



# Bangkok Bank



Booz Allen helped Bangkok Bank recover from the Asian financial crisis and transform into a world-class institution

With more than US\$30 billion in assets, Bangkok Bank is the largest bank in Thailand and one of the largest in Southeast Asia. Yet in the aftermath of the Asian financial crisis in 1997 and 1998, the bank stood on the brink of financial collapse. A new CEO, Chartsiri Sophonpanich, launched a series of emergency initiatives to recapitalize the bank and avoid insolvency. He also called Booz Allen Hamilton to see how we could together build Bangkok Bank into a world-class institution.

Timing was critical, as the bank faced not only the fallout from the financial crisis—non-performing loans and losses—but also an onslaught of sophisticated foreign competitors. Citibank, ABN AMRO, and Standard Chartered had expanded their

presence in the Thai market after the crisis and had applied world-class technology and capabilities to capture an increasing share of the incumbent banks' high-value customers. Some of Bangkok Bank's local competitors sold out to these new entrants.

But Sophonpanich, and his key advisor, Lindsay Pyne, decided to fight. With Booz Allen's help, they embarked on an ambitious "fix and build" program that would first stem the losses and free up working capital, and then transform the bank into a modern, customer-focused financial institution.

"They had to understand who the key customers are, what their needs are and how to serve them, and they had to realign the entire branch structure to do that," says Mark James, a principal in Booz Allen's London office. "They embarked on a three-year transformation to change the face of the

way they did business, totally overhauling 500 branches and adopting a shared services model for support. They managed to cut costs pretty dramatically, and they implemented a model that they could build on."

Booz Allen's work with Bangkok Bank began with a series of discrete assignments targeting areas that needed rebuilding after the financial crisis. These included redesigning credit policies, processes, and procedures, and the design and implementation of a special asset management unit to provide intensive workout of troubled loans. Once the near-term threats had been addressed, Booz Allen engaged the CEO in a dialogue about how to revitalize his organization.

Sophonpanich decided to embark on a major transformation of the bank's entire operating model in order to enhance customer focus and deliver a step-change improvement in efficiency. The overarching objective was to unlock the value of Bangkok Bank by enabling it to compete as the largest financial institution in Thailand rather than a series of discrete stand-alone branches.

At the center of this strategy was a major organizational and branch restructuring program, with four main components:

- Restructuring the geographically based organization into one focused on meeting the needs of customer segments
- Transforming the traditional branch network and focusing the staff on sales and service rather than processing transactions
- Migrating processing operations from branches to centralized operating centers in order to capture the bank's scale advantage
- Developing key enablers that would facilitate a transition to a performance-based culture, such as performance scorecards

No other organization in Thailand had previously embarked on a transformation of this scale, and many stakeholders, including members of the bank's board of directors, were skeptical. They believed that this type of rapid

change program was impossible in an institution imbued with a very conservative, risk-averse business culture. However, senior management was determined to accomplish what they'd set out to do, and they put their trust in Booz Allen to help them achieve their goals.

"It's a partnership," says Pyne. "If you look at the characteristics of a successful partnership, there has to be an element of trust, of organizational sensitivity, of understanding the organization as a society, almost. You can have consultants come in, give you an off-the-shelf package, and expect it to work and it doesn't. Partnership means understanding and customizing accordingly," he says.

The Bangkok Bank program has been an outstanding success by any measure: Between January 2001, when the first changes were implemented, and early 2003, the bank's stock price rose 23.5 percent versus 7.5 percent for its main competitor, representing an additional US\$350 million in shareholder value. In the first year after rollout of the model, Bangkok Bank recorded a profit of 6.5 billion baht, its first in four years. In 2002, Bangkok Bank's loan growth increased at a higher rate than all other commercial banks in Thailand, and the bank received five Bank of the Year awards.

"Only the organization itself can execute, but Booz Allen provides us the tools to make sure the organization is aligned with the goals we set," Pyne says.

"Booz Allen ensures a relationship between the activities and the bottom line, but it's not just numbers-driven. The fact that Booz Allen brings a wide range of skills and experience to the table ensures that the overall program is like a very open mind. Banking is changing, whether we had an economic crisis or not, so the mindset around banking had to change."

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