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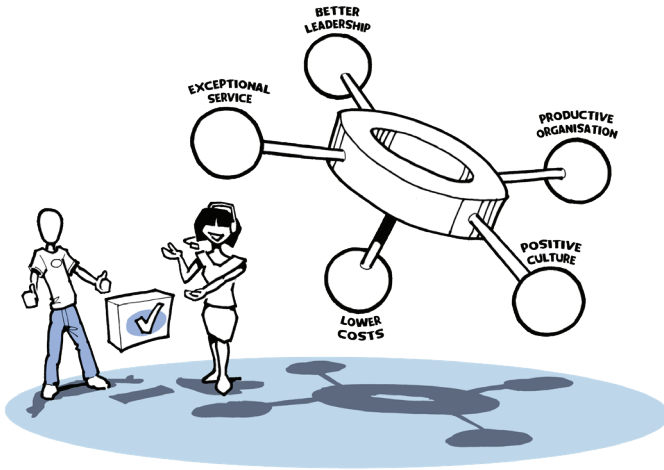
Longueville Media Pty Ltd
PO Box 205
Haberfield NSW 2045 Australia
www.longmedia.com.au
info@longmedia.com.au

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CASE STUDIES WITH REAL TANGIBLE RESULTS

Many books have been written about how to improve service, leadership, and culture, but very few attempt to link theory and ideas with actual, specific outcomes. Some may make general claims of a significant increase in productivity or efficiency, but do not provide supporting data.

We believe it is important to provide this data, so, in addition to the examples and case studies provided in previous articles and chapters, we have included several case studies here that describe in concrete terms the astonishing results achieved when progressive leaders have reconceived service delivery, leadership, and culture to create more positively viewed and productive service organisations.

CASE STUDY 3: HOME LOANS

Whenever we ask leaders how much research they do, the answer is always a lot. When we ask how much of that data is used, the predictable answer is not a lot. Why is that? In our experience, we have found that the data that comes back from the research is often too generic, or tells the leaders no more than what they already knew.

Take the example of a large financial services organisation whose diminishing share of the home loan market had been an ongoing problem. Leaders in the home loans division had engaged an external consultancy to conduct research to understand why. Weeks of research was undertaken, including conducting focus groups and analysing markets, demographics, competitive features, channel usage, and dropout rates. Following detailed analysis, solutions to improve market share were offered, such as suggested product offerings, ideas for advertising and pricing, and new sales and service models, with an outline of recommended next steps provided. It was a well presented package; however, fundamentally, there was nothing in the findings that the leaders didn't already know – it did not provide the leaders with any new insights, so they did not believe they were any further ahead in how to redress the issues they faced.

The home loans leadership contacted us for help. We could see that the analysis was missing a true understanding of what matters to customers. Rather than providing another analysis of the issues to the leaders, we worked with the leaders to help *them* take a customer's perspective and learn first-hand what was happening. Through an experiential exercise, they learnt what creates value for customers wanting a home loan by understanding their circumstances, needs, and issues, and how well the organisation's services were designed to deliver value. This new first-hand knowledge revealed:

- The typical and predictable customer demands placed on the home loans service, and how well their services were designed to deliver value for each of those demands
- The amount of unproductive activity (cost) inherent in the current organisational systems and structures, and, more importantly, the causes of these costs
- The impact the organisational systems and structures had on productive behaviour and activity
- How people experienced their work, their leader, and the home loans area
- Shared mythologies underpinning existing culture

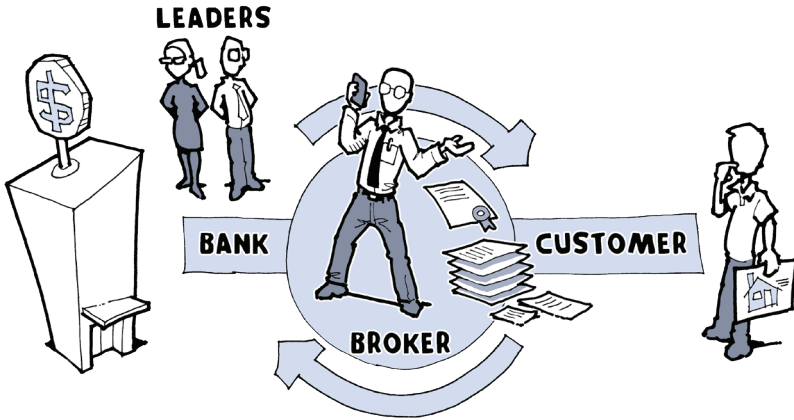
The leaders studied three types of home loans:

- New Loans
- Refinance – where the value of a property has increased, and the customer wants to borrow more than the original loan, up to the new value of their property
- Redraw – where the customer wants to redraw some of the funds previously paid into their home loan

To understand typical and predictable demands placed on the home loans service and how well their services were designed to deliver value for each of those demands, the leaders went to the points of transaction where customers interacted with the organisation, namely, mortgage brokers, branches, and the contact centre.

