TBM council

Nationwide Building Society:

Service Transformation is the New Cultural Transformation

"Nationwide has a well-stated vision to be the first choice for financial services in the UK. A big part of that is investing in what we call the Digital Society, moving toward the channels of choice that our customers want. The service-based journey that I've taken my division on is a really key part of that. ... Making sure that we're more focused on end-to-end services and what they mean for our internal customers, our colleagues and our members, is the real center point of our strategy."

– Debra Bailey, Group Services Director for Nationwide Building Society.

The Back Story

Nationwide Building Society is a British mutual financial institution and the largest building society in the world. Made up of over a hundred mergers — most notably the merger between Nationwide and the Anglia Building Society in 1987 and between Nationwide and Portman in 2007 — it is now a top-three provider of household savings and mortgages in the UK. Nationwide has assets of around £200 billion, compared to £325 billion for the entire building society sector in Great Britain, making it larger than the remaining 44 British building societies combined.

It's Complicated

Nationwide Building Society is one of the world's largest retail bankers — with 17,000 employees, and about 15 million members. The Group Services Division is not just responsible for traditional IT, they also provide shared services including property, facilities management, payments, and security in addition to IT. In other words, the division manages a complicated set of services, applications, systems and IT along with a multifaceted configuration of physical sites and retail branches.

As an organization, Nationwide is investing in what it calls the "Digital Society." This strategy enables Nationwide to provide customers the channels of choice that they want, when they want. As part of that organizational mission, Group Services' strategy is to make sure that the services that it offers are available all of the time, through all of those consumer channels. "Everything we do underpins that vision and there's an investment budget and a series of investment themes that are being sponsored across the organization to achieve that," said Debra Bailey, Group Services Director for Nationwide Building Society.

A State of Transparency

With a centralized IT delivery model and budget, one of the biggest issues Group Services faced was a lack of transparency into the cost of IT, the unit cost of delivery of IT, and the actual run cost of IT. "We needed a method to bring clarity and transparency to the way in which we counted the cost of IT, and to be able to connect it to things like property costs to really understand the cost of services provision," said Richard Rogers, Head of Business Management Group Services at Nationwide.

To get to a state of IT transparency — and further the organization's digital strategy – Group Services realized they needed to transform into a services-based organization. They had a number of goals in mind, including the ability to deliver the cost transparency required to commercialize the relationship between Group Services and its internal business customers. Additional goals included:

- Supporting increasing transaction volumes and the Group's strategic ambitions
- Meeting the increasing availability and capability expectations of customers
- Centralizing the Group's technology infrastructure and dealing with increased complexity
- Simplifying, and driving value from, Group Services supply chain
- Mitigating increased costs driven in part by increased volumes
- Demonstrating robust control in the face of increased regulation

As Group Services started its services transformation journey, it implemented Technology Business Management (TBM) methodologies alongside TBM applications from Apptio. During this time, Group Services also reviewed the organization's operating model to ensure that service delivery aligned with the needs of the business.

The Road to TBM

One of Group Services' primary challenges is its share of Nationwide's costs. The group accounts for about a third of the total costs — and there is no cross charging (chargeback) and little cost transparency to the business units. The group realized it needed a toolset to help it expose some of those underlying costs, and draw the link between demand and activity in the organization.

Credibility was also essential. Group Services needed a tool that would be beyond reproach in conversations with business leaders, by covering every element of the cost base and every source of information. "We're really trying to get to the data-driven conversations with the business, getting them to understand the link between demand and the cost of activity that it drives within my division, and then having the right conversations with the right people to take the right actions as a result," said Bailey.

Changing the Conversations

While the service transformation underpins Nationwide's Digital Society strategy, what really convinced Bailey and her team to pursue TBM was when they realized they had to change the nature of their conversations with the business. Nationwide is a growing business that can't grow its cost base in direct proportion. Group Services had to understand the cost drivers and find ways to offset growth — in volume, in the transactions it expects to see as a result of its strategy, and in the project costs that flow through the organization.

"We needed a new way of looking at demand and we needed a way to bring all that data together," said Bailey. "We realized it was going to be significant, but looking back it's really changed the nature of the way in which we work as a division and the conversations we have with the business."

