Operational Excellence in Financial Industries

Study - Assessment - Network

Thomas Brunauer
Hendrik Rujner
The study “OpEx in Financial Industries” combines academic knowledge and consulting experience.

### Content of the Study

<table>
<thead>
<tr>
<th>Academic and practice-oriented approach</th>
<th>Operational Excellence Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporating current research findings and academic knowledge as well as Experience from client projects and testimony from leaders within financial service providers. Mirrored practice-relevant questions</td>
<td></td>
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<tr>
<td>EBS Business School SIIE.</td>
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<tr>
<td>HORVÁTH &amp; PARTNERS Management Consultants</td>
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#### Goal

Holistic portrayal of status quo and future significance of Operational Excellence within financial service providers, based on empirically grounded findings. Identifies focus areas and decisive steps for future competitive positioning.

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<tbody>
<tr>
<td>Recording and evaluating the importance, the current level of development, and the future significance across separate topics in the areas of</td>
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for banks, insurances, and other financial service providers
Our methodical framework encompasses four equally-weighted core areas of focus for Operational Excellence

Operational Excellence is the **dynamic ability to realize an effective and efficient value chain** through integrated development and use of process-related, organizational, technological, and cultural factors. Excellence aligns processes with strategic goals and continuously innovates implements, monitors, and optimizes them.

**Operational Excellence Approach**

- **Strategy Alignment**
- **Process, Organization & IT-Management**
- **Performance Management**
- **Human Capital Management**

**Develop services**

**Provide services**

**Manage customers**
## The Operational Excellence Framework in Detail

<table>
<thead>
<tr>
<th>Strategy Alignment</th>
<th>Process, Organizational, and IT Management</th>
<th>Performance Management</th>
<th>Human Capital Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy Implementation (particularly BSC)</td>
<td>Process Modeling and Documentation</td>
<td>Metrics Systems</td>
<td>Employability Management</td>
</tr>
<tr>
<td>Aligning Strategy and Processes</td>
<td>Organizational Structure</td>
<td>Value Driver Models</td>
<td>Change Management</td>
</tr>
<tr>
<td>Cooperation Management</td>
<td>Information and Work-flow Management</td>
<td>Process Management</td>
<td>Competency Models and Skill Management</td>
</tr>
<tr>
<td>Project Portfolio Management (Investment Management)</td>
<td>Complexity Management</td>
<td>Value Chain Management</td>
<td>Entrepreneurship</td>
</tr>
<tr>
<td>Customer Management (CRM)</td>
<td>Improvement Management and Kaizen</td>
<td>Benchmarking</td>
<td>Knowledge Management</td>
</tr>
<tr>
<td>Product Development</td>
<td>Lean Management</td>
<td>Activity Based Costing</td>
<td></td>
</tr>
<tr>
<td>Product Management</td>
<td>Lean Six Sigma</td>
<td>Target Costing</td>
<td></td>
</tr>
<tr>
<td>Innovation Management</td>
<td>Value Stream Management</td>
<td>Cost Management</td>
<td></td>
</tr>
<tr>
<td>IT Strategy</td>
<td>Process Automation and Standardization</td>
<td>Quality Management</td>
<td></td>
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<tr>
<td></td>
<td>Process Optimizing and Improvement Management</td>
<td>Capacity Management</td>
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<td></td>
<td>Re-engineering</td>
<td>Planning &amp; Budgeting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>IT-Systems</td>
<td>IT-Management</td>
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</table>
Survey via standardized questionnaires

- Questionnaire (print or editable pdf) to analyze **current implementation** and **future impact** of particular topics within the four core areas Strategy Alignment, Process, Organizations and IT Management, Performance Management and Human Capital Management.

- Focus on **Financial Industries**, as banks, insurances and other financial service providers.

- Target groups are **COOs or CIOs** as well as **members of the upper management level** for Operations, Organization or Process Management.

- Findings are based on the participants’ **self-assessment** of their company or division.
Operational Excellence supports to assess maturity, prepare analysis and deliver necessary means for improvement

Operational Excellence Approach

Determine Position and Assess Degree of Maturity

- Record the status quo characteristics and the range of individual process designs in the OpEx Study
- Position in the OpEx Maturity Portfolio to assess degree of maturity

Determine Ambition Level and Analyze Gaps

- Record the company’s standards and define the ambition level
- Identify deviations from the market and the company’s environment
- Derive business recommendations

Develop and Implement Actions for Improvement

- Adapt Horváth & Partners methods and solutions to goal-oriented development in order to efficiently implement the prescribed measures for improvement
Positioning at the OpEx-Maturity Portfolio

Average breadth of implementation and depth of specification in OpEx fields of action and development of all participants compared to the previous year.

