

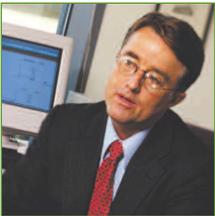
Achieve Performance Improvements More Rapidly



APPLYING LEAN SIX SIGMA IN FINANCIAL SERVICES

Applying a Lean Six Sigma approach can generate rapid results in Six Sigma deployments

By Bill Frost – Engagement Manager, Six Sigma Qualtec



Tired of waiting months for your Six Sigma projects to achieve results? If so, then you need to look in to the Lean Six Sigma approach to process improvement.

Lean Six Sigma is becoming increasingly popular outside the traditional manufacturing environments where it started. While many practitioners find it difficult to transfer Lean Manufacturing principles to a transactional/service industry due to the people-centric nature of the services environment, results can, and have been achieved by some major financial institutions. By focusing on eliminating waste and standardizing processes, companies can realize the benefits of Lean Six Sigma in a much shorter time frame than with a traditional DMAIC approach

Lean is a set of tools and concepts that focuses on the **RATE** at which your transactional products and services **PROFITABLY** go from customer request to customer fulfillment. It focuses on eliminating waste operations and materials and promotes simplification and standardization of processes, eliminating the barriers to flow of materials and information, and pulling work through the operation at the rate of **CUSTOMER** need.

That's all very good and applies to manufacturing, many might state, but how can I utilize Lean Six Sigma principles and tools in a financial services environment? We're different than a company that produces widgets!

It's true that the financial services industry is different than manufacturing, but many of the same Lean Six Sigma principles apply. As an example, financial services work, in many cases, is completed by people, while manufacturing work is completed by machines.

Yet they are both processes, and processes take **TIME** to complete. This is where Lean principles and tools can be applied in both worlds, and where Lean Six Sigma is gaining momentum in the financial services sector.

Time is Money

The advantages of applying Lean in a financial services environment are many:

Cost Reduction

Time to Market

Throughput Time Reduction

Space Reduction

Process Discipline

In all cases, by focusing on both time and quality, costs can be reduced and both customer and employee satisfaction are improved.

The objective of applying Lean in financial services is to reduce non-value added but necessary time and place the remaining value-added process steps in a logical and natural flow sequence. By reducing steps, eliminating non-value added activities and increasing throughput, a company saves time, which has a direct impact on the bottom line. When capacity/throughput increases, less people are needed to complete additional work while at the same time, quality has improved due to the application of a traditional DMAIC Six Sigma tools as necessary. Let's look at some of the non-value added wastes that can show up in our processes:



The 8 Wastes

Traditionally, there have been 7 wastes (MUDA) identified in a work process:

- Defects*
- Overproduction*
- Transportation*
- Waiting*
- Inventory*
- Motion*
- Over-processing*

In financial services organizations - and the transactional services industry overall - an 8th waste has been identified... that of the waste of **Human Capital**. This is the waste of someone's intellect by forcing them into unproductive, repetitive and un-challenging work. Successful Lean Six Sigma projects address all 8 Wastes. (You will notice that traditional Six Sigma DMAIC work is applied around the Defects).

There are many different kinds of not so obvious waste that we see in financial services processes that play off the traditional 8 Wastes. Some examples of process waste identified when drilling down into the above high level wastes are:

- Lack of standardization*
- Work-arounds*
- Lack of focus and structure*
- Waiting*
- Walking*
- Hand-offs*
- Missing data*
- Inappropriate assignment*
- Sub-optimization*

Of the above, we've seen **standardization** as providing one of the most valuable improvements when applying Lean.

In one loan approval project, the mortgage area of the bank was able to reduce time spent on waiting for income documents by 3 days, merely by simplifying and standardizing the forms being used.

In another project involving subpoena requests processing times, miles per day walked by employees was reduced by 2.2 miles. By taking out almost all non-value added work in the process, this request completion time was reduced from over 12 days to under 4 hours!!

Yet it's not always all about just eliminating waste. It's about our ability to recognize and identify waste, using the right tools to eliminate waste and realizing that waste in our processes costs us money and threatens our livelihoods.

In all Lean Six Sigma projects, one of the goals is our old friend, Continuous Improvement. These projects should be a never-ending loop of documenting reality, waste identification, counter-measure implementation and verification of change. As we **standardize** our work processes, we need to continuously validate and ensure the successes implemented through our Lean efforts are sustained, until the next round of improvement.

Finally, it's important to remember that change does not happen overnight. While Lean can greatly reduce the time it takes to realize process benefits when compared to DMAIC Six Sigma and Continuous Process Improvement, all approaches take effort and support in order to be successful, yet can reap significant benefits to both customer satisfaction and the bottom line.

Utilizing many of the traditional Lean tools and approaches, Lean Six Sigma in financial services focuses on identifying and eliminating the waste inherent in people-centered processes. This is done by reducing the time it takes to complete the process, while at the same time improving quality. All this cannot be done on the fly, yet can be implemented usually in a much quicker time-frame than traditional DMAIC Six Sigma.

While difficult, it is do-able and sustainable. You will get there.



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Princeton Office

Six Sigma Qualtec
821 Alexander Road
Suite 130
Princeton, NJ 08540 • USA
toll free (800) 247-9871
phone (609) 356-1200
fax (609) 419-9855
email info@ssqi.com
website www.ssqi.com

Tempe Office

Six Sigma Qualtec
1295 W. Washington Street
Suite 208
Tempe, AZ 85281 • USA
toll free (800) 247-9871
phone (480) 586-2600
fax (480) 586-2586
email info@ssqi.com
website www.ssqi.com

European Office

Six Sigma Qualtec
P.O. Box 2959
Kenilworth
CV8 1XR
United Kingdom
tel +44 (0) 1926 859555
fax +44 (0) 8701 400023
email info@ssqi.co.uk
website www.ssqi.co.uk