Financial Services

The meaning of 'One'

The value of a unified vision

February 2010

PRICEWATERHOUSECOOPERS

Contents

1. One – Executive Summary

The financial crisis has had a profound effect on financial services companies: the speed and intensity of market disruption and the resulting institutional failures has had a huge impact on the industry's strategic priorities. Thinking has rapidly shifted towards organic growth, operational efficiency, better risk management and focusing on core competencies.

Business models, too, are being revisited and revised. Institutions are considering the new demands of investors and customers, and the still-evolving responses of governments and regulators. Boards and CEOs are asking themselves where they want to be in the future, which businesses and markets they should focus on, and – critically – how they can achieve these objectives.

The 'One Company' model now emerging in the financial services industry is an important part of the answer to the last question. At its core, 'One' involves building alignment around a unifying vision, but it can mean different things to different organisations, and debate about its merits is intensifying as 'One' initiatives multiply across the industry.

There are still some general truths about 'One' programmes: these initiatives are launched in response to a variety of challenges including strategic, organisational and cultural problems, and the demands of external stakeholders. It is not about getting bigger, but doing things better. 'One' isn't just for multi-nationals – it is potentially valuable to any complex organisation, and can be combined with other major initiatives. It is typically defined in terms of strategic priorities such as customers, organisation, operations, branding or renewal.

The potential benefits include better revenue growth and cost control, and more effective risk, capital or talent management. As such, 'One' initiatives have the potential to generate highly positive reactions among investors, with advantageous short- and long-term effects for the company.

However, careful communication is vital to ensure that expectations are consistently met or exceeded. The key elements of success in this area are clearly-defined benefits, material and verifiable financial impact, clear presentation and an ongoing investment story. Some organisations do not require an explicit initiative, since they already operate as 'One'. Achieving a permanent transformation in the way an organisation works is often the ultimate goal of a 'One' programme.

Our key messages for companies considering a 'One' programme are:

- Think hard at the outset about what 'One' is intended to achieve, why you are launching it and what benefits you are targeting.
- Recognise in advance that it will take a lot of time, energy and commitment to plan and launch a 'One' initiative, build the necessary momentum and bring it to a successful conclusion.
- Remain flexible about the defining logic of 'One', and be prepared to alter implementation plans as the process advances.

- Keep the requirements of different stakeholder groups in mind at all stages of ‘One’ and ensure you are managing their expectations.
- Remember that good execution is critical to the success of ‘One’. The intelligent use of IT, the right staff incentives, accurate management reporting, and effective day-to-day processes are just a few of the relatively mundane factors that can separate success from failure.

There is no single, definitive ‘One’ initiative. Strategic change of this magnitude is highly complicated and every case must be judged on its own merits. Even so, this paper raises some important points which any organisation about to launch a ‘One’ programme – or already pursuing one – would do well to consider. Now more than ever, it is vital for financial institutions to think clearly about their business model, and how they can best organise themselves to make that model work and create value for shareholders.

2. One company, many meanings

'One' initiatives are undertaken for a variety of reasons, and can mean many things to many firms. The strategic priorities of 'One' can change, and it can be combined with other initiatives, in some cases becoming a permanent state of mind. 'One' can bring about a wide range of benefits, but clear measurement and prioritisation are critical from the start.

In this section we review what drivers can lead to a 'One' initiative being launched, what defines a 'One' initiative and the range of benefits that 'One' can deliver.

What are the drivers for a 'One' initiative?

The drivers of 'One' vary in response to a range of potential business challenges and opportunities. 'One' is not about getting bigger, but doing things better, taking an organisation to the next level and improving its market position. As a result the concept can be helpful for any organisation with varied markets or products.

'One Company' initiatives are usually launched in response to perceived problems; this typically means external threats, internal weaknesses or a combination of both. The major drivers for this type of strategic change can be grouped as follows:

1. Strategic re-positioning in response to competitive pressure or new opportunities

- Market restructuring – Mergers, acquisitions, alliances or restructuring by competitors; a market crisis or change in economic fundamentals; any environmental shift that calls for a strategic response.
- Competitive pressures – Customer dissatisfaction or tougher competition over pricing, products or service.
- Weak growth prospects – Absence of revenue growth avenues or an inability to move beyond local market positions; this can be a weakness even for organisations with strong market positions and solid profitability.

2. Organisational changes in response to internal inefficiencies

- Corporate structure – Geographically- or commercially-scattered market positions without unifying logic or oversight; weak central control resulting in a federal structure without sufficient co-ordination; silo thinking leading to ineffective decision-making.
- Operational underperformance – Weakness in product performance, distribution management or back office operations that amounts to a competitive disadvantage.
- Financial inefficiency – Sub-optimal management of risk, resources, capital, liquidity or taxation across an organisation.

3. External drivers

- Regulation and governance – Regulatory or governance risk arising from over-complex structures or weak central monitoring. This is an area in flux, as national government and regulators debate the need to balance the management of global systemic risk with the demands of effective local supervision. It will also be particularly important as the debate over financial institutions' need to prepare living wills unfolds in the coming months. Hurt by the experience of winding down Lehman Brothers a year ago, governments, regulators and central banks in both the US and the European Union have been pressing for a regime that would allow for the orderly wind-down of global financial institutions. This could lead large international banks to streamline their operations within more transparent legal structures.
- External perceptions – Seen by customers or investors as lacking a strong identity, having no clear focus, needing to demonstrate the value of a conglomerate structure, needing to improve creditworthiness or as being unable to compete with industry leaders.

