

## Background

HML is the UK's premier third party mortgage servicer with over 20 years experience. Backed by the Skipton Group, HML currently handles assets in excess of £50 billion for over 35 clients including building societies, investment banks and non-conforming lenders. HML is based across four sites in the UK and employs around 2,000 staff handling services from processing new lending or dealing with customer queries, to arrears and recovery. Most services provided by HML involve providing customer service at the end of a telephone or computer terminal.

HML has experienced significant growth over the past five years with assets under management growing from £5 billion to around £50 billion. From an operations stand point this rate of growth has inevitably resulted in a major focus on 'transactions' as a key business driver, with processes created along the way that may not always be as well optimised as they might be.

Under the leadership of Managing Director Brian Brodie, who joined HML from RBS in 2007, the organisation has begun a process of business transformation with Lean at the heart, and with a major focus on quality improvement. HML is striving to be the best at what it does, not simply the biggest.

## The HML-Skipton perspective

### The HML-Skipton Team:

Brian Brodie, Managing Director  
Rachel Fawcett, People and Development Director  
Richard Johnston, Portfolio Director

The initial objective for implementing Lean at HML was to increase efficiency and to get people thinking about quality in a routine and consistent way. At the same time, at the start of the transformation programme it was identified that staff were not always totally clear about the business priorities. This wasn't a matter of job definition; it was about the bigger picture of where HML is going as an organisation. It was key to get staff much more engaged in the priorities of the business, to improve processes, and to be more proactive.

A multi-pronged approach was established as part of a long term transformation strategy with Lean at the centre. This began with a number of projects in areas of the business where most improvement was needed, or quick wins were seen as achievable.

oeo was commissioned to support the transformation programme. oeo's first engagement was to provide two days of in-depth Lean training for Brian Brodie's Senior Management Group (SMG). This covered topics as wide-ranging as practical front line improvement and operations strategy. This session provided SMG with the knowledge to support the drive to Lean. Subsequent senior support for Lean activities has been strong, which is testament to the recognition of the importance of starting the journey at the top.

oeo initially supported two "deep dive projects" involving an operational transformation team of 13 employees from different areas of the business. The first project finished in June 2008 and reviewed how client reports were produced. A new team to produce the reports was created and trained in continuous improvement techniques. The next project, still in progress, focuses on process re-engineering in the insurance part of the business. These were deliberately large scale projects to maximise visibility and to showcase both internally and externally real examples of how Lean works.

The wide-ranging nature of oeo's first two in-depth projects has meant that skills transfer into the organisation has been wide-ranging. The Client Reporting Project focused on improving quality and eliminating risk, including the use of more advanced Lean tools such as Failure Modes and Effects Analysis (FMEA). Significant effort was invested in root cause analysis of known reporting issues, with director-level sanction for the subsequent action plans. A major task was to review and strengthen the process documentation for the hundreds of reports produced, and to introduce strong operations management principles in the key report-producing areas.

In contrast, work in the Insurance area focused on understanding the complexity and the variety of processes carried out on behalf of clients. HML is keen to meet changing and varied customer demands, and therefore process design work balanced a desire for standardisation on "one best way" with the need to provide tailored

## Testimonial

HML



solutions at key points in the process. Staff engagement was enhanced by the involvement of processing staff in process mapping and design sessions, and the subsequent introduction of world class team management techniques such as visual management, daily team huddles and staff skill matrices.

A key issue for HML is that it wants to protect against Lean becoming simply a fad. An integral part of the programme is therefore for those involved to gain a formal qualification in Lean. This is being delivered via Cardiff Business School's Lean Competency System (LCS) – designed by the School's Lean Enterprise Research Centre (LERC). The LCS has seven stages of Lean competence from basic to strategic. OEE are approved accreditors of the scheme and have provided training, practical coaching and assessment for the HML team. HML views the LERC accreditation as vital, as it formalises the learning process and supports upskilling.

The use of the Lean Competency System as a framework for training and development was useful in keeping everyone focused on the need for effective skills transfer during the projects. Following an initial one week intensive training course, team members were immersed in project activities with hands-on coaching support from **oee**. Subsequent project team meetings were used to enhance skills and knowledge, with additional training modules and exercises being included as they became relevant. A team skills matrix was created measuring competence not only against Lean tools, but also in terms of practical skills such as implementing change, communicating with stakeholders and challenging poor performance.

The formal implementation of Lean at HML involves staff in process improvement through regular team discussions – sometimes known as “workouts”. At RBS Brian Brodie witnessed the results of employee opinion surveys which divided clearly into those that had been involved in ‘workouts’ and those that hadn't. The difference in engagement that he saw was significant.

With the broader roll-out of the transformation programme, other areas of HML are coming into contact with Lean techniques, often initially through the workout process. This is facilitated when the staff is asked to step outside their jobs and map the processes they work in. They then identify issues, develop solutions and present those to a panel of senior managers. Once given the go-ahead, they need to implement the solutions within 90 days with the senior manager as sponsor. The beauty of the approach is that people are given the mandate to improve their own situation. Managers are involved through the decision-making panels – they are sponsors of change and have to clear the pathways so that solutions can happen.

The organisation is seeing some quick and significant wins as teams build their competence in Lean techniques. One team in New Lending has put in 68 quality checks throughout their process which, on the surface, might appear onerous. However, it has actually reduced workload because mistakes are picked up as soon as they happen. Within a matter of weeks of the process being introduced people began checking their work automatically and the formal checking process began to become superfluous. This is key to the focus on quality which HML is driving.

The workout process is also helping to build a detailed matrix of skills in the organisation, which is aiding HML in its people development. This counters the issue in the financial services sector where many roles have been deskilled resulting in a lack of enthusiasm and poor morale. Moving forwards HML is moving towards multi-skilling and giving people greater job variety.

The overall thrust of the programme is about long-term culture change and **oee**'s role has been integral to this. The Lean journey doesn't finish after one year. It's usually a five-year journey to really embed the approach. HML has the advantage of a building society parent which takes a longer-term view. Ultimately HML believes success will only come if staff own the process, and it is underpinned by cultural transformation. HML has acknowledged that it can be hard for an organisation to maintain a transformation project from one generation of leader to the next, which is why establishing a vehicle for staff to gain a formally recognised accreditation in Lean is seen as so important.

**oee** are presently working with HML on the formal accreditation process for staff which will help to establish a body of knowledge and business-wide focus on continuous improvement.

HML team members are aiming to achieve the first practitioner level, Level 1B. At the time of writing Lean Exams are imminent and Portfolios of evidence showing the practical use of Lean skills are being submitted – with a target of accreditation before the end of 2008.

**November 2008**