



2011 WINNING CASE STUDY Customer Engagement and People Navigant with Skandia



Executive Summary

Skandia is one of the brightest stars in the financial services industry. It's also one of the youngest, established just 31 years ago. So, in 2009, when the company took advantage of the up-coming Retail Distribution Review to design and implement far-reaching changes to its sales structure, it had little corporate experience to draw on.

It turned, instead, to experts from Navigant Consulting. With no time to waste and much ground to cover, the joint Skandia-Navigant team won approval from the Board to restructure the sales force, rationalise Skandia's network of local offices and change the way sales people were paid in just 30 weeks. By early 2010, implementation was complete, earlier than planned and under budget, saving Skandia more than £6 million a year, 30% more than expected. "But the real story here isn't the money saved," says Skandia's Karen Wright, "but the impact it has had on our ability to serve Independent Financial Advisers better than ever. We took a sales model that had been designed for the 1980s and fashioned it into something that will give us a competitive advantage for another 30 years."

Project and approach

Background and objectives

Under a combination of regulatory and economic pressures, the UK financial adviser market is evolving. The Retail Distribution Review may reduce the number of financial adviser firms; advisers' business models are also adapting as they move to "platforms" which consolidate investments. "On top of these emerging issues, several internal factors were driving change," explains Karen Wright, Sales and Distribution Executive at Skandia. "We were re-shaping our organisational structure, segmenting the advisers we dealt with so that we could focus on the highest-value opportunities, redesigning our sales remuneration structure, and using our support services more effectively. While our Sales Division had evolved steadily over time, we recognised that the pace of change would need to increase."

Having worked with Navigant Consulting in the past and valued the good cultural fit between their two organisations, Skandia asked them to help carry out a fundamental review of Skandia's sales operations in order to make it both more effective and more efficient. "The overall aims of our sales review were to increase market share, protect our existing book of business, 'future-proof' our sales and marketing function, and to effect cultural change," says Wright. "We also wanted to introduce a more sales-related culture across the business and ensure that those who directly influenced sales were rewarded for this. At the same time, we had to make sure that we maintained sales momentum and had taken the impact of regulation into account."

“This was the scariest and riskiest project we have ever undertaken, because it involved fundamental changes to the front-door of Skandia’s business,” explains Warwick Clews, who led the Navigant team. “This is a very sales-led organisation and we could potentially be messing with its engine for future growth. Skandia were putting a lot of faith in us.”

But that faith wasn’t misplaced. Peter Mann was the sales and marketing director at the time and is now Skandia’s CEO. “This was one of the most successful projects we’ve ever undertaken at Skandia,” he says. “A wrong decision here could have been disastrous, but everyone, from the Chairman to our front-line staff, can see that we’ve made the right choices.”

What happened

Timescales were inevitably tight: starting in June 2009, the new sales force structure and remuneration had to be designed, approved and delivered by Christmas. “Navigant’s knowledge of the financial services marketplace was crucial,” says Wright. “Everything had to be done and implemented very quickly.” “Having worked with other clients on similar issues, we had a good idea of the sales force metrics Skandia should be expecting,” says Clews. “We’d had experience of analysing the value of regional offices, for example, which we could bring to bear in this instance.” Indeed, the regional network was one of the most contentious issues to be addressed. “Everyone said it would be a disaster to reduce the number of offices because they were performing a valuable function,” he recalls, “and no one had really challenged that assumption. What we were able to demonstrate, through research and analysis, was that the IFAs value speaking to someone who knows them and who can turn around any request very promptly – neither of which functions have to be done locally. Having a branch network didn’t differentiate Skandia.”

The remuneration of the sales force was equally controversial. Peter Mann was very clear that he wanted to change this, suspecting that it didn’t create enough of an incentive for the best sales people while protecting under-performers. Kenn Taylor, another of the Navigant team, explains: “From analysing the existing scheme and comparing it to others we’d seen, we could see that Peter’s instinct was correct, and that too many people were able to claim a piece of the sales ‘pie’. To replace it, we designed a new scheme and key performance indicators which would encourage the sales people to work harder for their basic pay, but would reward the best among them. We did a lot of work on organisational design to underpin this, ensuring, for instance, that the reward packages of sales directors would be in line with Skandia’s strategic objectives.”

Working on such sensitive issues, it was essential that the Navigant and Skandia people involved could work closely together and trust each other implicitly. “Some of the solutions we were examining were quite radical and, therefore, hugely confidential,” says Taylor. “Our small team worked side by side with an equally small number from Skandia’s HR and finance teams.” “We were all very conscious of the impact of the changes the business would have to make,” says Wright. “We all knew people who would be directly affected by our decisions.”