4. Cultural factors

- Poor cultural alignment within the organisation; varied behaviours, no sense of belonging to the broader organisation; an absence of energy, innovation, collaboration or entrepreneurial flair.

The importance attached to particular drivers will depend on the views of senior managers and board members. As drivers multiply, the adoption of a cohesive strategic response becomes an increasingly compelling option. 'One' is not the right option for every financial services firm, but it can be potentially valuable to any organisation with a range of markets, businesses or customer groups.

What defines a 'One' initiative?

Most 'One' initiatives are defined in terms of strategic priorities. These often develop over time and can be combined with other strategic initiatives. Thorough planning and preparation are vital in every case.

With such a range of potential drivers, there is clearly no such thing as a standard 'One' initiative. Even so, every 'One' programme has certain common traits, and most are defined in terms of one or more strategic priorities. These are determined by the dominant drivers of change, or the organisation's culture and management style. The most common strategic priorities are:

- Customer focus – Improving innovation, time to market, customer experience or cross-selling;
- Technology focus – Leveraging IT expertise, systems resources and communication capabilities across the organisation;
- Operational focus – Removing duplication, achieving more efficient operations and leaner processes, and considering the appropriateness and value of shared services;

- Organisational focus – Delivering corporate simplification, clearer reporting lines, improved central control and optimising resources such as capital, liquidity and people;
- Cultural and branding focus – Overcoming cultural dissonance or internal barriers, forging a new culture or external identity; and
- Renewal focus – Reviewing strategy, structure or functions in response to the arrival of a new chief executive or senior management team.

In reality, most 'One' initiatives include all of the above to some extent, whether addressed in parallel or in sequence. Some programmes are launched with one focus but then evolve over time. Others remain fundamentally the same, but their presentation to external stakeholders changes. 'One' initiatives can also be combined with other corporate reorganisations, as in:

- the repositioning of a company to investors;
- a larger corporate reengineering;
- the execution of a new vision and strategy as articulated by a new CEO and his management team; or
- a response to a take-over threat;

Whatever the focus, certain key elements are common to all 'One' initiatives. The most important are a strategic vision, high level targets, detailed operational objectives, a communication programme and a project management framework. The need for capital, management oversight, staffing, IT development time and technological expertise means that the availability of these resources will also affect the nature of the programme.

Of course not every 'One' initiative is a success, and 'One' is not a panacea for bad decision-making or unforeseen external crises. Successful execution is key, and in the "Making 'One' Work" section we consider the six critical elements of the most successful 'One' programmes. In the last part of this section we now assess the observed benefits of 'One' initiatives, and their importance when scoping and planning a successful programme of strategic change.

What are the benefits of 'One' initiatives?

'One' initiatives can deliver a wide range of benefits, and have the potential to unlock considerable value for shareholders. Clear, rigorous and balanced measurement of benefits is crucial to effective assessment and planning. Permanent transformation – and its attendant benefits – is often the ultimate goal of 'One'.

'One' initiatives can help organisations develop a range of competitive advantages, depending on the specific drivers of change, the company's priorities and the availability of people, capital and other resources. The major benefits delivered by 'One' initiatives are summarised in the following table.

Revenue growth	• Gaining access to new markets and customers • Increasing client referrals between business units • Improving product bundling and transferring product between business units • Accelerating product development and roll-out • Strengthening pricing discipline across the organisation • Enhancing customer service and relationship management
Cost control	• De-duplicating administrative tasks • Achieving economies of scale • Standardising products and processes • Simplifying legal and corporate structures • Setting up regional or global IT and infrastructure platforms • Developing shared service centres
Organisational responsiveness and flexibility	• Strengthening central management and monitoring of all activities • Enhancing decision-making by improving management information • Speeding up the transfer of best practices • Improving the ability to respond to unexpected crises • Making the integration of acquired businesses more straightforward
Talent management	• Improving the impact of talent allocation • Harnessing ideas, innovation and expertise more effectively • Reinforcing best practices through co-ordinated training • Standardising review and reward systems across the company • Aligning staff objectives with group-level targets
Capital management	• Improving the efficiency of capital raising and return • Achieving more effective capital allocation and management • Strengthening working capital and liquidity management • Enhancing external perceptions of transparency and creditworthiness
Risk management	• Strengthening central control, oversight and accountability • Improving resilience in time of crisis, through greater simplicity and transparency • Allocating risk management responsibilities more clearly • Developing an enterprise-wide view of credit, market, country and other risks • Reducing operational risk by simplifying infrastructure
Branding and cultural factors	• Developing stronger, more unified branding • Aiding the recruitment and retention of customers and staff • Fostering a group-wide culture • Gaining the maximum leverage from marketing initiatives • Improving external perceptions of size, stability and permanence

Clearly, no single 'One' initiative ever delivers all of these benefits. Even so, the 'size of the prize' can be extremely significant. 'One' programmes announced in recent years have been or are expected to achieve benefits (targeted collaboration revenue and improved return on equity) and cost reduction targets (some programmes also identify improvement in cost/income ratios) in the hundreds of millions of dollars, pounds or euros.