When they visited mortgage brokers, the leaders found that brokers spent a lot of their time contacting the organisation to query issues, reply to issues, supply additional documentation, or chase the progress of applications on behalf of customers. A lot

of hidden unproductive activity and cost was revealed, both for brokers and for the organisation.

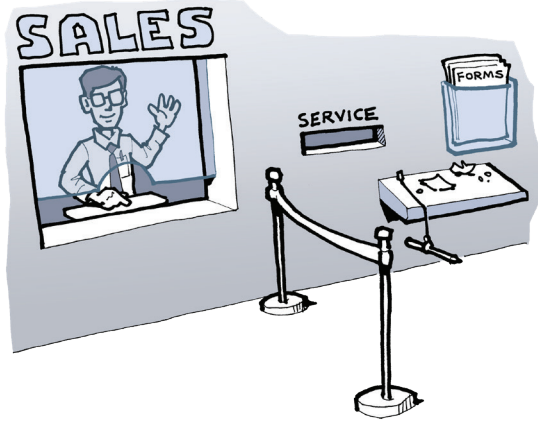


Next, the leaders visited branches. They observed customers enter a branch and take a ticket from a machine and wait in a queue (like a supermarket deli system). We suggested the leaders talk to those who had taken a ticket related to home loans and ascertain the following:

1. What problem does the customer want solved?
2. Is it our failure to do something, or to do something right?
3. How able are we to understand and deliver what they want, there and then?

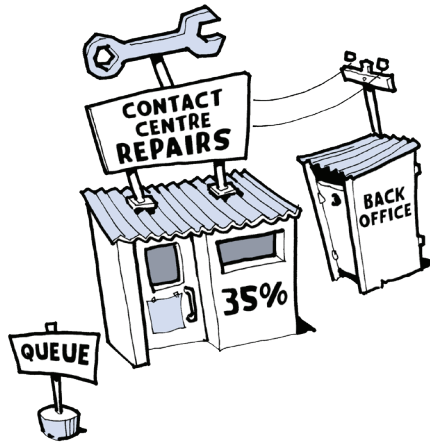
The leaders began to understand that lots of customers who visited a branch were there because of failure demand. The leaders also learned that very little failure demand was dealt with at the branch. A decision had been made to reduce non-sales demand into branches. As a result, when presenting failure demand at a branch, customers were asked to either fill in a form, call the contact centre, or go online to resolve their problem. Forms and

phone and internet booths had been provided in the branches for this purpose.



A decision had also been made to move mortgage applications to larger branches. The leaders visited several smaller branches to understand the impact. When potential customers visited a smaller branch to apply for a home loan and were told they would have to visit a larger branch, the leaders found that many of these potential customers decided it was easier to visit a local competitor instead. More hidden unproductive activity and cost had been revealed in the branches.

After visiting brokers and branches, the leaders spent time in the contact centre. They found that over 35 per cent of customer and broker demand into the contact centre that related to home loans was failure demand. The contact centre had effectively become a repair centre.



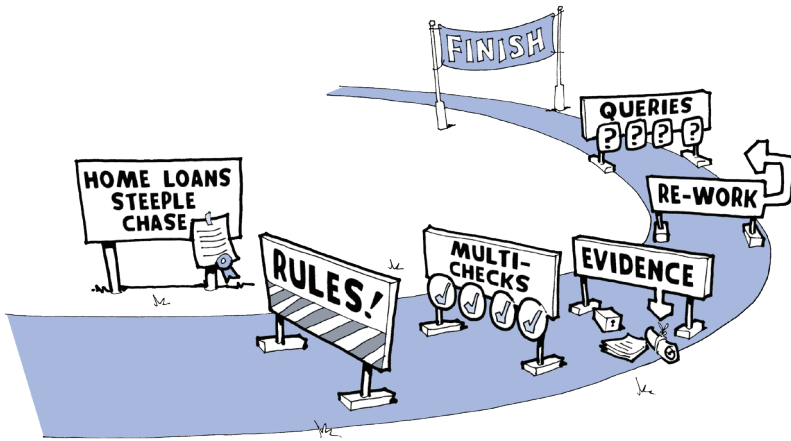
More hidden unproductive activity and cost had been revealed in the contact centre.

After learning what happens at the mortgage brokers, branches, and contact centre, we asked the leaders to follow home loan applications through the various functions involved in completing an application within the organisation, including back-office assessors, credit, pricing, property assessments, and so on. They found that in working to service level agreements and targets, each of these specialists picked up an application from their work queue, completed their portion of the work, then either passed it onto the next specialist or back to the previous specialist if there was a discrepancy.

