De-RISK

$10,000 initial pilot risk analysis leads to $22m account for strategic consultants

Size, scale and complexity of mission-critical programme led a major financial institution to seek our expert help for the largest bank merger ever attempted

BACKGROUND

This major international bank was undergoing a critical post-merger integration programme to merge all aspects of their global operations and IT systems as part of the largest bank merger ever attempted. Under the watchful eye of regulators, investors and media, the project was critical to the bank's future success and had tough milestone timescales that were aggressive and inflexible.

It quickly became clear to the Merger Integration Office that the bank did not have the internal expertise to track, assess and manage all of the business operations and technology projects. For example, at the start of the merger, the client had already developed its own 'issues management system' with over 20,000 issues registered. Unable to focus or prioritise, and with pressure on deadlines and success increasing, it was time to call in professional support.
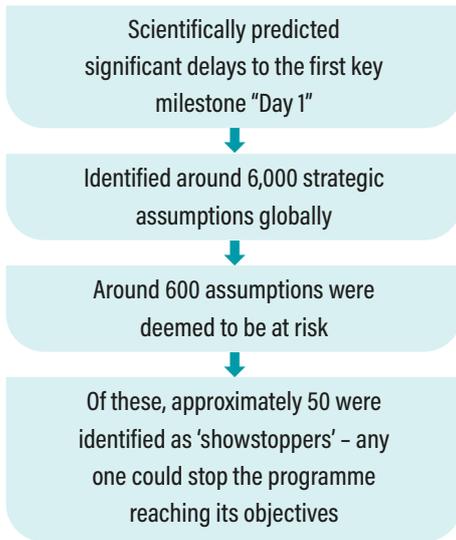
OUR APPROACH

Strategic partner Kearney had been in discussion with Chase about a strategic partnership for the merger programme but were yet to be formally engaged. The prospect of a short, sharp strategic pilot risk assessment of the programme was attractive to the bank, and Kearney was given the go-ahead to undertake a $10k pilot over a two-week period.

PROJECT HIGHLIGHTS

- Turned more than 20,000 registered 'issues' into a focused, strategic, and manageable action plan through our **SDA** methodology

- Flagged, challenged and escalated perceived 'low-risk' issues, while appropriately reducing over-stated risks to ensure action and programme success

- Consultants provided teams to address specific risks and opportunities identified

- Our clients built a major account from zero with their key target client

It quickly became clear that the logistics and complexity of tracking and assessing all of the business operations and technology projects required significant expertise that was not available internally.

We used the steps in the **SDA** methodology with the following results:

> Scientifically predicted significant delays to the first key milestone "Day 1"

> Identified around 6,000 strategic assumptions globally

> Around 600 assumptions were deemed to be at risk

> Of these, approximately 50 were identified as 'showstoppers' – any one could stop the programme reaching its objectives

All initial efforts were focused on action plans for managing these risks.

Several risks required action plans that would be difficult for senior bank staff to manage alongside their day-jobs. Kearney was asked to propose solutions which led to several significant engagements:

- **Roles and responsibility risks:** The two banks had many overlapping senior roles and this could easily lead to unhealthy competitive behaviours in the merger teams. Kearney produced a merger HR plan that rewarded positive behaviours and let key staff know where they stood as early as possible in the process.