Whichever benefits are identified as the goals of a 'One' initiative, measurement is a critical consideration. The ability to quantify anticipated benefits is central to effective scoping, management and communication. Customer value, efficiency gains and shareholder value are the most common benchmarks, typically broken down into a range of metrics. It is vital to combine clear measurement with a balanced approach. Excessive focus on one area – such as short-term shareholder value – can put inadequate emphasis on other important areas such as the customer experience.

'One' initiatives (for example, the "One Bank" initiative at Credit Suisse) often aspire to achieve a permanent transformation in how an organisation does business, generates new custom and sustains excellence. Some organisations embody the concept of 'One' – and reap the rewards – without setting up a dedicated change programme. Santander is an example of a company which has embedded 'One' into their culture and everyday working practices. Santander initiated a 'One' programme after its acquisition of Banesto. Fifteen years later, the group has not only weathered the financial crisis well, it has also created common systems and processes to improve efficiency, a key component of its strategy.

3. Market reactions to 'One'

'One' initiatives have the potential to generate highly positive reactions among investors, which in turn can have several advantageous effects for the company involved. However, a positive response from the markets is not a given. In this section we consider why an upbeat market reaction to a 'One' initiative is potentially valuable, and what factors typically result in a positive reception.

In summary, 'One' can deliver significant short- and long-term benefits, if successfully executed, but careful communication is vital to ensure expectations are consistently met or exceeded. The key elements of success are clearly defined benefits, material and verifiable financial impact, clear presentation and an ongoing investment story.

What are the potential benefits of market interest in 'One' initiatives?

In the short term 'One' can give shares a lift but this is vulnerable to any under-performance against targets. In the longer term, successful programmes can lead to a re-rating. Once earned, greater management credibility among investors is a valuable asset during troubled times or when making deals.

A 'One' initiative can deliver short term share price support

A well planned and carefully presented 'One' initiative can lead to an upward revision in analysts' estimates of a company's future earnings. This in turn can lead to an increase in their target share prices. Analysts may also recommend the stock to investment management clients as a short-term 'buy'. In either case, the likely result is an immediate uptick in share price.

Analysts may also go further and re-recommended the share as a medium term 'buy' or 'overweight' while the financial benefits of the initiative emerge. This can provide support for the company's share price over a period of months or even years, especially if over-delivery is anticipated:

- "[The CFO of a large international investment banking group] proposed that the ["One"] cost saving initiative was one year ahead of schedule... We believe these early gains are some of the more positive announcements at the event" Bear, Stearns International Limited – European Equity Research, 30th January 2007

On the downside, under-delivery of benefits can have a disproportionately negative effect. For a company announcing a 'One' initiative, clear but achievable targets are vital. Otherwise there is a risk that analysts will devise their own over-optimistic expectations:

- "Our analysis suggests that [this large European insurance group] offers significant cost cutting potential beyond its ["One"] program which was initially announced in 2007" HSBC Global Research, 23rd January 2009

Long term benefits are more valuable, but harder to win

In the longer term, a successfully executed ‘One’ initiative may lead to a company’s earnings being re-rated – in effect, being valued more highly. This usually means that the company is seen as having opened up a sustainable efficiency or growth advantage over its competitors.

- “In [this insurer’s] case, there is the potential for an improved long-term rating if management can deliver on their [“One”] initiatives.” Deutsche Bank Global Markets Research, 13th December 2008

In the financial sector, such a perception almost always reflects good management credibility in the eyes of investors. In the context of a ‘One’ initiative credibility may take a long time to build:

- “Should the [“One”] strategy be successful there could be a substantial re-rating of the [bank’s] share price. However, we regard this as a rather remote upside... [Another bank operating in a similar sector] needed more than five years before the results of their one-bank strategy became tangible.” Kepler Tether and Greenwood Merrion, 3rd August 2006

Once earned, credibility is extremely valuable. It makes analysts and investors more likely to rely on a company’s projections:

- “The management’s commitment to its goals and the determination with which the restructuring drive has been pursued to date, together with the bank’s strong brand name and expertise, make us confident that it will achieve this in the next two-to three years.” Metzler Equity Research, 19th February 2007

Credibility can also be a source of strategic advantage, especially during hard economic times or when the whole industry is under pressure. Investor belief that an organisation is good at integrating acquired businesses also provides implicit support for future deal-making.

- “Strong risk control, continuity of management and momentum in the [“One”] strategy being pursued by [this bank] does provide an opportunity, particularly when a number of its strongest competitors have been wounded” Societe Generale Cross Asset Research, 13th February 2008

What determines market reactions to ‘One’ initiatives?

Financial market reactions to ‘One’ initiatives typically depend on four factors. These are the operational benefits of the initiative; their financial value; clear presentation; and follow-up to the initial announcement.

Investors are most interested in operational benefits, particularly cost savings

Formal estimates of cost reductions are always seen by investors as the most credible benefits of a ‘One’ initiative. This reflects the history of financial services restructuring, which shows that cost savings are easier to deliver than revenue enhancements. As they can often be achieved relatively quickly, cost reductions are doubly attractive since they are typically the first benefits to deliver an earnings boost.

