

## BANKING

# Changing the Operating Model is a Lot Riskier than We Think

## Smooth organizational change with Process Mining

---

Nigel Adams

Banking Expert, Director at Hetton Advisory

### SUMMARY

- Aligning an operating model to the new way of working is a critical part of any transformation – but it's not without risk.
- There is intense focus on getting the people and finance aspects right but process tends to get overlooked, introducing significant additional risk to an exercise that is always risky.
- Process mining can play a major role in de-risking the end-to-end operating model change cycle by ensuring smooth hand-overs, addressing key person risks, managing the onboarding and offboarding process more effectively and re-assigning accountabilities.

# Index

Why Process Mining Now?	1
Executive Summary	2
Planning the Change	3
Executing the Change	4
Onboarding	6
Offboarding	
Changes to the Performance Management Framework	
Changes to Decision Rights	
Monitoring the Change	10
In Conclusion	12
More about Apromore	12



# About the author



**Nigel Adams**

Director at Hetton Advisory

Nigel is a thought leader in service operations excellence. He has nearly 25 years of experience focused on creating enterprise value from operational improvement, risk management and performance optimization. Nigel is known for driving performance and transformational change, at pace, while leading large, multi-award-winning teams in complex delivery networks. In addition to a consulting career at KPMG, he has brought his skills to bear for leading banks including NAB and ANZ focusing on global payments and cash operations, financial crime, and business performance.

# Why Process Mining Now?

The pressure banks are facing is intense. The competition is ferocious. Hardly a day passes by without the announcement of more mergers & acquisitions activity, an additional FinTech funding round completed or the launch of a new product that threatens to accelerate the disruption. At the same time, customers are demanding better service, faster, easier access and sharper pricing, while regulators tighten their grip.

In response to these pressures, banks have embraced transformation including transforming the way they work. Operating model changes are not uncommon for banks, but with so much change in their operating environment the model changes seem to be accelerating. Whether it's the creation of new digital divisions, transitioning to new ways of working or a more routine "rearranging the deckchairs", every operating model change exposes the organization to risk both in the lead up to the change and in the immediate few months afterwards as it beds itself down.

Any operating model change is a serious undertaking with broad-based impact. It may introduce new ways of working, onboarding new talent, reassigning client portfolios or cost centers, transitioning work to new teams or outsourcing. There are typically changes to decision rights, new ways to assess performance, reimagined development programs and innovative ways to manage knowledge and institutional memory.

Getting an operating model change right can power an organization on to a new growth trajectory. Getting it wrong can see the fabric of the organization unravel rapidly. Process mining can play a significant role helping an organization get it right.



## Planning the Change

Planning to change an operating model at any level is a lot of work. A huge amount of effort goes in to making sure no one has been forgotten about on the As-Is and To-Be organizational charts. Every grade is accounted for, the mix of permanents vs. contractors, full-timers vs. part-timers and/or causals, those at work and those on extended leave. Every org-chart diagram must be checked countless times to ensure there are no inconsistencies

between grades, the diversity balance is right, there's no perceived bias based on how the chart is drawn. Direct and indirect reporting lines must be clear, locations must be clear. Then there's the task of re-cutting the budgets and aligning revenue and cost centers to the new model.

There are few things guaranteed to stir-up more corporate emotion than the whisper of a structure change!

Countless hours go into these activities. Without downplaying the importance of this work, how often does the planning and execution include the list of processes the new leader will be accountable for? How many times have you been given a process map or model highlighting what each person in your new team actually does and how they contribute to the process' goals? Who are your critical resources and where are your key-person risks? Where do the process handoffs cross office, state and national boundaries? How many workflows are there through each process and where are they prone to error and variation? Will the sliced 'n' diced budget cover the cost of running the processes?

The answers to these questions are rarely part of the briefing pack. It's left to the new leader to figure it out, which often comes at great cost. It would significantly de-risk the operating model change process if these questions were considered during the planning phase of an operating model change. Then, each new leader could be provided not only with a list of the processes that they were accountable for but also with the maps of how those processes operated.

