



A great time for Australian mutuals...



2 matter consulting

We believe it is a great time for Australian mutuals to start leveraging from our strategy execution, strategic sourcing and post-merger integration experience, knowledge and drive without paying premium consulting fees.

Today Australian mutuals are operating in a more competitive and changing environment than before. Driven by Australian Government's 'fifth pillar' reforms, regulatory interventions and increased competition amongst service providers. This requires the right 'battle' plan, but above all an effective execution to deliver Australian consumers more choice, more competitive fees and better banking products and services.

2MC's experience, knowledge and drive could effectively support Australian mutuals with delivering successful strategy execution, strategic sourcing and post-merger integration initiatives that generate measurable and sustainable results. The success of delivering these types of initiatives depends on a number of key factors.

STRATEGY EXECUTION

It goes without saying, strategic plans that are not linked to the operations cannot become successful and vice versa. In our experience we recognise six key success factors for Australian mutuals to execute a strategic plan successfully.

Establishing a 'strategy execution' custodian role

The role of a strategy execution custodian is to define, develop and oversee the execution process required to manage the strategy. The key activities include strategy development,

managing the scorecard, aligning the overall organisation, monitoring performance results and acting to improve operations and strategy based on new information and learning. Depending on the size of a mutual, this role can be fulfilled part-time, but is essential to ensuring effective coordination and accountability across the organisation.

Having clear goals with SMART measurements

Clearly defined strategic goals form the foundation for strategy execution and essential to obtain

commitment from employees. To achieve this, 2MC recommends to make each goal SMART (Specific, Measurable, Achievable, Relevant, Time-bound) with a maximum of six goals.

Obtaining commitment from operational management early

By involving operational management in the goal setting process, better commitment can be achieved by employees. Operational management play a key role in linking the organisational goals to departmental and individual goals, as well as prioritising the time and financial resources they often control.

Ensuring key management processes are aligned with the strategy

For a successful execution a variety of existing management processes must be aligned to the strategy. Alongside financial performance, budgeting and resource capacity planning, 2MC believes that initiative (demand) management is the most important process: *Execute your initiatives successfully, and you'll be executing strategy successfully.*

Communicating results to stakeholders on a regular basis

Once goals and priorities are clear and SMART, it becomes much easier to communicate to employees, board members or even your members directly. Communication should happen on a regular basis and focus on key achievements, areas for improvement and stimulate feedback to become more successful in the overall strategy execution.

Acting timely if expected results are not achieved

Review the overall strategy execution performance at least quarterly by using a balanced scorecard. A successful strategy review meeting should focus on key actions, potential implications and timely delivery to ensure the expected results continue to be met.

The above success factors drive 2MC's approach to manage the strategy execution for Australian mutuals. Two key roles 2MC could fulfil:

- **Custodian:** providing support to define, develop and oversee the execution of processes required to manage the overall strategy lifecycle.
- **Integrator:** providing support to ensure the strategic plan

aligns with financial resource management, resource capacity planning, strategy communication, initiative (demand) management, IT and key business processes.

STRATEGIC SOURCING

A successful strategic sourcing initiative generates measurable and sustainable value to an organisation. While most initiatives focus on cost savings, improving member experience or minimising business risks are equally important reasons. For the success of a strategic sourcing initiative 2MC identified Australian mutuals should enable (by engaging consultants) or develop (in-house) eight key factors as a minimum.

Identifying realistic, clear and concise sourcing goals

Starting a strategic sourcing initiative could become costly when the sourcing goal is not realistic, clear and concise. Complete, correct and accurate data is therefore critical to properly formulate the sourcing opportunity for an Australian mutual. When this is missing, 2MC recommends asking for more evidence or testing the viability of a proposed opportunity and use the resulting data to guide the decision. Although this process

could be time consuming, it establishes the right visibility, prioritisation and focus to generate the best value for your members.

Having sufficient visibility on spend structure

Sufficient visibility on a mutuals spend structure is critical to capture all addressable spend and identify areas for improvement. In this analysis process it is important to understand any historical data that points to deviations in a pattern and future demand by your mutual or members.

Obtaining deep market intelligence before going to market

Deep market intelligence is essential to identify and exploit the best opportunities the supply market could offer to your members. Access to market intelligence can best be obtained by industry experts, (online) research providers or directly from suppliers before going to market with a more formal request.

Evaluating suppliers against predefined quantifiable metrics

Do not underestimate the importance of having the right metrics defined before evaluating your suppliers. Key is

to make sure the metrics are quantifiable, enabling a like-for-like supplier comparison and focus on meeting the needs of your members. Not the needs of procurement.