- The position of the individual organization shows the further development which is necessary to achieve Operational Excellence.
- "Climbers" have to invest in balance as well as in the specification for further implementation.
- "Sailors" are able to achieve further Operational Excellence fields through systematically developing their agenda.
- The results showed that the maturity is independent from the type of finance institute.
Comparison of the four OpEx organizational areas: Survey average and individual positioning

Example of Individual Assessment for Participants

<table>
<thead>
<tr>
<th>Strategy Alignment</th>
<th>Process, Organization &amp; IT-Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Implementation</td>
<td>Current Implementation</td>
</tr>
<tr>
<td>Performance Estimation</td>
<td>Performance Estimation</td>
</tr>
<tr>
<td>Target Level</td>
<td>Target Level</td>
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<table>
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<th>Performance Management</th>
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</table>

<table>
<thead>
<tr>
<th>Current survey</th>
<th>Previous year</th>
<th>Individual position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change &lt; 2%</td>
<td>Change between 2% and 10%</td>
<td></td>
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</table>
Divergencies are highlighted as potential fields of action in every field of the OpEx framework.
Benefits for international players

Our OpEx assessment offers a systematic approach to compare international units of a firm among each other

*Exemplary*

- **Internal comparison** of various subsidiaries or organizational units on a national or international level
- **Global Best Practice Sharing** along the OpEx structure and findings

**Survey**

- Bank
- Insurance
- IFA’s
- Group XY

**Exemplary**

- **“Sailor”**
  - Russia
  - Slovakia
  - Ukraine
  - Hungary
- **“Climber”**
  - Bulgaria
  - Romania
  - Czech Republic
  - Russia

**Ø Average implementation death**

**Ø Average Spectrum of OpEx Topics**
Benefits for international players

The evaluation creates transparency and the foundation for a focused analysis of local deficits

Aggregated Country comparison: Process, Organization and IT Management

Current implementation

<table>
<thead>
<tr>
<th>Country</th>
<th>Current Implementation</th>
<th>Future Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>2.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>3.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Hungary</td>
<td>2.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Poland</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Romania</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Russia</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2.8</td>
<td>2.8</td>
</tr>
<tr>
<td>Ukraine</td>
<td>3.9</td>
<td>3.9</td>
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Ø CEE 3.2

Ø CEE 4.2

Ø Overall 3.0

Ø Overall 3.9
Benefits for international players

Operational Excellence in Financial Industries: Rollout in major financial regions of the world

Participants
- Australia
- Austria
- Belgium
- Bulgaria
- Czech Republic
- France
- Germany
- Hong Kong
- Hungary
- Indonesia
- Italy
- Jordan
- Luxembourg
- Malaysia
- Netherlands
- Poland
- Russia
- Romania
- Singapore
- Slovakia
- Switzerland
- Ukraine
- UAE

Planned
- USA
- China
- Japan
- Great Britain
- Spain
- Saudi Arabia
- Kuwait

Participants: Australia, Austria, Belgium, Bulgaria, Czech Republic, France, Germany, Hong Kong, Hungary, Indonesia, Italy, Jordan, Luxembourg, Malaysia, Netherlands, Poland, Russia, Romania, Singapore, Slovakia, Switzerland, Ukraine, UAE, Ukraine.

Planned: USA, China, Japan, Great Britain, Spain, Saudi Arabia, Kuwait.
Be part of the OpEx FI Community

**More than a study – Offerings of the OpEx-Network for COOs**

<table>
<thead>
<tr>
<th>Networking</th>
<th>International Best Practices</th>
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<tbody>
<tr>
<td>OpEx Executive Round Tables and Executive Events – Regular network meetings with guest speakers and discussions</td>
<td>Successful methods and best practices from financial service providers worldwide</td>
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<tr>
<th>Consulting Expertise</th>
<th>Cross Industry Transfer</th>
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<tbody>
<tr>
<td>Practice-oriented expertise and cross industry special knowledge</td>
<td>Transfer of OpEx know-how from manufacturing industries to financial industries</td>
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<tr>
<th>Individual analyzes</th>
<th>Research Center</th>
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<tr>
<td>Performance assessment and in-house workshops based on individual analyzes</td>
<td>Empirical studies about current implementation and future importance of topics regarding Operational Excellence in Financial Industries</td>
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<tr>
<td>Comparison of organizational divisions</td>
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<tr>
<td>Deduction of the COO agenda</td>
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Contact

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