**They would know: who's involved, where the bottlenecks are, how the processes are currently performing, what the volumes are, the risks and issues and how much the process costs to run. This is precisely what process mining can deliver.**

## **Executing the Change**

Once the new operating model is communicated, the change typically triggers a range of HR processes:

- Onboarding new talent
- Offboarding staff
- Changes to the performance management framework
- Changes to decision rights

### **Onboarding**

Onboarding new talent is a critical organizational process both for the organization and the new hire, and it can be complicated. The organization wants to make a good first impression and there's nothing worse than delaying a new hire's start date because the right checks haven't been completed, or the new hire starts but doesn't have a security pass or a laptop or their laptop isn't setup to connect to the right share drives and they can't access the induction program and compliance training. Getting these simple things wrong can leave a bad taste in the mouth of the new hire and they're immediately questioning their decision to join.

At the same time, getting the hiring decision wrong for the bank can be a very, very expensive mistake. It's far harder to exit someone than to hire someone. Making sure the right identity, resume, reference and police checks have been completed in the right order is critical. Then there's ensuring probationary period checks are completed on time.

Process mining's conformance checking capability can help make sure this critical process is clearly understood and that all steps are completed on time and in the right order. It can be extended to provide overall performance feedback on the design of the process and even to predict issues such as roadblocks and slowdowns ahead of time.



## Offboarding

Offboarding an employee provides similar challenges. Parting on good terms, in most cases, is important for both the employee and the organization. For the departing employee, a good reference is always helpful and it's great to stay in touch with former colleagues turned friends. While for the organization it helps build their reputation as a good employer and build a strong alumni network. But it's easy to get it wrong. Employees who have

contributed significant chunks of their working life can leave feeling undervalued if the right process isn't in place. Has the departure been communicated effectively? Have colleagues had a chance to celebrate their success? Has the exit interview been completed? Has the final pay been calculated correctly and what does the staff member need to do in terms of hand-over? These are all critical questions to ensure the employee leaves on good terms.

At the same time, there are risks to manage for the organization. Have the security pass, corporate card and laptop been collected? Have access rights to networks and systems been revoked? Have they provided a detailed hand-over plan with all risks and issues clearly identified?

As with onboarding, process mining can help make sure this critical process is clearly understood and works effectively for both parties, setting the groundwork for a smooth exit process.

What's even more powerful is combining these two processes for employees who have left within a short period of time. Hiring is an expensive activity, seeing a new hire leave within a matter of months creates not only a resourcing issue but a hole in the budget as well. Stitching the two processes together for those who leave quickly can help answer what went wrong and why.

## **Changes to the Performance Management Framework**

Changing how a bank works frequently requires changes to how people's performance is assessed and rewarded. It is one of the

most contentious and trickiest changes to execute. Making sure communications have followed a tight schedule, no one has been left out, everyone has the performance plan documented to the right standard by the right date, interim assessments are concluded on time, ratings are recorded, hurdles and compliance gates have been met, reward recommendations have been lodged on time, all require exceptionally tight process management.

With so many people in a large bank executing the performance management process, understanding how they do it, where the time gets eaten up, where the loopholes and workarounds are, is far easier if the actual process followed is derived and mapped using process mining techniques. Moreover, there's frequently a hard deadline to ensure payroll runs complete on time. Tracking conformance at each stage, finding out who's behind, and then predicting who may not make the cut-off are all insights and capabilities process mining can deliver to ensure this critical process is managed effectively and efficiently.

## **Changes to Decision Rights**

One other area that many banks struggle with when adapting their operating models is assigning decision rights. Who's accountable? Who's responsible? Who should be consulted and who should be informed? It's a simple RACI (Responsible, Accountable, Consulted, Informed) model in many ways. While simple on paper, it is often subject to many heated exchanges and more than a smattering of company politics and powerplays. One of the reasons behind this is the lack of supporting data to show exactly what gets done by whom and