Clews and his colleagues can’t praise the professionalism of the Skandia team they worked with enough: “Their ability to do the right thing for the company was amazing.”

Outcomes

Overall, the wide-ranging recommendations from the joint Navigant-Skandia team covered nine areas:

- Restructuring the sales force into three divisions: “corporate partners” who would deal with major banks and distributors and the larger IFA networks; a team who would deal with local IFAs and a new telesales channel to deal with smaller IFAs or people don’t want face-to-face contact.
- Launching “Adviser Direct”, a lower-cost channel for smaller accounts and IFAs that prefer to deal over the phone, and a means of increasing contact rates across IFAs more generally.
- Strengthening the role of “corporate partners” – recruiting new people to focus wholly on larger accounts.
- Setting 104 sales people up with the infrastructure to effectively work from home.
- Moving technical support to the marketing team, to create better accountability and more consistent messages internally and externally.
- Rationalising Skandia’s regional offices – all nine offices were decommissioned over a six month period and work successfully transferred to the centre, while at the same time maintaining service levels.
- Moving sales support activity from the regional offices to the centre, resulting in a smaller, but retaining the personal touch delivered by the local branches.
- Revising the sales incentive scheme to reward better performers and reduced the number of roles to only those that directly influence sales.
- Increasing the effort put into retaining IFAs.

The work didn’t only help prepare the ground for the changes likely to emerge from the Retail Distribution Review; it helped Skandia re-align its sales force and extend its distribution reach to a wider number of IFAs while reducing costs and increasing its productivity. The switch from local branches to dedicated teams available over the phone was accelerated because it was so successful, triggering just six complaints from IFAs. “Typically, you’d expect a process like this to result in a dip in sales as everyone gets used to the new way of working,” Clews explains, “but we didn’t see that.” Sales in first half of 2010, after the changes were implemented, were up 25% over previous six months.

“That’s the Holy Grail,” says Peter Mann, “cutting costs while improving quality of service and growing the business.”

“We were able to take out a lot of duplication which had accumulated over the years, such as sales support people checking application forms from IFAs, only for the same form to be double-checked by the service centre,” says Clews. “By clarifying who did what and ensuring people got things right first time, work done by 120 people across the regional network could be done centrally by just 26. One of the reasons why branches had been valuable was in helping deal with problems, but if we could prevent those problems occurring in the first place...” The target, of reducing costs by 20%, was exceeded. “Our sales-force related costs are actually down by around 30%, saving us at least £6 million per annum,” says Wright. But there was a price to pay: “Unfortunately, the branch closures meant making 134 people redundant, however we provided every employee with outplacement support and many had already found jobs to move on to before they left.”

Persuading people to do the right thing was a critical challenge: past attempts to change the way Skandia’s sales function worked had run out of steam because people were reluctant to alter the

status quo. “Peter Mann set the pace,” says Taylor. “His instruction to us was to get some real momentum behind the project. He wanted to tackle some very difficult issues.” “Because of the risks posed by making the wrong choice, getting our proposals approved was always going to be one of the biggest challenges,” says Wright. “We were worried about the reaction of the adviser community and we’d always thought our office network was one of our USPs. Navigant’s analysis demonstrated to us that such a strategy was not as high-risk as we’d thought.” “It gave the Skandia Executive Management team and Board the confidence they needed to tackle some sacred cows,” says Clews.

But it wasn’t just the quality of analysis and thinking that mattered here. “I like to think we helped Skandia reach the right answer,” says Taylor, “but the magic ingredient of the project – the part that made it really special – was how well we all worked together. We brought external experience and examples which helped. There were a lot of potential sticking points – what would Skandia’s redundancy policy be, for example – especially for an organisation that was too young to have undertaken this type of restructuring before.” “Working with Navigant has given us, as individuals, new skills,” says Wright. “We’re better at planning and preparing for change – skills that will stand us – and Skandia – in good stead for the future.”

Client testimonials

“Clews and his team didn’t spend time picking over what had happened in the past but concentrated absolutely on the challenge in hand,” says Wright. “Their first question was always, ‘how can we help?’. I remember on the day before the changes were announced, we had huge piles of paper to be sorted into different packs and it was incredibly important that each individual got the right information. And that’s what they said: ‘how can we help?’ We all ended up spending hours stuffing envelopes together. At no time did we ever have the sense that such things were our problems and that they were there just to advise us.”

“The project delivered more than we expected in terms of benefits, but was under on budget and was finished ahead of time,” Mann sums up. “What more could we ask from Navigant?”