpac to transform its retail branches into a high-value, efficient customer channel while gaining economies of scale through centralization of low value activities.

The following describes the key aspects of our proposal:

* **Operations excellence is about accelerating performance**. Operations centralization will help double profits by within 2 years by releasing staff for sales, improving customer service, and reducing time-consuming errors.
* **Focus on four areas to improve operations**. The project will focus on 1) centralizing non-customer-facing activities to capture scale, 2) redesigning key transaction and credit processes to improve efficiency, 3) migrating customers to self-service channels to improve profitability, and 4) realigning teller staffing levels to improve service levels while driving down staff costs. Together, these changes will free up at least 2,000 branch-based staff.
* **Building ‘hard’ and ‘soft’ factors required for success**. Our experience shows that successful centralization must balance ‘hard’ and ‘soft’ factors. We will employ lean techniques used by leading manufacturers to redesign processes with a strong focus on quick wins to add profits and confidence for change. In parallel, we will focus on the ‘soft’ factors such as upgrading skills and changing mindsets by setting up an “Operations Academy” to train individuals on lean techniques and a new performance management system.
* **Centralization will be substantially completed in 12 months**. While the entire program will take up to 1.5 years, they key components will be executed through 6 centralization modules in the first 12 months.
* **Verint will provide ongoing project management support as part of the transformation project**. As part of our operations work, we will 1) develop a new branch format that can be executed as space is freed up in branches from centralization, 2) develop an overall cost reduction program for the bank to address issues of excess space and underutilized assets, and 3) continue to oversee implementation of strategic initiatives launches.

Verint is uniquely qualified to support Westpac’s centralization. We bring a track record of success with similar transformation programs in Australia, a deep understanding of Westpac’s organization and strategy, unique centralization and transformation tools, and the ability to combine expertise across strategy, lean operations, and technology.

**EXPECTED BENEFITS TO WESTPAC**

Verint has determined that Westpac today has more than 300 activities to support transaction processing and more than 150 tasks to support credit processing. Many of these activities are done manually in a decentralized fashion, and are designed around internal rather than customer requirements. A systematic redesign and centralization of these processes, with a clear view of how to improve customer service, will yield the following benefits:

**Releasing capacity to generate $156 million in new sales**. Increased sales capacity will come from to primary sources: 1) reducing the administrative burden on existing sales personnel, and 2) freeing up people in the operations and credit departments to be redeployed to frontline sales.

**Improving customer service**. Operations centralization must be implemented with the customer needs in mind and linked to customer segment strategies. The impact of the centralization is an enhanced customer experience as follows:

* *Reducing branch wait time* by migrating low value transactions to alternative channels, simplifying forms and steps (e.g., account opening), and creating a part-time teller program to align supply with demand.
* *Reducing turnaround time*. Turnaround time for key products (e.g. foreign remittances, loans, L/Cs) will decrease with more efficient processes. For example, SME customers have repeatedly stated that faster turnarounds at ANZ are one reason they bank at ANZ versus Westpac.

**Achieving higher quality and reducing errors**. Centralization and standardization will drive higher processing quality by increasing expertise and facilitating monitoring. This will result in reduced errors that will help avoid reprocessing mistakes. For example, a recent diagnostic of the FX process for Westpac indicated that the export L/C application processes suffers error rates as high as 55% due to incomplete information and missing documents.

**Creating long-term cost-effectiveness, scaleability, and flexibility**. As operations are redesigned and centralized, Westpac will capture economies of scale that will increase productivity and drive down costs. Centralized operations are more scaleable and demand surges are more easily absorbed in larger pool of people.

**Building a platform to integrate acquisitions**. Efficient centralized operations will allow easier and faster integration of new acquisitions by extending the existing operations platform to newly acquired branches. We have worked with banks in the region that have initiated operations transformation in advance of acquisitions to capture greater synergies by integrating faster and with less disruption. Such banks treat operations centralization as a “dress rehearsal” for acquisitions.