- **IT exposure risks:** The integration of IT platforms in Asia was causing considerable concern and taking up a lot of senior management time. Following the Assumption Analysis (Step B) it became clear that Asia was a localised risk. When prioritised against all the risky assumptions globally, a policy of accepting the risk and defining contingency plans was the most appropriate. This resulted in critical IT resources being allocated where they were most needed: in Europe and the USA. Proactive management was essential due to the criticality and visibility of the objectives and the unacceptability of contingency plans.
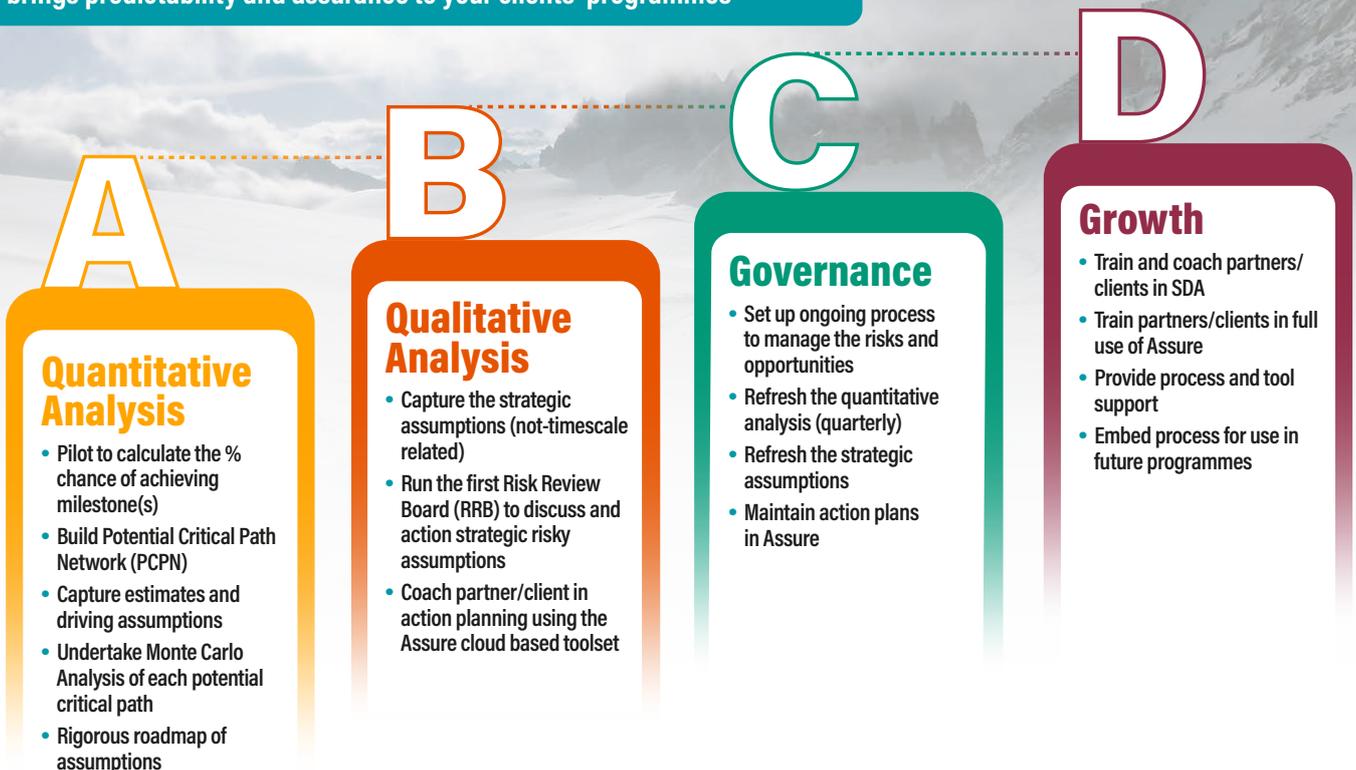
- **Performance measurement risks:** Following the initial assumption analysis it was quickly realised that the operations of both banks were lacking in their ability to define and measure 'success'. A Kearney team was deployed to define new metrics and key performance indicators for the merger process and beyond.

The success of the initial assessment resulted in Kearney's ongoing participation in the governance of the new merger risk management process for the duration of the programme and beyond into post-merger initiatives in the merged bank.

> *"This merger integration could not have been achieved on time without the SDA methodology"*
>
> **Chase Bank Merger Programme Director**

Cut through complexity: How Strategic Delivery Assurance brings predictability and assurance to your clients' programmes

A — Quantitative Analysis

- Pilot to calculate the % chance of achieving milestone(s)
- Build Potential Critical Path Network (PCPN)
- Capture estimates and driving assumptions
- Undertake Monte Carlo Analysis of each potential critical path
- Rigorous roadmap of assumptions

B — Qualitative Analysis

- Capture the strategic assumptions (not-timescale related)
- Run the first Risk Review Board (RRB) to discuss and action strategic risky assumptions
- Coach partner/client in action planning using the Assure cloud based toolset

C — Governance

- Set up ongoing process to manage the risks and opportunities
- Refresh the quantitative analysis (quarterly)
- Refresh the strategic assumptions
- Maintain action plans in Assure

D — Growth

- Train and coach partners/clients in SDA
- Train partners/clients in full use of Assure
- Provide process and tool support
- Embed process for use in future programmes

RESULTS

The achievement of the first major milestone – Day 1 – to integrate all Global Markets Operations and IT systems was met with the rigorous and ongoing application of the risk management process to all key merger projects across the globe.

The second milestone – Day 2 – was achieved by extending the process to cover key business projects, achieving a single payment system and the legal merger of the banks. The process was extended to ensure that the key post-merger projects were established, using **SDA** to ensure that merger savings were achieved.

The client publicly acknowledged that the risk management process was a major factor in ensuring the merger's success. The Wall Street Journal referred to the merger integration programme as "the textbook merger" . Kearney gained a long-standing and loyal customer as well as a multi-million-dollar contract, and the risk management process was embedded as part of the bank's on-going programme of project management activities through a process of training and coaching the bank's PMO teams.

For more information on our work with strategic partners, click here.

On the back of the publicity, Kearney used the same processes and our **SDA** expertise to support many more bank mergers:

- **Bank of America Nations Bank (US)**
- **West Pac Trust Bank (NZ)**
- **Barclays Global Investors**
- **UBS/SBC (Switzerland)**
- **ABN AMRO/Banco Real (Brazil)**

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What Strategic Delivery Assurance brings our strategic partners

A
Quantitative Analysis
- Gives you and your client the percentage confidence that the programme is doable
- ... and if not, what is needed to fix it

B
Qualitative Analysis
- Capture a complete picture of the strategic assumptions and risks to the programme
- Utilise the "Assure" cloud-based tool for data capture

C
Governance
- Implement actions plans to manage
- Implement a rigorous process to recover the programme or take the opportunities identified

D
Growth
- Partner scopes and delivers multiple engagements based on strategic risks uncovered in previous steps