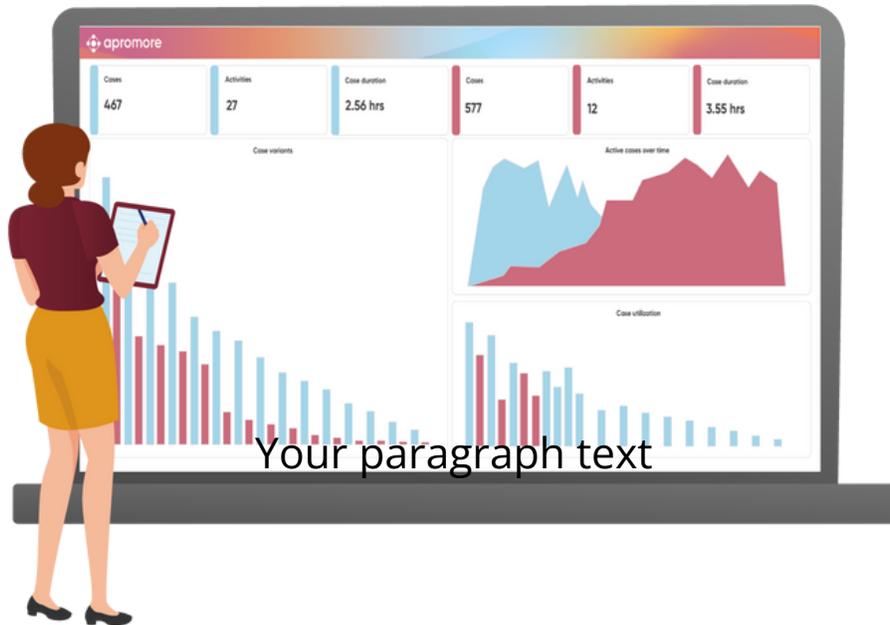
by when to underpin the discussion with facts. Accountability is a hot topic especially in large banks with complex matrix structures, interdependent end-to-end processes, crossing many departmental boundaries and significant regulatory undertakings. Establishing the true picture of what the end-to-end looks like, which teams are involved, the extent of their involvement through discovering the processes based on actual data can remove a lot of the emotion out of the discussion



## Monitoring the Change

Once the operating model change has been implemented, it is important to ensure that it remains on track during the first few critical months. Besides checking process performance and conformance, process mining can play a role in mitigating one of the most significant risks mature banks face during this phase: the loss of knowledge and expertise. When process ownership is transferred, the knowledge and understanding of how the “As-Is” works can disappear fast. Existing documentation is rarely robust, accurate and current enough to bridge the gap and most banks

have a smattering of individuals who are true key-person risks. There are a multitude of anecdotes from across the banking world where experienced and expert staff have left an organization only to be re-hired twelve months later to plug the knowledge gaps.



Process mining can address these knowledge issues by leveraging the precise data that is used to execute core processes and convert that into a model of how the business works, which teams and resources are involved, what data is required and a plethora of metrics to determine how the process is performed. Without this knowledge, many teams are flying blind and when the “As-Is” process is next cab off the rank for transformation, this lack of knowledge can be exposed in a humbling and expensive way with major compliance breaches, customer experience snafus and cost blowouts.

## In Conclusion

Changing the operating model is vital to ensure banks adapt to their new environment. But it is not without risk. Process mining can play a significant role in mitigating this risk at the planning, execution and monitoring phase of the transformation.

Ultimately, it is a bank's processes that create value for their customers. Ensuring that these processes don't fall between the cracks and that new process owners are brought up to speed on their performance, conformance and risk during the transition is essential to ensuring operating model change is implemented as smoothly as possible.

## Ready to explore the potential of Process Mining?

At Apromore, we are committed to creating business value by helping our customers embed process mining in their continuous process improvement initiatives. If you are interested in the possibilities around how process mining accelerates operational excellence journey of companies in the financial sector, have a look at our [entire banking whitepaper series](#).





## About Apromore

Apromore™ is a leading global provider of process mining and AI-driven business process improvement technology. Our mission is to democratize process mining by making it possible for business teams to rapidly use advanced data science techniques to achieve digital transparency and operational excellence. The Apromore platform award-winning technology transforms how teams make decisions and their ability to unlock value in transactional data by revealing inefficiencies, friction points, and compliance violations in their processes.

To learn more about us, visit <https://apromore.com>

## The Apromore™ platform

The Apromore™ platform is an easy-to-use, fast-to-deploy AI-driven process mining solution that enables business and technology teams to quickly visualize and analyze their business processes and simulate proposed changes prior to implementation in order to measure impact and risk. The result of over a decade of extensive research and innovation from leading universities, the Apromore platform includes no-code features and a simple UI that continuously delivers new insights into operational performance and compliance.

For more information, visit <https://apromore.com/product>

