INTRODUCTION

This paper outlines how Vsolution Management Consultants collaboratively supported one of South Africa’s major banks in establishing a Joint Venture (JV) with a multinational company, to create a financial services company that challenged the status quo and changed the competitive market.

Vsolution provided the deal support team to respond to the initial requirement: To determine the joint value proposition, create the detailed operational costing model and construct a defendable business plan. After Board approval, Vsolution programme managed the business start up, applying the business change lifecycle of Define, Design, Develop and Implement. The total duration of the project was 15 months, and the start up successfully exceeded first year volume targets.

SITUATION

The multi-national company approached the retail bank whilst assessing a beauty parade of leading South African Banks. The proposed operating model was to partner with a local bank to provide back office operations and funding, and for the multinational partner to provide the brand and marketing expertise.

CHALLENGE

The initial challenge was the creation of a robust and defendable value proposition that was attractive to the Boards of both parties.

The selection process by the multi-national was to aggressively seek a banking partner that provided best value in efficiency and effectiveness, with significant emphasis on unit processing costs and service levels. Getting sufficient detailed and robust data against tight timelines was imperative to ensure the negotiation process continued and the business case could be substantiated.
Having identified the data for the business case, focus turned to the commercial structuring of the partnership. The skills and capabilities of each party were complementary, but very different and often intangible. Significant focus was given to understanding the value each party would bring to the table, what each party would be accountable for, the funding flows from each party and how the profit would be shared.

Critical to the success of the venture was alignment of the strategic goals of both parties, and the strength of the business case, particularly as it involved cannibalising some of the existing market.

APPROACH

A structured business change approach was followed – the business change lifecycle – that provided clear deliverables and decision points at the end of each stage – Concept, Define, Design, Development & Implement. This provided clarity to the project team and ensured that the Board’s of each company had clear site of the progress being made and distinct decision points to set direction and approve funding.

CONCEPT STAGE

The concept stage created a high level value proposition, business model and operating model for the venture. The focus was to test the strength of key value drivers:

- Strategic alignment of both parties;
- Cultural fit and working relationship;
- Proven ability of both parties to add value;
- Willingness to participate in a commercial venture; and
- Key efficiency and effectiveness benchmarks.

Critical to the success of the venture was the alignment of the strategic goals of both parties, and the strength of the business case, particularly as it involved cannibalizing some of the existing market.
After successfully testing the above, the project team prepared the high level business plan, investment business case and deal motivation for Board approval by both parties. This essentially provided the comfort that value would be created as well as a framework for further exploratory investigations and detailed business planning.

Key success criteria included:
- Focus on identifying the value drivers for both parties;
- Quality of analysis, and robust defendable arguments; and
- Creating a solid fact base to inform negotiations and positioning.

DEFINE STAGE

The Define stage focused on preparing the detailed deal structure, agreeing the operating model and obtaining Board approval from both parties in order to start investing in the company set-up. The preparation of a detailed costing model was invaluable in demonstrating an understanding of the business drivers, and provided a basis for informed negotiation and decision making. The operating model was defined, with a focus on how the service offering would differentiate in the market and how new business processes would secure a low cost base, whilst maintaining a sound risk management and compliance environment.

The Define stage was concluded with the signing of a legally binding memorandum of understanding, supported by a detailed operating model, business plan and investment budget.

Key success criteria included:
- Detailed operating model analysis and extensive scenario planning;
- Extensive and focused stakeholder management and communication; and
- Succinct and high quality presentations to both Boards.
Changing The Retail Financial Services Competitive Market In South Africa.

DELIVERING A LEADING FINANCIAL SERVICES COMPANY, THAT CHALLENGED THE STATUS QUO AND CHANGED THE RETAIL FINANCIAL SERVICES COMPETITIVE MARKET IN SOUTH AFRICA.

DESIGN, DEVELOP & IMPLEMENT STAGES

Design, Develop and Implement took 26 weeks and focused on six work streams that covered – Programme Management, Partner Legal Contracts and SLAs, Third Party Contracting, Product Design – Marketing and Customer Experience, End-to-End Process Architecture and Business Management and Controls.

Vsolution programme managed these three stages, following their tried and tested programme management approach. During the three stages the client team was increased to ensure knowledge transfer and accountability rested with the “to be” Business as Usual Team.

Key success criteria included:

• Rigorous planning and programme management;
• Taking a “hands on approach” to managing IT development;
• Continuously challenging current working practice; and
• Involving the Business as Usual Team, early in the project.

BUSINESS OUTCOME

• A successfully launched financial services company that changed the competitive landscape in South Africa by introducing a non-traditional challenger brand;
• Fully operational financial services business – taken from concept to final go-live within 15 months, successfully launching and far exceeding the year one volume targets;
• An operational business architecture that proved to be sustainable and manageable with established business governance, controls, risk management and performance management processes.

The time spent rigorously planning is a great investment, particularly when drawing on the time of the senior management of both companies.
INSIGHTS

- The high quality and depth of costing data/modelling ensured a meaningful engagement between both parties, and contributed to the success of the initial relationship;
- A robust financial model and supporting narrative was crucial in establishing a commercial agreement, trust between parties and a clear understanding about what had to be delivered;
- Negotiations are fragile and can be easily destroyed by provision of information that is inaccurate or poorly presented – validation, planning, rehearsals and team pre-briefings are essential to prevent unintended disruption;
- Both parties need to bring tangible benefits to the JV for the deal to be successfully concluded - this sounds obvious, but getting each party to agree the value of the other continually proves to be a time consuming challenge;
- Agreeing the commercial terms with the legal representatives is time consuming, difficult and the effort required should not be underestimated...a comprehensive approach is essential;
- Formalising the terms for service level management is crucial for ongoing success, and for providing the mechanism to continuously improve the operational performance;
- The time spent rigorously planning is a great investment, particularly when drawing on the time of the senior management of both companies; and
- The on-boarding time of new team members is always longer than expected - this needs to be planned for to prevent perceived delays.

Vsolution is a premier South African management consulting company, with international reach, that draws on deep experience in strategy, transformation and business improvement projects in Europe and Southern Africa. Our core capability is the ability to help our clients setup strategy, innovate and successfully execute breakthrough performance improvements.

To find out more please visit www.vsolution.co.za, or if you would like to speak to someone regarding business inquiries, please contact us on Tel: +27 (0) 11 784 4821 or email info@vsolution.co.za.