Selecting suppliers based on proven product & services

More than often suppliers oversell their product and services, without having a proven solution in place or having unrealistic timelines to deliver a viable solution. In these situations Australian mutuals should ask the supplier to provide further evidence, but also stronger commercial commitment to meet the sourcing goals. When evidence is made available look closely and be sure the solution supports multiple scenarios, including *the exception*.

Ensuring all compliance obligations are met

Prior to contract negotiation ensure as a mutual that all your compliance obligations in the Australian market are met. For example, any new outsourcing arrangements or a material change to an existing arrangement by an authorised deposit-taking institution (ADI) the APRA APS231 standards need to be met. Ensuring the outsourcing arrangement is subject to appropriate due diligence, approval and ongoing

monitoring. Mutuals should also take APS232 into consideration. A standard that aims to ensure an ADI implements a whole of business approach to business continuity management appropriate to the nature and scale of its operations.

Collaborating closely with a supplier during implementation

During contract implementation collaborate closely with the supplier to ensure the sourcing goals of your mutual are fully understood, met and captures any potential value beyond the implementation.

Leveraging from the right team

Establishing the right team is essential for a successful strategic sourcing initiative. A team with experience, knowledge and drive to achieve sufficient spend visibility, obtaining market intelligence, evaluate suppliers, meet compliance obligations and implement the contract successfully against the sourcing goals.

2MC's strategic sourcing approach and tools fully embrace the above success factors. Next to our proven approach we add significant value by leveraging from our suite of supplier assessment

tools, enabling a quantitative and qualitative assessment of suppliers to support accurate decision making.

POST-MERGER INTEGRATION

While choosing the right partner is the most critical, an effective integration initiative of both operations is nearly as important. Based on 2MC's experience and research it appears the actual execution of the merger strategy has the least understanding and causes the biggest challenges for our clients. 2MC's key factors of merger success for Australian mutuals have been identified and described hereafter.

Pro-actively managing the long term merger benefits realisation process

Benefits realisation management is about knowing '*where to get to*', '*how to get there*' and '*when you have arrived*'. Mutuals that pro-actively manage this lifecycle have a much better chance to achieve the long term benefits of the merger and obtain earlier and stronger commitment from employees and members during integration.

Starting integration activities as early as possible

Overall, successful mergers start their integration activities even before the merger announcement. Starting early allows mutuals to better articulate the integration objective, scope, planning and potential member impact for day one of the merger and beyond.

Focusing on ongoing employee, member and board alignment

It is important that the overall integration plan is accompanied by a clear and open communication plan. This to ensure ongoing alignment happens with employees, members and board and potential fears influenced by the merger integration are addressed in a timely manner.

Solving any cultural and branding issues early in the integration process

Not fully recognising and solving any cultural or branding issues early could lead to significant integration challenges, with a potential impact to member experience. The integration and communication plan must further address and resolve any key differences.

Establishing a strong integration team with tight process controls

A strong integration team that coordinates the unification of departments and establishes common tools, processes and governance structure is a typical characteristic of a successful merger. To achieve this, mutuals need to focus on a right blend of integration skills, experience and business representation with tight process controls to manage the change.

Finding the right balance between speed of implementation and significant changes

A merger puts management under time pressure to address challenges and implement changes. Although mergers create the expectation of significant change amongst employees and members, mutuals need to balance the type and impact of changes and implementation timing, without prolonging the change opportunity window.

Focusing on adequate & quick decision making

Post merger integration initiatives always involve a high number of changes and decisions that need to be made weekly by management. To keep the initiative on track

mutuals need to focus on the key decisions for each week, sufficient to satisfy the long term benefits of the merger. Prior agreement on a conflict resolution procedure throughout the merger integration could help.

The above merger success factors form the foundation of 2MC's approach to deliver a post-merger integration initiative with measurable and sustainable results for Australian mutuals. Our approach begins with the development of a post-merger integration framework, by leveraging from 2MC's best practice integration methodology. The framework, in combination with a strong delivery management capability, will effectively support the planning and execution to realise the long term merger benefits.

OUR DNA

2MC is a young, ambitious and dynamic management consulting company with a continuous drive to effectively support and accelerate the strategy execution for our clients, operating in the Australian financial services industry. 2MC welcomes the opportunity to work more closely with Australian mutuals and deliver measureable and sustainable results for the short, medium and long term.

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***A continuous
drive for
excellence***