**PROJECT FOCUS**

To achieve the expected benefits, we have developed an operations transformation program that focuses on four key areas:

1. **Centralize non customer-facing activities**. We will create consolidated regional and /or national processing centers as ‘factories’ for non-customer facing back office processes (e.g. check processing), including expanding the inbound call center. This allows branches to focus on servicing customers and driving sales. Although Westpac has centralized some of its operations, there are still many non-customer facing processes in the branches. At Westpac, only about 25 percent of total branch activities are related to direct customer servicing. Best practices are that 60 percent of branch activity should be directly customer facing.
2. **Redesign processes for effectiveness and efficiency**. Both back and front office processes will be redesigned to eliminated inefficiency and redundancy. This improves customer service and enhances productivity by reducing the time tellers, sales staff, and operations staff require for each transaction while also reducing turnaround time for key products (e.g. time required from loan application to approval and then disbursement).
3. **Migrate customers to self-service channels**. Reduce demand on tellers through migration of low-value customer transactions to more efficient and easier self-service channels (e.g., call center, ATMs, internet banking). This reduces front-line demand on tellers and improves customer service by reducing wait times
4. **Realign teller staffing**. Better alignment of teller capacity with customer demand to match peaks in branch volume (both across the month and within one day). Our diagnostic indicated that few branch managers are optimizing the complex queuing models required to do this effectively.

**KEY SUCCESS FACTORS**

Our experience with large-scale banking operations transformations suggests that a number of factors are required to deliver change in performance. The ‘hard’ elements, such as technical redesign approach, are not enough and must be combined with ‘soft’ elements, such as staff mindset change. If these elements are not present or integrated, the impact will take longer to achieve and will fall significantly short of maximum potential. Take together, these ‘hard’ and ‘soft’ elements will be mutually reinforcing and comprise a unique ‘Westpac Way’ to achieve operational excellence.

These success factors can be grouped into three categories: centralization, methodology, organizational change, and tactical execution.

*1) Centralization and transformation methodology*

**Employ a ‘Lean Manufacturing’ toolbox for process centralization and redesign**. Our overall methodology is to apply to banking processes the ‘Lean Manufacturing’ principles that have primarily been developed for the manufacturing industry. These principles were pioneered and perfected by Toyota and helped them become the world’s most profitable automaker with a higher market capitalization than GM, Ford, and Chrysler combined. We have adopted and implemented these principles for speeding up processes, reducing waste, and improving quality in banking and have seen productivity increases of at least 20 percent and turnaround time reduction of 50 percent or more, all with higher quality levels. ‘Lean Manufacturing’ techniques have proven to be far more impactful than traditional core process redesign programs pursued by many banks.

**Redesign and centralize based on a customer end-to-end perspective**. Best practice centralization and redesigns unlock significant value by focusing on how the customer perceives the process and eliminating all steps that do not add value. In addition, significant value is often unlocked at the intersection between business units (e.g. between credit underwriting and credit processing). Adopting a customer end-to-end perspective ensures that these improvements are targeted at key customer experience drivers.

**Leverage existing IT infrastructure to rapidly centralize**. Based on our initial diagnosis of the IT capabilities at Westpac, the current IT platform is able to support the centralization efforts. Advantages of the current Westpac IT platform include a single mainframe system with an integrated customer information file, scalable hardware, and open architecture for front-end applications. As a large-scale IT transformation can typically take 2-3 years and significant costs to execute successfully, it is important that Westpac can capture the benefits from operations centralization and process redesign without being contingent on IT platform upgrade.

*2) Organizational change*

**Build capabilities through a rigorous “Westpac Academy.”** To create real expertise in the redesign techniques, we would establish a “Westpac Academy” that would integrate regular classroom learning, on-the-job learning modules and, one-on-one coaching from Verint experts. We would leverage over 20 existing “learning modules” and many simulations to ensure that these new operations techniques are deeply embedded across functions.

**Align mindsets and behaviors to the new operating model**. Inherent in operations centralization is a fundamental change in thinking required to achieve operational excellence. This includes a mindset shift towards a customer-centric perspective, accountability for individual results, a high-performance attitude, and a truly end-to-end perspective that cuts across operational silos. To align the current mindsets to those required in the new operating model, we would create role models of the new mindset, foster conviction in the change through top management communications, and create reinforcing performance management systems.