In contrast, revenue growth forecasts are usually treated with considerable scepticism on announcement. This is due to the lower perceived probability of success, and the relatively long timeframes over which revenue enhancements are typically delivered. This attitude shows in the way that analysts often discount revenue growth forecasts. One analyst summed up a large international investment banking group's "One" initiative thus:

- "We only account for 30% of announced revenue synergies ... we have given [the bank] full credit for announced cost savings" JP Morgan European Equity Research, 17th January 2006

Another reason for scepticism about revenue enhancement is that it is hard for external observers to separate one variety of revenue growth from another. Three years after the launch of the 'One' programme, for example, some analysts remained unconvinced by the visibility of revenue improvements:

- "Management put a lot of emphasis on the upside from its one-bank strategy, which allegedly added [substantial increases to] revenues in 2007... Unfortunately, we can't really track this from the outside" Kepler Tether and Greenwood Merrion, 13th February 2008

As discussed above, 'One' initiatives can give rise to longer-term strategic benefits. However these take time to emerge, depend largely on investor sentiment and are by their nature impossible to value objectively.

Benefits need to be quantified – and be material

However well argued they may be, the benefits of a 'One' initiative will only command market attention if they are quantified in financial terms. They also need to have a material impact on return, risk or growth. Announcements of 'One' programmes that do not meet these criteria will be ignored by the majority of researchers. Even 'One' initiatives which end up generating market interest have sometimes been launched to a cool reception:

- "The [insurer's] presentation was entirely qualitative and there wasn't too much for analysts and investors to get their teeth into, in our view." HSBC Global Research, 4th October 2007
- "Several months into the programme, the company has still not attempted to detail or quantify synergies, which might start to lead investors to think that the benefits may turn out to be relatively minor" Citigroup Smith Barney, 3rd August 2005

Clear presentation and supporting data are important

Even if the benefits of 'One' are credible and clearly quantified, communication can have a tangible impact on how they are received by the financial markets. Clear presentation is vital, preferably with financial benefits that are not obscured by a mass of operational data. Having said that, failing to explain how benefits will be achieved can generate scepticism. As a rule of thumb, investors prefer too much information to too little.

- "Like most of the figures provided during the Investor Day, the information was very high level with little granularity. Bear, Stearns International Limited – European Equity Research, 8th December 2005

- "It is not clear whether there is sufficient detail behind these numbers to give enough confidence to drive estimate upgrades" Citigroup, 7th December 2005

Following up initial announcements with an ongoing story is critical

A carefully crafted timeline is an essential element when communicating a 'One' initiative to the financial markets. Setting out clear milestones helps to avoid under-delivering against market expectations. Over-delivering against targets can yield a short-term boost in a company's share price, but trying to achieve a quick win for presentational purposes can be risky. It is better to be realistic than over-ambitious.

It is also vital to keep the long-term investment story in mind, to ensure investors do not see an abrupt end to the benefits of 'One'. If a company has achieved a positive re-rating from good execution of a 'One' initiative, these new expectations will need to be continuously met to avoid a subsequent de-rating:

- "We think that over the past three years [the bank's] management has delivered an exceptional turnaround... It leaves [them[the difficult task of presenting another new trick to the market for upgrades to be forthcoming." Fox-Pitt, Kelton Cochrane Caronia Waller, 12th November 2007

This may involve planning 'what comes next' to keep momentum behind investor sentiment once the original targets of a 'One' initiative have been achieved:

- "In addition to providing considerable additional information on their problem exposures, [the bank] also tried to look ahead and set some targets for 2010. This was in many ways a reiteration of the ["One"] strategy" Bear, Stearns International Limited – European Equity Research, 13th February 2008

Lastly, it is worth remembering that market sentiment can be fickle, and that a change in the competitive or economic environment may cause investors' views to shift rapidly. While few companies would want the tail of market sentiment to wag the dog of strategy, regular reviews of the way a 'One' initiative is communicated help to ensure that the anticipated benefits remain relevant to investors.

4. Making ‘One’ work

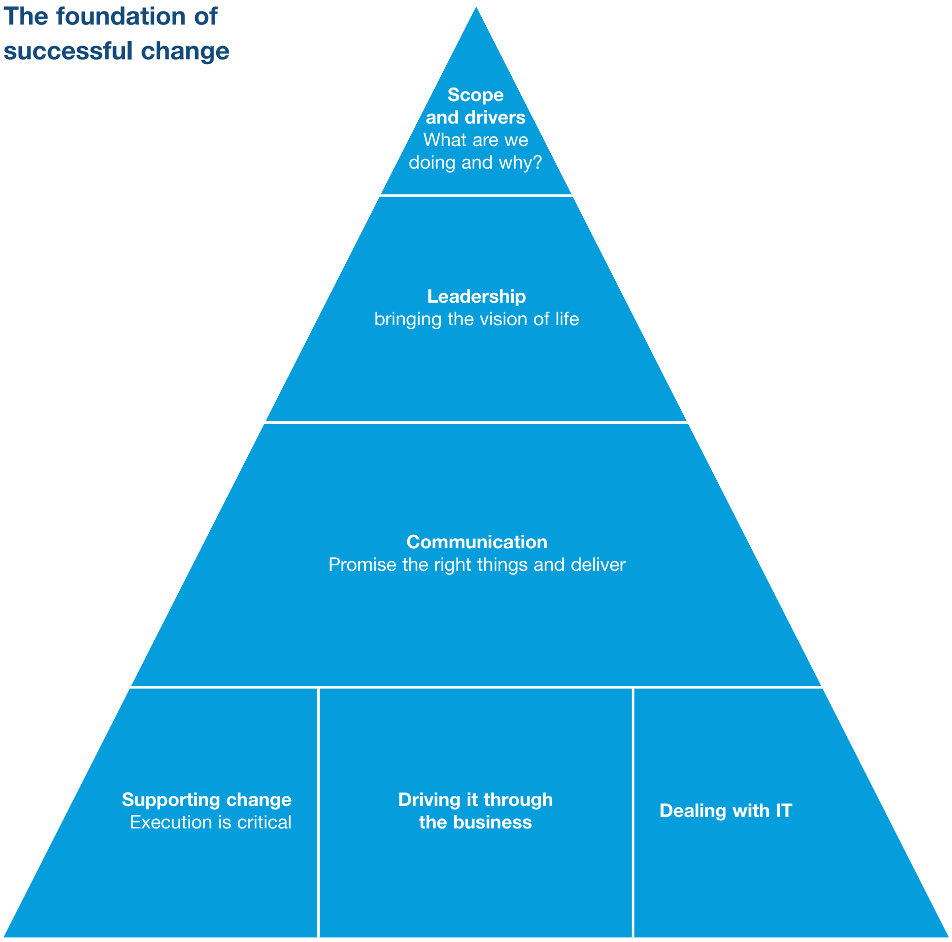
A ‘One’ initiative, like many other strategic programmes, is a transformational change for an organisation:

