

Financial Services

Six Sigma Supports Customer Relationship Initiatives

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Financial Services Companies Benefit from Performance Improvement Methodology

A White Paper from Six Sigma Qualtec



For more than five decades, various "quality" efforts have been dedicated to improving customer satisfaction and service. Many of these efforts have either been unable to show any positive effect or failed outright. Following virtually every trend in management theory have been inspirational stories of individual customer service heroics and isolated cases of startling (if not long-lasting) success. But for the most part, the efforts provide superficial, short-term results.

That is because the only way an organization can achieve breakthrough levels of financial performance, productivity and customer satisfaction is by systematically identifying root causes of problems and adjusting internal processes to alleviate those problems for good. In the past two years, Six Sigma – the powerful performance improvement methodology originally developed in the manufacturing environment – has emerged as a successful tool in relationship management and customer service.

Financial services providers have their own unique operational environments. But they share a fundamental set of issues that can be addressed through the systematic analysis and process management of Six Sigma. As Six Sigma projects are aligned with both an organization's strategic goals and its customer base, professional services businesses realize improved financial performance, strengthened confidence of investors and increased customer satisfaction.

The underlying premise for Six Sigma's application in financial services is that an organization must rigorously review both the work processes and "people" issues that affect workflow and delivery of services, with an objective of measuring variables and redesigning processes for optimal performance. In the manufacturing environment, a knob can be turned and the thickness of a piece of metal can be measured; in a service environment, a far more complex dynamic is at work. Process management must take into consideration the way people make decisions, their attitudes and opinions, strength of teamwork and general human behavior in addition to the workflow processes.

As a methodology for measuring and adjusting these elements is put into play, two things will hold true: organizational alignment becomes much clearer (and stronger), and critical issues are more quickly identified and elevated for resolution. Once Six Sigma is deployed, an organization has entered a whole new level of performance.

Six Sigma Provides Results

Increasingly, financial services businesses are seeing the power of Six Sigma as a performance improvement methodology that leads to:

- *Improved service to top priority customers*
- *Realization of customer initiatives*
- *Improved employee satisfaction*
- *Reduced complaints and associated costs*

Lessons Learned in Financial Services

Businesses in the financial services sector that have applied Six Sigma methodology have had basic assumptions about their business processes challenged. As Black Belt projects focus on specific issues and identify root causes of problems, it becomes clear to executive management that there is a wealth of opportunity for improvement in areas never before considered, let alone streamlining and improving performance in areas that have traditionally created bottlenecks. Following are a few of the more significant learnings obtained by adhering to the disciplined process of Six Sigma.

Alignment with Customers' Needs

Financial Services organizations share the objectives of increasing customer satisfaction, increasing customer retention, increasing investor confidence, improving collaterals, increasing cross selling ratios, decreasing customer complaints and establishing some form of customer management. This last, often referred to as CMR, CRM, CSM, CRS, is designed with an intense customer focus and its intent is to develop a "permanent" customer relationship.

The concept of beginning with the customers' needs aligns directly with Six Sigma's philosophy that the customer must drive performance standards and design requirements. Six Sigma, however, defines the "customer" more broadly than just the end recipient of products or services. Shareholders, investors, employees and other stakeholders join the "real" customer as equally deserving of the same respect and attention. The emphasis on satisfaction is consistent. Six Sigma acknowledges that there is a balance between internal and external needs, and in the final staged of deployment the balance is fine-tuned to meet all requirements as best as possible.

Six Sigma analyzes customer requirements and needs, prioritizing those that must immediately be dealt with in order to affect change downstream. Many of an organization's shortfalls can be traced to one or two processes early in the work flow that create needless obstacles, lengthen cycle time and insert unnecessary or unwanted decision points and reviews. Often, a focused study will actually reveal little or no official process in place to begin with.

The Customer Initiative

Frequently in service industries, there is a disconnect between customers' desires and a business' response to those desires. Too often, executive management views the gap between value of augmented service and costs associated with achieving that level of service as too great. That viewpoint comes from two sources: incomplete or inaccurate assessment of customer needs and a lack of understanding of potential methodology to make necessary changes.

The collection and evaluation of customer requirements is a difficult matter, and requires the expertise of qualified psychometric researchers. Effective Six Sigma deployment demands that the data be accurate and, perhaps more important, suitable to the specific work environment. The optimum form of survey data for a financial services environment includes the following characteristics:

Proper Customer Segmentation – This is more than simple demographics. In addition to routine segmentation, which tends to reveal common information, specific data related to customers' position in the demographic chain provides important context as "opinion qualifiers." This context – often referred to as "Customer Value Statements, "Opinion-Based Criteria" or "Personality Characteristics" – is vital to an accurate analysis of critical issues and opportunities. Armed with proper segmentation data, a Black Belt is prepared to design and modify processes that meet the highest levels of expectation.

The Customer Initiative *(cont.)*

Adequate Sample Size – Many surveys are hindered by poor response rates, forcing organizations to settle for what they can get. A viable Six Sigma project requires validated understanding of the requirements. Validation is supported through proper sample size, collection of the sample and the proper summarization of sample data. While surveyors rely heavily on sampling, true statistically valid samples are not always obtained. Often low visibility issues or parameters bias the samples (e.g. a mailed survey form will – obviously – only include responses from individuals willing to complete a form and mail it in). Thus a valid cross section of a given population is not obtained.

