

A client's perspective

With more than 30 years' international banking and group general management experience with Lloyds, six years as chief executive of NS&I and a further 10 years as a non-executive adviser in both the private and public sectors, former CVA client PETER BAREAU CBE is well qualified to assess the company's unique approach.

RIGOUR AND EXPERTISE – THE CVA APPROACH

Q&A with
Peter Bateau CBE,
Senior Adviser to CVA

Q: What situation did Lloyds Group face when CVA was brought in and what was CVA's role in helping to tackle the issues?

One of my first assignments as Strategy Director at Lloyds Bank was to undertake a major review of the Group's portfolio strategy. One of the recommendations was to set up an international private banking business, bringing together and building on the group's existing geographical units – London, Isle of Man, Channel Islands, Switzerland and the Caribbean. These businesses were all operating independently with a lack of joined-up corporate focus. This was a barrier to the group's aim of creating a viable new business with good products and excellent services for customers.

I brought in CVA to assess the strengths and weaknesses of the business and to deliver a plan to align the existing pieces. In those days, CVA was fresh on the blocks and relatively unproven as a management consultancy. But I was impressed by their fundamental and rigorous approach as well as their analytical expertise and the calibre and involvement of the partners. They put together a picture of the new business and its economics that was extremely insightful, helping in the successful establishment of what became a high performing business for the Lloyds Group.

Q: How has CVA helped to shape Lloyds Bank as it is today?

In the early 1990s, Lloyds' UK retail banking business was facing considerable pressures on profitability. The way retail banking was run at that time was opaque and bundled and basically along geographical lines, based on individual branches and regions. There was little knowledge of the underlying economics of customer segments, products, channels and operations. I was by then a General Manager in retail banking and we hired CVA based on the success of the earlier project.

They brought in a fairly large team – nine or ten people – and helped us prise this big complex business apart and put it back together again in a more transparent, coherent and manageable way. The initial analysis produced a high level of insight, showing us where we were making and losing money, where capital was allocated, what the critical linkages were, and identifying the options we faced.

In effect, CVA changed the mindset on the economics of the business and how it should be managed. Instead of bundled, geographical branches and areas, the business was reorganised around customers, product lines, channels to market and operations. The outcome was a far better



informed and more transparent business, able to focus energies where we had competitive strengths and take action to mitigate areas of weakness.

The more “industrial” approach CVA brought to the retail banking business not only significantly helped improve Lloyds’ performance but, in time, became the template for the approach adopted by other big retail banks.

Q: What made CVA the “right fit” to help with the modernisation of NS&I?

As CEO of National Savings, I argued to the Treasury that there should be a fundamental review of our activities. We needed independent expert advice to help revitalise what had become a tired and outmoded public body with no clear sense of direction. When it came to consider who could be brought in to advise, some senior figures advocated the use of the public sector practices of top accountancy firms. I resisted. They would have done a solid enough job but would not have come up with the kind of innovative thinking necessary to help transform NS&I into the vital and dynamic business it is today.

We wanted to work with people who had no preconceived ideas about the business to help us answer some very fundamental questions, starting with a rethink of what NS&I was actually for. At that time, CVA had no public sector consulting experience. As it turned out, this was a positive advantage.

The value-based solutions proposed by CVA, translated into a public sector context, contributed to the galvanisation of NS&I into an organisation that has saved the taxpayer £2bn over the past decade compared to what a similar level of funding would have cost without NS&I.

Q: How would you view CVA’s involvement in helping your previous organisations to flourish?

CVA’s expertise in the design of value-optimising business architectures, and provision of support for their implementation, is in my experience what differentiates them from other management consultancies. They take a fundamental and holistic approach and leave the client with a business that, at every level, is focused on creating value for customers and other stakeholders. They have a core belief, which I share, that stakeholder value is mutually self-reinforcing – what produces value for one stakeholder generally produces value for the others.

CVA’s approach means that value is constantly driven up through an organisation, with far less need for reliance on targets and programmes imposed from on high.

Q: How can the solutions devised by CVA for the private sector be applied to the public sector at a time of economic austerity?

CVA’s approach to delivering value in the private sector has been very successful. However, defining value in the public sector is more complicated. The concepts used in the private sector have to be tailored to meet the needs of the public sphere. But once in place, the benefits can be significant, as CVA has already shown with a number of public clients.

It leads to a “value” mindset at every level of an organisation that continually asks: can we do this better, cheaper, and more effectively? This contrasts with the traditional “compliance” mindset in the public sector, where the focus is on complying with targets and standards of stewardship, not on optimising value. CVA’s approach leads to large, sustainable improvements in cost and quality, which are not available – because they are not required – under the traditional compliance approach.

It is the right approach to optimising value in the public sector at any time, and especially at a time of acute economic austerity.