- It is complex. It requires multiple competencies and capabilities, and a shift in values and behaviours. There are many interdependencies. No one person has the ability to make change happen.
- It is profound. It overhauls structures, process, people and systems, and can cause disruption, discomfort and uncertainty to large parts of the organisation.
- It is post-modernist. The outcome is not necessarily known with clarity, and will evolve over time. Causes and effects are entwined, and there may be significant tension over what needs to be done.

In short, while the reasons for launching ‘One’ may be compelling, the reality of planning and executing such a transformational initiative presents serious challenges.

We have examined some recent initiatives from across the financial services industry in order to shed light on what makes ‘One’ work. In doing so, we have identified six common themes which are a feature of the most successful initiatives. Taken together, these themes represent a solid and coherent foundation for successful change, represented here in the form of a pyramid. Starting from the top, we now review each of these themes in detail and identify the key elements which help contribute to success.

The foundation of successful change



Scope and drivers: What are we doing, and why?

Effective scoping is an essential starting point for every successful 'One' initiative. Clarity of thought is vital, and the most effective scoping is led by an accurate assessment of benefits. Once established, the scope needs to be protected to keep the programme focused. Nonetheless, a degree of flexibility is very valuable.

Describing the scope of the initiative

Effective scoping is the vital first step of any 'One' initiative. To succeed, this needs to clearly identify the drivers of change, the desired end state and the steps to be taken – in other words, 'why', 'what' and 'how'.

As discussed in "One Company, Many Meanings" drivers of change may be internal or external, offensive or defensive, but it is critical to establish motivation at the outset. Change for the sake of change is unlikely to bring lasting benefits.

The second step is to ensure that the outcome of the initiative will address the drivers of change and fit in with other strategic goals. The third step is to clearly separate the ends of 'One' from the means, so that the moves required to achieve change are not confused with the desired end state.

A strategic initiative such as 'One' can be defined by what it excludes, not just what it includes. This aids clear thinking, strengthens communication and gives a sense of commitment. Just as importantly, it reduces the risk of over-reaching by attempting to do too much at once. Unclear scoping can cause 'One' to fall at the first fence and fail to achieve even its most important benefits.

The best scoping decisions reflect a sound assessment of benefits

Decisions about which programmes to include in 'One' are best taken with an eye to anticipated benefits. Programmes not obviously aligned with 'One' can still deliver significant benefits with the right support.

"Developing innovative products that can be sold across different regions" is part of the 'One' initiative of **Insurer A, a large European insurance group**. Product innovation is not dependent on a 'One' programme, but forms part of a coherent strategic vision.

Of all the anticipated benefits of a 'One' initiative, synergies require the most careful assessment. Benefits from closer integration may seem obvious on paper but are not always easy to realise in practice. In general, similar activities will generate the greatest synergies but it is best to assess every potential benefit on its own merits.

Bank A, a large international banking group, attempted a 'One' initiative but a lack of synergies between the retail and investment banks meant that the anticipated benefits were not found to be worthwhile.

It is important to assess what might be damaged by a poorly-scoped 'One' initiative. Local brand relationships, product expertise, tax advantages and regulatory know-how can all be put in jeopardy. Initiatives aimed at greater centralisation can also been seen as undermining flexibility and entrepreneurial initiative[1], with staff feeling that local autonomy and innovation are off-limits.

1 'Small is Beautiful', E.F. Schumacher, Blond & Briggs, 1973

However, none of these potential setbacks are inevitable. The loss of local characteristics can be a side-effect of some 'One' initiatives, but careful benefit-led scoping can help to minimise the downside risk.

Bank B, a large South-East Asian banking group, put the focus of its 'One' initiative on presenting a seamless offering of product areas. As part of the 'One' initiative, there was a message that the best jobs were those close to the customers, and branch managers were given greater ownership and responsibility for their branch.

A clear focus on benefits from the start also makes it much easier to measure and publicise progress as the programme moves forward.

Once established, the scope needs protecting

Any organisation will always have an array of things that someone would like to change. Without protection, a strategic initiative such as 'One' can end up giving shelter to programmes that have no real case for inclusion. In some cases, local managers cynically use the sponsorship, funding and high profile of a 'One' initiative to give their own pet projects a boost.