Needs vs. Wants – If an organization wants to learn what their customers really need, it must walk in their shoes, fear their fears and understand what keeps them awake at night. This requires detailed analysis and multiple data collection sources. It is only with this level of effort that the difference between needs and wants can be fully viewed. Further strengthening of this data is obtained when customers from all segments are allowed to prioritize these needs and wants. This analysis takes time and is not free. But if an organization is truly committed to identifying and solving critical issues once and for all, it's worth the effort and expense.

Until this analysis is complete, any action that an organization takes will be random tampering with processes. With prioritized needs in hand, a true customer initiative can be planned. Once these vital steps are complete, the organization is then in position to examine its delivery processes.

People and Process

"Process" is the central focus of Six Sigma. If a business' customer initiative demands improved service options, and survey data indicates specifically what the customer wants, existing processes must be deconstructed in order to understand the current system. Through a rigorous series of analytical steps and process mapping, a short list of items hindering customer satisfaction is created. At this point, the problems have become well defined, manageable and measurable.

Six Sigma's classic DMAIC (Define – Measure – Analyze – Improve – Control) process model systematically will allow us to identify the improvement opportunities and develop solutions for each. With the solutions in hand we can then address implementation of the changes and measure the impact on the customer through a system of indicators.

The implementation of change to business processes is serious business. Since Six Sigma projects typically focus on critical performance areas, the changes are likely to be significant and will most likely have considerable impact on people. Major change brings major discomfort. The strength of Six Sigma rests in providing managers with the skill set necessary to be effective leaders of organizational change.

Frequently, process analysis reveals that a business is simply not capable of meeting its customers' requirements and future needs. When this occurs, the organization is faced with a crucial strategic decision: establish a new method of maintaining a relationship with this customer segment, or surrender those customers to someone else who will serve their needs. Of course, if a company wants to stay in business, it will have to find solutions to its process problems

Through simulation and Design for Six Sigma (DFSS), Black Belts can explore potential solutions prior to implementing potentially disruptive change. Six Sigma relies heavily on these tools to the effect and ultimate viability of numerous options for process change. Once the proper change has been safely tested in simulation, managers can prepare for the necessary cultural and behavioral changes suggested by the solution. Thus forewarned and forearmed, the change – when it occurs – is eased and aided by a full complement of holistic, enterprise-wide activities that address all anticipated resistance and uncertainty.

As process changes are identified, tested, proven and implemented, the improvements then must be shared with all like activities or tasks. Replication of a particular solution in other functional areas is an added benefit of a successful Six Sigma project.

The final component of the DMAIC model is to make certain that all changes and modifications to process have a complete Control Plan and Management System in place to monitor the newly implemented process. Usually this responsibility rests with the Black Belt, who must be prepared to identify and address performance problems that may arise in the future.

Conclusion

Execution of Six Sigma practices for customer initiatives in financial services businesses can take many forms. The most effective approach, based on current trends, is the assignment of an Initiative Owner, also known as a "coordinating executive." That person's role is a combination of traffic officer and scorekeeper – they coordinate participation of all of the organization's functional departments, assuring that strategic goals and tactical actions are aligned. Supporting this individual is a work team that includes a Six Sigma Black Belt or Master Black Belt, whose role is that of facilitation and methodology support. This executive management team should establish a series of tollgates throughout the Six Sigma project to assure the project stays on track and on target. Select members of the team will stay involved post-deployment to track project performance and catalog all efforts associated with the initiative.

To attempt to deploy a Customer Initiative without a proven methodology for achievement is kin to Day Dreaming: it sounds good, it feels good, and it does little to change the reality we live in. Following Six Sigma methodology, the daydream turns into a plan that delivers better service to customers and, in turn, creates lasting customer relationships. Six Sigma provides a tool set that has been successfully installed to drive such initiatives and efforts in the past with very high degrees of success.

Case Examples

As Six Sigma becomes the accepted approach to production and performance issues, organizations also find that all of their processes become more clearly aligned with customer requirements, changes within the organization are made proactively and strategically (rather than reactively) and that breakthrough levels of performance and improved service at lower cost can become the norm.

- In one financial services Six Sigma project in the southern United States, a customer segment of "40-and-over" individuals with incomes in excess of \$80,000 identified requirements of more "human" contact, flexible hours and accurate answers to first time questions. The organization analyzed their current process and found there were gaps in availability of resources at specific times and they often provided inaccurate answers to their customers. The revised process adjusted schedules and led to new training modules that prepared representatives to provide correct responses the first time. The team assigned to the project was able to examine a process, assess defect levels and validate proposed corrections, proving the results were both correct and sustainable.
- Another financial services group identified a need for fast response to credit applications. The Six Sigma team evaluated the existing application review process and outlined every opportunity to compress cycle time. They developed a revised process and tested the operation to verify that delivery of service met customers' expectations. Not only was the business able to meet the need; they actually exceeded the routine expectation and established a marketable advantage.
- Reacting to customers voicing a desire to conduct as many of their transactions as possible with a common representative (a familiar, known "friendly face"), a financial advising firm created a win-win situation when it developed a project that trained representatives for cross selling of services and allowed them to provide assistance to "second tier" customers – those with assets of \$500,000 to \$1 million – who did not qualify for private banker support. The change was met with overwhelming success, and the business is now looking at ways to cascade the concept to its middle-income customer segment.



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Six Sigma Qualtec
821 Alexander Road
Suite 130
Princeton, NJ 08540 • USA

toll free (800) 247-9871
phone (609) 925-9458
fax (609) 419-9855
email info@ssqi.com
website www.ssqi.com

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

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