The leaders learned that:

- There were over a hundred business rules in the process
- The same documentation was checked multiple times by different people
- Decisions were checked multiple times by different people

- When working on an application, people were required to record evidence of work into the mortgage software tool multiple times
- A high percentage of granted applications were reworked
- Nearly half of all applications in the previous year resulted in queries from customers



Hidden unproductive activity and cost had been revealed in the back-office functions too.

We asked the leaders to understand how long it took, end to end, for mortgage applications to be completed. This data was not readily available, as mortgage processing was separated by function, and the data was stored in different IT tools used by the various specialists. No one had a complete view. All that was available were measures of how each team performed against targets and SLAs and how busy people were. When work was done to manually calculate true end-to-end times for each home loan, it was found that:

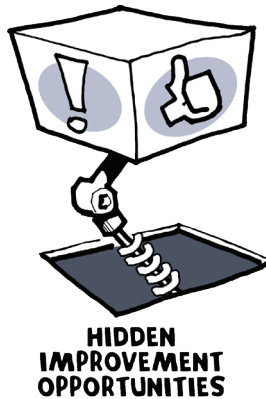
- For new loans, the average time from application to decision took a week, and the average time from application to payment took almost three months

- For refinance, the average time from application to decision took over a week, and the average time from application to payment took over a month
- For redraw, the average time from application to decision took over a week, and the average from application to payment took a month

As a result of their experiential learning process, we asked the leaders to reflect on the following:

1. Why is it like this?
2. What would cause customers to go elsewhere?
3. How much is this costing the organisation?

The home-loan leaders learned that their current organisational systems and structures caused high levels of failure demand, lots of unproductive activity, increased backlogs of work, and unneeded operational expense. Most surprisingly, they learned that only a very small percentage of customers asking for a home loan ended up with a loan, because the process took too long. The leaders learned that despite millions being poured into advertising to attract customers, conversion rates were very low due to stultifying systems and structures. They now understood first-hand why many customers had a negative view of the service and chose to go elsewhere for their home loan.



The experiential learning process from the customer perspective had diagnosed significant and previously hidden improvement opportunities in how to better attract, acquire and service home-loan customers, work more efficiently, and reduce operating costs. Therefore, the decision was taken to redesign the organisational systems and structures to improve the service.

A productive structure was designed and implemented. (See chapter 17, Designing productive structures.) As a result, people at all levels gained a clearer understanding of what was expected of them, people were enabled to use their full capabilities in exercising judgement and discretion in roles that freed them to work productively (see chapter 15, Turning intention into productive reality), and a far more productive working environment was created, so each person understood where each other's authority started and finished. (See the section It is better to build relationships based on authority rather than power, in chapter 17, page 195.) Existing organisational systems were diagnosed, redesigned, and implemented. (See chapter 14, Liberating people and organisations from stultifying systems.) Leaders worked to change and sustain culture by using three leadership tools: leadership behaviour, organisational system design, and symbols. (See chapter 18, A cure for that déjà vu feeling of cultural resistance.)

Rather than having separate functions to pass work between each other to complete a home loan application, teams with the required skill sets were formed. Each team had the capability and authority to use judgement and discretion to complete the minimum required work, for example, application assessment, credit decisions, pricing, property assessments, and paying out of funds, without the need to pass on or delegate to anyone else. (See chapter 15, Turning intention into productive reality.)

Technologists worked alongside their front-line colleagues taking new home loan applications to understand what creates value for customers. This created a shared body of knowledge that related back to customers and the way customer work was done. The technologists were able to see first-hand that much of the organisation's IT tools were hindering their colleagues from creating value for customers. Many of the business rules in the process were embedded in the tools, and forced people to follow the process, no matter how unproductive some of the steps were. With this knowledge, the technologists could understand and identify where technology could complement human activity, rather than control it. The IT leaders focused on creating the capability so that when a productive organisational system was designed and implemented, the technology could change and adapt with it. Previously, several IT tools were required to make a credit decision. Technologists solved this problem by having all these IT tools operate in the background and, instead, created a single screen that would display the required information.

These are examples of the many changes that were adopted. The overall result was a transformed home loan service:

- New Loans – the average time from application to decision reduced by 43 per cent, and the average time from application to payment reduced by 63 per cent

- Refinance – the average time from application to decision was reduced from more than a week to being completed within the day, and the average time from application to payment reduced by 93 per cent
- Redraw – the average time from application to decision was reduced from more than a week to being completed within the day, and the average time from application to payment reduced from more than a month to being completed within the day
- Failure demand related to home loans greatly diminished
- Market share increased

The economics of these results are startling: more customers, reduced unproductive activity (cost), loan applications finalised sooner, thus receiving customer payments earlier, new business through word of mouth, and it was no longer necessary to choose between reducing costs and improving service.