Once established, the scope of 'One' therefore needs to be protected by senior management. Taking care over what and what not to include helps to focus spending, management attention and other resources where they are most needed. Demonstrating commitment to the scope sometimes requires the cancellation of other non-essential programmes.

Flexibility helps initiatives to remain relevant and valuable

The strategic objectives of any organisation develop continually as its competitive and economic environment changes. Visions of 'One' are typically broad and some adjustments to scope in mid-programme are inevitable. A degree of flexibility is preferable to stubborn adherence to an outdated set of objectives. Ultimately, rigid scoping runs the risk of 'One' having to be abandoned, with consequent damage to management credibility inside and outside the organisation.

Leadership: Bringing the vision to life

Leadership, as distinct from management, is central to a successful 'One' initiative. A bold, coherent vision is important, but it is only valuable if it is shared throughout the organisation. Buy-in from all staff is essential. The best leaders do not just demand change, they embody it.

Vision and boldness are central to effective leadership

A coherent vision is essential to every successful 'One' initiative. Leaders who can set out a compelling and communicable vision find it far easier to win over stakeholder groups. A clear vision makes the objectives and targets of a 'One' programme real to management and staff. Without it, a co-ordinated transformation can easily become disaggregated into a range of unconnected projects.

The profound change which 'One' initiatives usually bring is rarely defined by incremental steps. Good management may be vital to making change work, but it is leadership which gives individuals and organisations the confidence to take a bold step into the unknown. In the words of David Lloyd-George, "You cannot cross a chasm in two steps".

Acceptance and buy-in make the vision valuable

Vision and boldness alone do not constitute successful leadership of a 'One' programme. If the initiative is to meet its targets, the vision needs to be understood – and more importantly, accepted – by the whole organisation. The first step is to achieve buy-in from the senior management team. A consultation process that allows senior managers to debate the drivers, goals and scope of 'One' is an effective way to build consensus. It also ensures that useful input is captured.

A hands-on CEO was a champion for **Bank B's** initiative, meeting staff and delivering the message.

The next goal is to develop a common understanding of the vision across the whole organisation. The concept of 'One' is open to many interpretations, and without an aligned vision it will mean different things to different people. It is hard to instil a sense of direction if staff and senior management do not share the same view of what 'One' is trying to achieve. Without a clearly communicated vision, middle managers will also resist any disruption to the existing order. It is therefore crucial for leaders to convince intermediate managers of the vision's value. This group will then act as champions of change throughout the organisation.

Insurer A's CEO went on a road show with the top leaders of the business in order to educate leaders about the initiative and create individual commitment and buy-in to it. A second round of the road show was run later in the initiative to re-energise leaders to deliver against the vision. This was considered to be key to the success of the programme.

The most effective leaders do not demand change, they 'live it'

For the most successful leaders, the goal is not simply to demand change but to embody it. Leaders who demonstrate the benefits of change themselves have the most success at keeping momentum behind 'One'. They are also more likely to permanently embed improved performance into their organisations. This does not just apply to senior management but also to leaders at every level.

Insurer A created a top executive team of 80 to deliver the initiative, with a mixture of old and new blood.

PricewaterhouseCoopers' chairman, Ian Powell, defines PricewaterhouseCoopers as one firm, "an extensively networked and highly sociable organisation that aims to bring the best of PricewaterhouseCoopers to their clients each and every time." According to his vision, "PricewaterhouseCoopers staff must all accept personal responsibility in driving the firm and demonstrating these values and behaviours – opting out is not acceptable. Put simply, this is how we define success. This is 'The PricewaterhouseCoopers experience'."

Lastly, effective leadership needs to come from the right direction. Even with head office support, leadership of 'One' by an individual business unit or function can result in a narrow or unbalanced approach. As an example, 'One' initiatives led by IT functions often place excessive focus on technology, at the expense of other important elements.

Communication: Promise the right things... and deliver

Effective communication is essential to a successful 'One' initiative, but it is often under-scoped. At face value, the relationship with investors is the most demanding. However, good communication with customers, staff and other stakeholders is also crucial if 'One' is to meet its objectives.

Investor communication is critical

External investors and the analyst community are key audiences for any strategic transformation by a public or listed company. As discussed in "Market Reactions to 'One'", a positive response from investors can have a range of benefits for the company involved. It follows that effective external communication is an essential element of successful 'One' initiatives – but securing a positive response depends on a variety of factors.

The most effective investor communication is two-way. An understanding of investors' priorities and expectations is valuable when shaping a 'One' initiative's scope and overarching vision. This requires an appreciation of how investors currently view the company – and its peers – in terms of risk, return and growth.

Communication with customers and other external stakeholders is also vital

Investors are not the only external group interested in 'One' initiatives. In the long-term, customers are arguably the most important stakeholders, although ratings agencies, debt holders and regulators are also interested in the consequences of a 'One' initiative. External communication must inform and reassure all these groups if 'One' is to achieve its goals.

This is a vital point because 'One' can easily be perceived as an internal process conceived solely for the benefit of shareholders. Without careful management, even a customer-centric initiative could be seen in this way.

Internal communication requires a different – but consistent – approach

Compared to external stakeholders, staff and management have very different expectations of a 'One' initiative. Where investors focus on financial matters, internal audiences are more interested in how change will affect their jobs, roles and responsibilities. The potential impact on a firm's culture will also be closely watched. An effective communication strategy understands these requirements and tailors its messages accordingly.