Outcomes

Run the Business Investments

With the transparency that TBM provides run-the-business spending decisions can now be made within the context of infrastructure platforms TCO, allowing for better optimization of the portfolio. For example, Group Services outsources the majority of its IT infrastructure provision to a number of different companies. It spends roughly £100 million ($160 million US) per year on IT infrastructure management and development. The group is currently going through a renegotiation process with those companies and is using TBM with Apptio to build the case for those costs and do comparisons. As Mike Pighills, Head of IT Service Delivery observes "With supply side management, one of the cool things is that I now have better data then they have. And when we come to doing negotiations it's fantastic that I am in a position of power. I can start making decisions based on fact rather than supposition about a collection of data sources."

Part of that journey is working toward a clear view of unit cost and demand volumes with a detailed breakdown of the composition of unit cost. "This will form a foundation for a more metrics-based view and an understanding of productivity improvements (or not). I think we'll take somewhere between six and seven percent of our IT unit cost out by doing this analysis, that's somewhere between $10 and $13 million," said Rogers.

A Cultural Change

There is, as Bailey and Rogers describe it, also a cultural change within Group Services, where the concept of "there is a different way of doing things" is now embraced.

Part of that shift is due to TBM's ability to enable the group to develop a fully loaded end-to-end cost for each line of business system. This enables decisions and business case development regarding application rationalization and simplification of the IT estate. Group Services is able to understand demand to help influence business decisions regarding consumption. "The best way to do this is to offer people the choice, but also report back to them the cost of their decisions. This has been part of the cultural change," said Rogers.

Group Services has also been able to use TBM to analyze business and technology data in unique ways. For example, its ATM program operates and manages thousands of ATMs. By combining property data, property costs (rental cost of where the ATMs are located), usage data, how many people transact on the machine, and who transacts on the machine (customers vs. non customers), the group can assess the business performance of the ATMs in its estate. They now make data-driven decisions about how quickly they should fix an ATM if it breaks, whether it's profitable, or whether it should be removed. "We've made some big decisions recently around this area which has resulted in quite significant changes to the ATM footprint," said Rogers. "We're talking multi-millions of dollars."

Capacity Management

Group Services has also utilized TBM to determine how to deliver the right capacity to the business, at the right time. "We've done quite a lot of work in terms of looking at how some of our services are used, and some of the patterns of usage — using cloud services to accommodate some changes in the way in which our business operates," said Bailey.

TBM has introduced factors into capacity decisions that were previously unused or underused. "TBM has been introduced with cost dimensions and associated language, raising awareness of the elements of cost, cost allocation strategies and the concepts of fixed vs. variable and of OpEx and CapEx. This is driving up understanding of cost and quality of decision making," said Rogers. It also puts capacity decisions into a business and financial context.

It's About the People

To ensure that TBM methodologies and the resulting demand and capacity management decisions are in line with business needs, Group Services created TBM office service managers that interface with IT leaders and internal business partners. Together, they review TBM generated reports to understand how consumption decisions are impacting costs and to make necessary adjustments.

For example, each set of TBM reports is built around an object in the TBM model — such as applications, servers, storage and so on. The TBM office has identified a primary stakeholder group with interest in each object and meets regularly with that group. The service manager discusses costs, consumption, and requirements while taking an iterative approach to providing insight into the subject of interest. "This has resulted in the TBM office having a standing agenda item at a number of key forums through the IT service delivery organization, ensuring the solution continuously improves to meet stakeholder needs," said Rogers.

At the same time, Group Services created a TBM steering group consisting of senior managers from each stakeholder group, including those with a governance interest. The steering group provides an approval and escalation path for cost allocation decisions, prioritizes the development of TBM technology, and helps with other decisions where there are contending views.

It's A Journey: Next Steps

Using TBM, Nationwide Group Services has made tremendous progress with both its internal services transformation and its organization-wide digital strategy. But the group realizes TBM, and the services transition it enables, is a journey rather than a destination.

Bailey has a vision that Group Services will be a Trusted Partner to the business 'delivering great service today whilst shaping tomorrow.' TBM is a key capability providing the underlying information to make that possible.