Changes in the regulatory environment, more stringent capital requirements, evolving technologies and an uncertain interest rate environment are all challenges to growth in banking. On the bright side, the economy is showing signs of recovery with stabilizing balance sheets, growing consumer confidence, and easing of credit availability. In this post-crisis era, banks will experience continued pressures on operating margins and will need to realign their operating models, renew focus on customers, adjust to regulatory requirements, and undergo organizational transformation to pursue innovation for growth. Aon’s holistic approach to organization assessment, restructuring, integration, and business model innovation provides the organization transformation insights required to optimize organization design and deliver the promise of dynamic business strategies.

Lessons learned from recent organization transformation engagements

• Managing customer information effectively, elimination of organization and data silos, integration of systems and processes across different product lines is essential in the current market. Real-time data sharing across all of the bank’s connection points is an area of opportunity to enable banks to provide personalized service based on a complete customer profile

• Alignment of strategy to remain relevant with today’s customers who are digitally connected, highly informed and demanding a personalized communications/products/services approach is a top concern. Current branch-based distribution models are unsustainable and are unable to meet rapidly evolving customer needs for real time access and simplicity in banking interactions

• Regulations such as Basel III and Dodd-Frank are causing many financial services organizations to continue to struggle with compliance. As Bank’s reorganize in response to these changes, information technology risk programs will continue to evolve and the IT risk function will be further aligned and integrated with enterprise risk management

• Banks today are at various stages of maturity with regard to their governance, risk and compliance programs. In most organizations, the onus of these programs rests with the leaders of assurance, risk and compliance functions. Banks are moving towards architected and integrated governance, risk, and compliance program to effectively manage emerging risks, new complex regulations, including the most recent Federal Reserve requirements around risk-based audits and control monitoring

• Managing and preserving capital, recognizing, managing, mitigating and laying off risk, quantifying uncertainty and its financial outcomes, as well as, reporting on financial results for the benefit of management, investors, and regulators, are all key functions that are only increasing in their complexity and sophistication

• As a strategic partner to the business, as well as in responding to changes in the workforce, labor markets, and compliance, HR must evolve its capabilities in strategy, efficiency, talent and change management. HR continues to transition from administration. Challenges include refreshing the Employee Value Proposition to attract the best talent, cultivating leadership and engagement in the workforce, and reinforcing a vibrant culture that promotes innovation. At the same time HR must join in finding ways to cut costs but maximize perceived value in big ticket expense items like employee compensation incentives, and healthcare and retirement benefits, requiring new skills daily

Aon’s business transformation services can help your company leverage the insights from these organization design considerations and optimize your immediate and long-term business goals.

We bring unique value added capabilities to your organization transformation initiative:
(1) Proprietary and best-in-class benchmarking data, process, and best practices database

(2) Center of excellence for financial services regulatory compliance and risk management

Our organization design approach leverages our proprietary and best in-class Financial Institutions (FI) Risk center of excellence (COE) in the Aon Global Risk Consulting (AGRC) practice. The FI Risk component of our organization design forms an important part of our current state assessment, gap analysis, benchmarking, and future-state design by bringing forward the best current practices from competitive financial institutions and applying them into your organization. The complex technical requirements imposed by regulatory agencies have changed significantly since the financial crisis of 2009 as demonstrated by requirements such as Basel 3, Dodd-Frank, and stress testing. These new regulatory expectations have a material impact on organization structure (legal, compliance, audit, internal audit, etc.) and governance (e.g., board reporting, independence requirements, etc.) that future state organizations need to address.

(3) Organization transformation services tailored to your situation

We define success based on the results realized by our clients

Aon’s approach to organizational transformation is systematic, fact-based and, uniquely, human capital centric, enabling us to work with our clients to think ahead and identify the practical steps needed to operationalize and implement the changes. We employ our proprietary GEM Framework to drive real business results, and our engagements leverage our expertise, tools, and methods on organization design to go beyond just the “lines
and boxes.” Our holistic perspective takes into account governance, decision rights, information flows, culture, and change management considerations in a manner that engages appropriate levels of the organization and results in sustained performance in the new organizational model.

Embedded within our organization design framework and methodology we have a variety of tools, methods, and templates to guide and enable the assessment, design, and implementation of a new organization. We do not employ a “one size fits all” approach. For example, we work with our clients to select, configure, and employ the tools and methods best aligned and the highest and best value proposition to their situation and needs.

Aon’s Business Transformation practice is unique in the industry because nearly all of our consultants have a mix of industry, management consulting, and human capital backgrounds. This helps ensure that our advice is aligned with our client’s strategy, and that our insights and recommendations are practical, implementable, and consider the impact of change on the client’s organization.

Top U.S. bank –

a. Client was interested in potentially expanding its brokerage business by substantially growing its European equity trade volume

b. Based on the findings of a focused survey by Aon, the client moved processing and client support to a near-shore environment, set up self-clearing facilities in two major European markets, and fundamentally changed from a vertical market-aligned structure to a utility model

Leading U.S. bank –

c. Client wanted to identify specific markets where they could significantly reduce their transaction and custody costs paid to agent banks

d. Aon worked with the client bank to identify specific markets where banks of similar size had gained better rate and assisted in identifying target prices for each market

e. The bank was able to reduce agent costs by over US $5 million across markets, including a US $1 million saving in one market alone

US $9 billion community bank –

f. Client had grown rapidly over the past three years through acquisition, expanding its footprint and its lines of business accompanied by significant changes in the composition of its board of directors and executive ranks

g. The bank’s salary and grade structure had not kept up with the growth in the employee base and the different geographies it now served

h. Aon guided the bank in establishing competitive pay levels that were consistent across the organization. The new equity plan design reinforced the strategic goals of the bank, and also responded to regulatory concerns about balancing risk over a longer-term horizon
Business transformation case study

Situation
• Prominent Retail Finance client was facing a dynamic and highly competitive market while responding to significant demands brought on by a rapidly changing regulatory environment
• Planned strategic events (going public, M&A, Divestitures) created the need to assess the enterprise organization design to align the organization to best support these changes
• Organization realignment to evolving strategy coupled with rapid and focused execution are critical challenges for the Senior Leadership Team (“SLT”)
• There was a need to expand their HR Organizational Development function’s skillsets and capabilities to effectively undertake this work and embed the capabilities in the organization to conduct similar consultative OD projects in the future

Approach
• Aon assessed the organization, formulated design recommendations, and engaged with senior leadership on the recommendations to gain buy-in and set the stage for the changes required to implement the recommendations
• This has been a top down effort involving working with the CEO and SLT and then cascading the assessment and design process into all levels of the business functions and P&Ls
• We have developed an Organization Design and Change Management Toolkit for the client’s parent company’s HR team and that has become a standard within their organization
• We also partnered with the risk organization leaders to assess and realign the organization to best support the business and meet regulatory requirements

Results
• Our work has resulted in significant change in spans of control, layers, functional and P&L realignment, refocus of operational governance and decision-making processes, leadership team restructuring, skills enhancement
• We have provided a methodology and toolkit to cascade the new organization strategy and design into all levels of the organization with embedded change management and the initiation of a roadmap to achieve culture transformation
• The changes build capabilities to strengthen their operating performance, minimize regulatory and operating risk, improve execution accountability, and enhance their ability to effectively undertake strategic events critical to achieving their growth plans
• The client implemented our recommended changes and has successfully completed its IPO in 2014

About Aon
Aon plc (NYSE: AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 66,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world’s best broker, best insurance intermediary, reinsurance intermediary, captives manager and best employee benefits consulting firm by multiple industry sources.

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