Internal and external communications will of course not be identical, but they must be compatible. Any inconsistencies or omissions will undermine both messages, and may leave one group of stakeholders feeling less valued than another.

One insurer created a strap-line to be used internally to communicate the new strategy and the improvements it would bring to management and staff. When this was then used for external communication, some analysts reported disappointment that the strap-line was not supported by detailed financial targets.

The most effective communication of 'One' understands that buy-in is needed from every stakeholder group, and that each group has its own requirements. Clarity is just as important to internal audiences as external ones, as is a detailed project plan with milestones to mark successes.

Supporting change: Execution is critical

Effectively executing the nuts and bolts of change is not exciting, but is a key differentiator of successful 'One' initiatives. It is not essential to have a large central programme, but support from the top is vital. Developing the right plan and the right metrics is challenging, but critical to success. Aligning the interests of staff with those of the initiative is central to winning hearts and minds.

Head office support is vital, but a large central programme is not

Putting in place effective mechanisms to monitor and manage the progress of change is fundamental to a successful 'One' initiative. The day-to-day management of change may seem mundane, but implementation is frequently a critical differentiator.

A large central programme office is not always the right answer. A more successful approach is often to maintain a thin central function and get the wider organisation involved by using 'business as usual' resources. It should be clear to internal and external stakeholders that a 'One' initiative is not solely about centralisation.

Robust support from head office is, however, essential. This helps to strike a balance between close monitoring and maintaining momentum. An effective move by some companies undertaking 'One' has been to create a new post at 'C-suite' or board level, "Chief Transformation Officer", to drive the process of change. This demonstrates high-level commitment to the programme, and encourages the most talented individuals to get involved.

A single, detailed and realistic action plan is critical

Having one unified plan for the whole initiative is crucial to providing direction for management and staff. The most effective plans translate vision and high level scope into detailed, actionable goals. Such a plan is also a useful tool for supporting external communications about milestones and achievements. Essential to success is the need to prioritise initiatives while recognising not everything can be achieved at once. As discussed in "Scope and drivers" above, existing change initiatives sometimes need to be abandoned to get the bigger picture right.

Bank C, a large international investment banking group, presented its 'One' initiative as a three-year programme. This gave analysts a framework to use and helped them to accept that – as planned – few tangible benefits would be achieved during the first year.

Choosing the right metrics is an important but delicate step

Deciding which metrics to use is a key element of successful change management. As discussed in "One Company, Many Meanings", identifying the right high-level metrics keeps a programme true to its goals and helps prevent a disproportionate focus on any one area.

Moving down a level, identifying the optimal operational metrics is just as important. Correctly selected and used, these will ensure that the targeted benefits are realised. Operational key performance indicators (KPIs) also support the higher-level strategic objectives and help to embed change in the organisation. Operational KPIs typically include metrics such as customer satisfaction scores, costs per transaction, call-centre answering times and the speed of front-office decision making.

Companies implementing 'One' initiatives have often found it harder than anticipated to set operational metrics. A key challenge is the truism that what gets measured gets done. Many 'One' initiatives have a degree of overlap between different components, and the resulting inter-dependencies can make programme management difficult.

Attitudes matter – hearts and minds are crucial

"One big concern about a short term success of the… strategy is the huge cultural difference between the private bank and the investment bank. In the past, the degree of understanding and sympathy for the other side has been fairly limited, pushed by the enormous ups and downs with enormous scandals that the investment bankers have produced in the past and that the private bankers had to pay for to keep the group alive."
Kepler | Teather and Greenwood Merrion, Nov 2006

Most staff do not instinctively understand how 'One' will affect their day-to-day activities. As discussed in the "Communication" section above, filling this information gap is an important step in winning over employees to the new vision. Communicating 'One' to staff is time consuming, especially if the key question 'what does 'One' mean for me' is to be answered accurately and positively. Nonetheless, it is central to breaking down the barriers of mistrust which can occur in large federal organisations.

Communication alone, however, does not guarantee active support of 'One'. Using employees' objectives and rewards to align their behaviour with the goals of the initiative is a major step towards successful change. Just as the organisation is held accountable by investors, so every member of staff from the CEO downwards should be held accountable for their own performance. Individuals' score cards should be balanced – like those of the company – to ensure objectives are met across the board, not just in one area.

Bank C adopted a "single global currency" to explicitly and directly reward referrals between different parts of the bank.

Insurer A cascaded strategic financial objectives to senior managers to reinforce individual and team accountability.

Dealing with IT: Don't put the cart before the horse

Technology is a key driver and enabler of many 'One' initiatives. Even so, 'One' is broader than a pure IT transformation. The most successful 'One' programmes take full advantage of what IT can offer but do not allow it to dominate the agenda.

Strategic transformation is broader than technology

Many 'One' initiatives specify an upgrading of IT performance as a key goal, so it is not surprising that programme implementation is often IT-led. The temptation is particularly strong if legacy systems are seen as an obstacle to closer integration. This often occurs in organisations which have grown through acquisition, or where IT has historically been managed locally.

Managing 'One' primarily as an IT programme does not only underplay the importance of other elements, it deprives the initiative of the broader support and resources it requires, and can cause confusion since IT is often both an enabler of change and an area targeted for improvement. Ownership of 'One' by senior managers outside the IT function helps to ensure that the required skills and experience are drawn from across the organisation.

