Lombard Direct

Re-engineering for Rapid Growth and Performance

Lombard Direct (LD) was set up in 1995 by Lombard Bank, part of the Royal Bank of Scotland Group, to provide unsecured low-cost personal loans. By 1998, LD had a turnover of £300m with 200 staff servicing 110,000 customers.

Following a successful test marketing campaign in the Yorkshire region, LD planned a much wider TV and press launch that they estimated would produce a three–fold step increase in new business volumes. In preparation, LD had increased its staff by 30% and moved to a seven day week but recognised their current loan application processes, organisation and new staffing levels would not cope with the increased workload. Lombard asked ICL, a global supplier of IT systems and consultancy to propose changes that would improve throughput efficiencies to handle the significantly increased volumes, and to deliver new service standards of performance. Steve Wright, a specialist Process Re-engineering Consultant within ICL's Process Management Centre was asked to manage the project and a small team was brought together, including a process modeller, an IT specialist and two client staff who would work part time to support the project with local knowledge. The project was conducted using industry standard BPR methods (ProcessWise Guide).

The first phase identified the strategic positioning of the business, the scope of the project in terms of processes to be investigated, and the business network within which the processes operate. For LD, the scope included activities undertaken by the Communications Centre, Administration, Completions, Underwriting, Fraud and Customer Care departments including the 'new business' processes of loan application generation through to the loan payment to the customer or rejection, the maintenance of the loan account once it had been opened through to closure, and possible repeat business. The organisation structure, resources, culture and IT capabilities were also assessed. During this phase the project team carried out interviews with management and key staff, conducted observations and desk research to understand the business operations and identify issues. A significant number of opportunities and issues were identified during these early meetings that warranted further analysis.

The second phase included a series of workshops with LD staff to map the current processes using a process simulation tool. Detailed operations metrics such as transaction volumes, times, delays, resources, etc. were captured to create a model that closely represented performance reality. As process performance is also dependent upon the organisation structure, the skills, motivations, values and attitudes of the staff who operate the process, the capabilities of IT and the supporting IT infrastructure, these were also analysed. At the end of Phase two, the project team had identified in excess of 200 issues and opportunities. Realistic performance improvement targets were then set for the process redesign phase.

The third phase identified redesign options for each process, ranging from incremental to fundamental change. Further workshops were facilitated to analyse the processes and identify changes that would deliver significant improvements not just to the processes, but the organisation structure, staff skills and IT systems. The modelling and simulation capability of the simulation tool using the metrics captured provided a realistic view of the future performance of processes to be established. For LB, over 80 process improvements were identified. A summary of key changes are shown below:

- All applicant information captured during the initial call to reduce follow-up calls and enable automatic consolidation of loans,
- 40% of loan applications were referred to underwriters causing a backlog of up to 31 days. A second credit agency was used to reduce the rate of referrals, and process and IT changes enabled a 4 hour underwriter turnaround to be achieved.
- Outdated, unreliable IT systems (Autoscore/Cardpac) caused many delays, frustrations and performance issues. Unfriendly and inflexible for data entry, it was often necessary to hand write notes of data to be entered later in the process, resulting in a high level of data entry errors. New, function rich IT applications were implemented that provided access to historic information, i.e. previous customer loan applications.
- Lack of systems integration or a workflow management system limited work queuing and traceability and perpetuated a reliance on paper documentation transported from department to department incurring delays during hand-offs and paperwork often lost.
- Back office functions task focused, not 'customer' focused, inter-departmental communication weak with demarcation and 'ownership' issues,
- Improve customer service with multi-skilled teams e.g. One-Stop-Shop. Set up area teams with admin, underwriters, completions, customer care and trainees.
- Company policies were changed to remove restrictive practices, e.g. the need for an underwriter's signature on referral documents, sending 'decline' letters, etc.

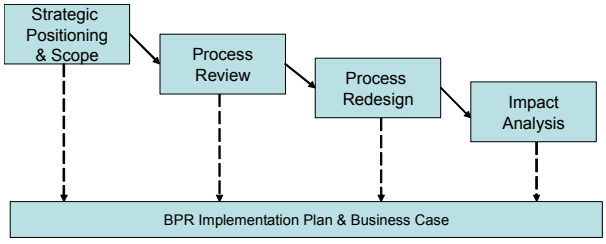
Phase four looked at the impact of each redesign option on the organisation by using techniques which enabled client management to consider the impact on its culture, people, skills and current investment in information. The option most likely to deliver success was identified, together with the key differences between the current and desired situations. For LD, major changes to the IT systems and the need for workflow technology were identified as were improvements in staff skills, and actions to improve their morale and motivation.

Phase five established a practical implementation plan of change actions with cost estimates covering processes, organisation, staff and information architecture. A 'Business Case' was the final deliverable before implementation.

When implemented, these changes enabled LD to manage the threefold increase in applicant volumes with the same number of staff. By 2008, Lombard Direct was managing a turnover of £900m with similar staff numbers. The project delivered:

- Significantly improved process performance and the identification of a flexible organisation structure that increased staff motivation, job interest and career development,
- Improved underwriting efficiency and turnaround speed (from 31 days to 4 hours),
- improved control mechanisms and performance measures,
- implementation of supportive IT and infrastructure.

Lombard



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