

- In just one year, Project Everest has already delivered £25million to the P&L of the business and the procurement function has been transformed. The introduction of a tailored HBOS strategic sourcing process combined with developing the procurement team means we're on target to achieve the overall savings target of £100million within 3 years. ●●

Jerry White, Head of Service Delivery

HBOS plc is a major UK financial services company. Employing approximately 72,000 people within its many divisions, the Group provides retail, business and corporate banking, and insurance and investment services through its multi-brand strategy in the UK and internationally.

- Overall, the procurement professionals we are working with have a fuller, more complete set of tools and a wider business perspective. This has comprehensively moved us on from the much more transactional service delivery we experienced and expected. Procurement now has an appetite and capability to engage with my businesses. ●●

Derek Bottom, Head of Business Services

In 2006, the new CEO announced Platform for Growth, a 3 year programme to reduce costs by £300m. Procurement was tasked with achieving £100 million of these savings while at the same time conducting a major organisational redesign and implementing an e-procurement system.

The new CPO realised it would be difficult to meet the procurement challenge:

- The team lacked the procurement skills, processes and infrastructure to deliver target savings.
- The quality of sourcing, category and stakeholder management was highly variable.
- Effective stakeholder engagement was constrained by the lack of an effective governance process.
- The ability to control activities was hindered by the inconsistent quality of category and activity plans.
- Prioritisation and decision making was restricted by incomplete and out of date management information.
- Compliance and co-operation was low, driven by HBOS's highly autonomous divisional structure.

Efficio were engaged to devise and implement a sourcing and coaching programme with the joint aims of achieving savings targets and helping to transform the procurement function. The programme, entitled Project Everest, was launched at the beginning of 2007 and consisted of two implementation Waves.

Wave 1 combined consultant-led strategic sourcing work streams across 19 categories with the introduction of a tailored HBOS strategic sourcing process.

Sourcing activities focused on traditional indirect categories such as Facilities Management and HR, while addressing other categories where there had previously been little traction such as Marketing, Professional Services and IT.

- ● Our Procurement team have increased their capability in terms of specific marketing expertise and more importantly made a step change in the way they engage with the business and with suppliers. ● ●

Philip Hanson, Director, Marketing & e-commerce

These activities were underpinned by establishing a comprehensive engagement and programme governance structure coupled with the introduction of systematic operational processes.

It also created momentum and mobilised procurement across the autonomous divisions, building engagement with over 300 stakeholders. This allowed HBOS to concentrate on the people agenda, ensuring they had the right people in place, with the right skills and motivation – a significant challenge given early analysis indicated that over 60% of the existing workforce would struggle to deliver the new agenda.

- ● Procurement has brought a commercial structure and discipline to their internal customers that didn't exist a year ago. Procurement has been instrumental in bringing this about - a year ago this was ill-defined and informal. Procurement has delivered significant value. ● ●

Brian Roddick, Head of Service Introduction, Group Technology

At the end of Wave 1, HBOS had successfully delivered sourcing savings and embedded its new purchasing organisation through an effective recruitment campaign.

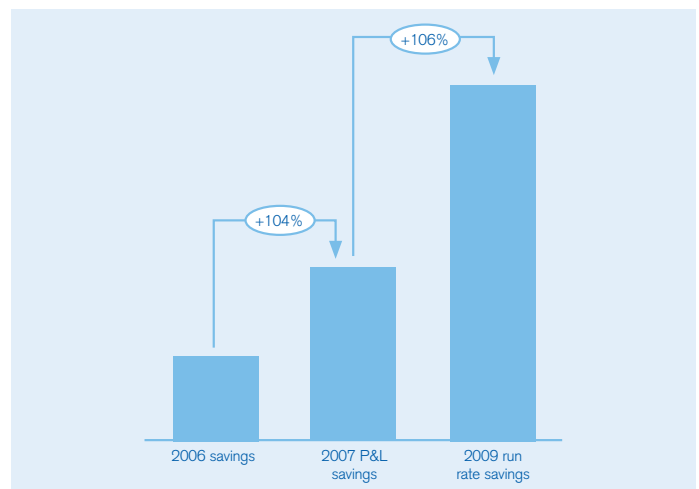
Wave 2 focused on supporting HBOS to build a sustainable procurement platform. Given the disparate backgrounds and experiences of the newly forming team, an extensive development plan was required to align the team around a shared procurement vision. Efficio provided a comprehensive coaching and training programme addressing the needs of individual team members and complementing HBOS's own internal people development framework.

Key elements included:

- One-to-one coaching
- Regular formal training sessions
- Leadership development and sessions on unlocking potential
- Cultural development
- Embedding technical procurement excellence

- ● Over the last year I've noticed a real improvement in the understanding of my business issues, especially with the focus on reducing cost. ● ●

John Pike, Head of Group Property



Over 40 procurement personnel (with coverage across 45 categories) were given "one-to-one" coaching and training in a full suite of procurement skills and techniques as well as "soft skills" relating to customer engagement. Coaches worked with category managers to improve their skills and competencies while at the same time achieving savings. This helped to build a skilled, motivated and empowered procurement team capable of operating in a challenging business environment.

As a result of this programme, Procurement at HBOS has been transformed from a fragmented, uncoordinated series of activities across the company's divisions into a single world class operation. It has achieved substantial initial savings and professionalised its procurement. By the end of the first year of Project Everest, £25 million P&L run rate savings had been achieved (£40m annualised), on target, towards the £100 million procurement target set under Platform for Growth.

- ● The training not only added to the bottom line but also started to change colleagues' mindsets. It changed the way they felt about themselves and their self esteem and confidence which translated into a completely different attitude towards work and their business colleagues. Our people now approach their work with new confidence and vigour and our focus in 2008 continues the theme of personal development and looks to build on increasing confidence and ways of working together. ● ●

Jerry White, Head of Procurement Service Delivery