*3) Tactical Execution*

**Prioritize processes to ensure a pragmatic, focused approach**. While there are over 450 individual processes at Westpac, our experience is that there are 8 to 10 end-to-end processes that really drive both the customer experience and utilize significant staffing. Therefore, our redesign would focus and prioritize on these processes to ensure significant impact while minimizing the total time required for the centralization and transformation. This allows us to generate a greater number of early quick wins.

**Capture quick wins to generate early impact and organizational buy-in**. Transformation programs often deliver benefits only at the end of an unnecessarily long painful process. Our experience in banking operations transformations suggest that capturing quick wins early in the transformation is extremely important to energize and motivate the organization, while also delivering early value that is visible to customers, staff, and shareholders. We have identified quick-wins at Westpac during the diagnostic phase, which rapidly create capacity opportunities of 350-500 FTEs with significant improvement in customer service.

**PROPOSED APPROACH AND DELIVERABLES**

Our experience with similar banking operations transformation suggests that this can be executed within an 18-month period. This proposal covers the first 12 months of the journey, assuming that Westpac will be able to carry most of the program after the first year. The three key principles that govern the blueprint for the program are to ensure early impact in the program, make a substantial people investment that will help drive organization mindset change, and ensure we are building the sustainability of the program. By applying these principles, we have prioritized the program into three key modules of improvement initiatives to Westpac based on relative financial impact of each module and the ease and potential risk of implementation.

*Proposed approach:*

**Module 0: Program launch (~4 weeks)**

* Develop detailed master project plan
* Establish resource plan and select project team members
* Build communications plan
* Design approach for branch inventory exercise
* Select pilot branches

**Module 1: Branch front-office excellence (~6 months)**

* Launch branch inventory team to collect branch data
* Build ‘as-is’ baseline branch capacity planning model
* Redesign branch processes and determine processes for centralization
* Enhance functionality for self-service channels
* Develop optimal branch scheduling based on customer demand patterns
* Pilot and refine improvements in select branches
* Develop rollout plan for network-wide implementation

**Module 2: Back-office and credit process excellence (~6 months)**

* Launch back-office inventory team to collect operations data
* Build ‘as-is’ baseline operations capacity planning model
* Redesign credit and operations processes with ‘lean’ methodology
* Design and establish national and regional operations hubs to support branches

**Module 3: Transformation program support (on-going)**

* PMO oversight support for transformation initiative
* Budget review and support
* Communications for all key stakeholders
* Monitor progress
* Advise on change management approach

*Project deliverables*

The deliverables from the operations transformation linked to each of the above modules would include:

* Operations transformation blueprint
* Operations centralization redesign manual
* Branch inventory
* Functioning call centre design
* Rigorous branch staffing system
* Implemented migration steps
* New process redesigns for centralized credit processes
* New process implemented for centralized payments and check processing
* New process maps for account opening and branch accounting
* New branch formats and national rollout plan
* Ongoing transformation program support

**OUR QUALIFICATIONS**

Our unique approach meets a critical need for Westpac on this important initiative based on our extensive global experience in operations transformation and our deep understanding and knowledge of Westpac.

Our experience with other financial institutions in Australia suggests that this journey requires a unique blend of competencies from both Westpac and Verint. We believe that Verint is best positioned to help Westpac quickly and effectively implement for the following reasons:

**Deep understanding of Westpac**. For the past seven years, we have had a successful business relationship with Westpac. We understand your organization, your culture and how to successfully work with you

**Deep understanding of banking operations transformation**. We have a deep understanding of the banking industry with competence with all aspects of operations transformation. We have successfully completed over 200 banking engagements worldwide since 1991. We have over 75 consultants with deep expertise serving financial institutions.

**Unique operations centralization and transformation tools**. We have conducted 25 operations transformation projects for banks around the world since 1996. We have developed a unique approach and toolkit that includes Lean and Six Sigma methodologies to banking and unique approaches to implementing organizational mindset changes.

**A track record for marking operations change successful in banking**, service firms, and other manufacturing firms.

**PROFESSIONAL FEES**

[Include pricing and other fees]

**OUR TEAM**

[Include bios of team members]