Bank D, a large North American banking group, had been planning a transformational IT project. However it became clear that aligning and standardising processes would be far cheaper and would deliver better results in terms of cost reduction and business integration.

IT is not always central to 'One', but can usually make a valuable contribution

IT-led changes often reduce operating costs, but they do not always have a positive effect on the customer experience. If existing systems are on a solid footing, major changes to IT need not always be part of a successful 'One' initiative. Designing technological solutions before identifying changes to the business may be putting the cart before the horse.

Bank B's 'One' initiative focused on the customer experience. The fact that branches had noticeably different levels of customer satisfaction despite using the same IT platform showed that the greatest opportunities for improvement lay elsewhere.

On the other hand, technological innovation can enable a step change in process efficiency. Examining the options for technology alongside business objectives is often productive, and can yield benefits beyond "doing what we do, better".

Bank D analysed its business processes and identified opportunities for improvement before considering how technology could support these changes. However, these opportunities included an increase in straight through processing. Technology was central to this change, not merely enabling an incremental improvement in existing manual processes

Driving it through the business: Getting processes right

If the benefits of a 'One' initiative are to last, it is essential for an organisation's processes to support the overarching goals. Different techniques of process improvement can work well for different companies, and it is perfectly possible to combine several approaches. However changing processes is complicated and delicate, and the right support is essential to success.

Improving processes is central to effective execution

The idea that complex organisations can improve, streamline or reduce the scale of certain functions is central to many 'One' initiatives. When it comes to permanent change, the most successful 'One' initiatives re-engineer daily processes to support the core vision and deliver on promises of scale.

In large organisations, the greatest duplication typically occurs in support functions such as finance, operations, IT, risk management or procurement. Even so, it is worth remembering that some elements of front office activity can also offer scope for improvement.

There is more than one approach to process improvement

There are several approaches to process improvement as part of a ‘One’ initiative. At one level, processes can be harmonised. This encourages the adoption of best practices across an organisation and facilitates collaboration between different functions and business units.

Making processes more consistent does not have to start with group-wide change. Harmonising processes within a single function can yield benefits – and be quicker and easier to achieve – before attempting to work across higher silo boundaries.

Bank D analysed its processes for opening mortgage, savings and current accounts. These were being handled by separate functional areas, but there was substantial overlap between the processes. By harmonising these and having them run by a common functional area, substantial savings in manual processes and systems capacity were identified.

A more dramatic change is to consolidate functions around shared service centres or centres of excellence. This offers economies of scale in additional to the benefits of best practice and greater collaboration. However these two options do not have to be mutually exclusive.

Another approach to process improvement is to redesign organisational structures. In many companies, functions are designed around product types; re-organising them on the basis of activity can realise strong improvements in process harmonisation.

Bank B re-organised its structure from product-based divisions to a manufacturing versus distribution split to improve its process efficiency.

Process improvements themselves benefit from support too

Improving processes across a large financial organisation is a highly complex task. For a ‘One’ initiative to maintain focus on its goals during this phase, prioritisation is vital. Any projects relating to process improvement need to be assessed for the extent to which they support the execution of the overall programme.

Process improvement requires careful thought if the anticipated benefits are to be realised. For instance, even if staff are willing to refer opportunities to other parts of the organisation, they are unlikely to do so unless there are referral processes in place, examples to follow and sources of support and encouragement to draw on. It is not enough for people to believe in working as ‘One’; processes need to make it easy and natural for them to do so.

5. PricewaterhouseCoopers can help you do things better

We realise that there are some organisations who are just starting their 'One' initiative and there are those who are currently in implementation mode. Whatever route you take to deliver a One Company vision, we have seen that the desire to do things better in the business is a critical driver – from strategic repositioning and structural change to overcome inefficiencies in managing risk and aligning the culture of the organisation against a common ambition.

PricewaterhouseCoopers works with organisations to transform the way they do business and provide services both incrementally or as part of a major step change. We support major financial services clients through large scale and long-term transformation projects around risk, IT, finance, regulatory compliance, HR, operational, and strategy formulation. Our knowledge and experience can support the formulation of strategic options and decisions that need to be made to address critical business issues, as well as the best way for an organisation to plan and implement those changes to support maximum sustainability.

Our approach to helping clients understand and solve their problems is based on the premise that we want to help make change stick. We put benefits at the heart of our work, explicitly linking all project activity to specific benefits and identifying how and when they will be delivered. We don't view the project in isolation; we hardwire it to other initiatives and business processes to ensure those benefits are sustainable. We begin by understanding what makes change stick in our client's organisation and base our solution on it. By making change personal to those it affects, starting with asking a simple question: "What would you like to change?" – the change we support will happen more quickly, and sticks. We don't tell them answers; but listen, challenge and advise based on their starting point; and we encourage them to adopt the same approach with their staff.

We are committed to bringing the best knowledge to financial services organisations across its global network. We resource projects with specialists from local offices and the wider PricewaterhouseCoopers network firms to best match the needs of our clients. This ensures that organisations obtain local expertise and the benefit of our market-leading risk management expertise from across the globe.

6. Contacts

If you would like to discuss any aspect of the issues raised in this paper, please speak to your usual contact within PricewaterhouseCoopers or one of those listed below.

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