



Lean Six Sigma in Non-Traditional Transactional Environments

John K. Watson

Director, CIGNA Business Excellence
860-226-6234

www.cigna.com www.itstimetofeelbetter.com

ASQ Lean Six Sigma Conference,
Session E1, Tuesday, March 3, 2009
Phoenix, AZ

Helping the people we serve improve their health, well-being, and security



Objectives:

Change the administrative paradigm from one of an obligation or burden to a strategic asset that can continually improve our business!

We can start on this journey by:

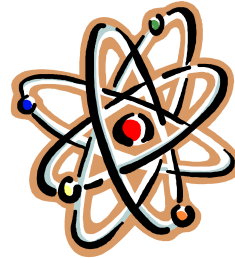
- Understanding pre-requisites and business settings for Lean Six Sigma
- Learning several approaches and tools for...
 - Transactional settings
 - Support functions
- Reviewing examples of cases and applications
- Asking questions and participating in further discussion

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Business Settings - Background

- My quality journey began in defense and electric power
- **Challenges:**
 - Audit and Reporting Cycles
 - Regulation/Deregulation
 - Sarbanes Oxley
 - Due Diligence
 - Shutdown and Restart
 - Y2K
- **Symptoms of Problems:**
 - Recurrence
 - Loss of confidence
 - Regulators, Customers, Shareholders



How could lessons-learned be applied to transactional settings? (Finance, Banking, Insurance Products)

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Business Settings - Comparison

<i>Attributes:</i>	<i>Energy:</i>	<i>Insurance:</i>
<i>Business Model</i>	Utility	Service
<i>Contract Cycle</i>	Ongoing	Annual
<i>Transaction Cycle</i>	Monthly	By Event
<i>Billing Basis</i>	Fee + Metered Use	Contracted
<i>Process Documentation</i>	High	Low - High

- **Both industries include:**
 - *Regulatory requirements*
 - *Timely and accurate transactions*
(exchange of information or value)
 - *Administration*
 - *Processes and controls governed by support functions:*
Legal – Financial – Administrative – Other

Compare to your organization...

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Improve how we look at support functions...

Support Function	Production	Service
Internal delivery of products, services, information	Customer access to Goods and Materials	Customer access to Information

Traditional View (General)	Improved View
<ul style="list-style-type: none"> ■ Burdensome ■ Externally imposed; Internal focus ■ Aligned to leadership ■ Post-hoc, oblique ■ Low value-added; 'overhead' 	<ul style="list-style-type: none"> ■ Efficient ■ Internally driven; External vision ■ Aligned to supported functions ■ Improves foresight and insight ■ Generates value and competitive advantage


 So let's talk about how we can shift the paradigm...

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Lean Six Sigma Prerequisites:

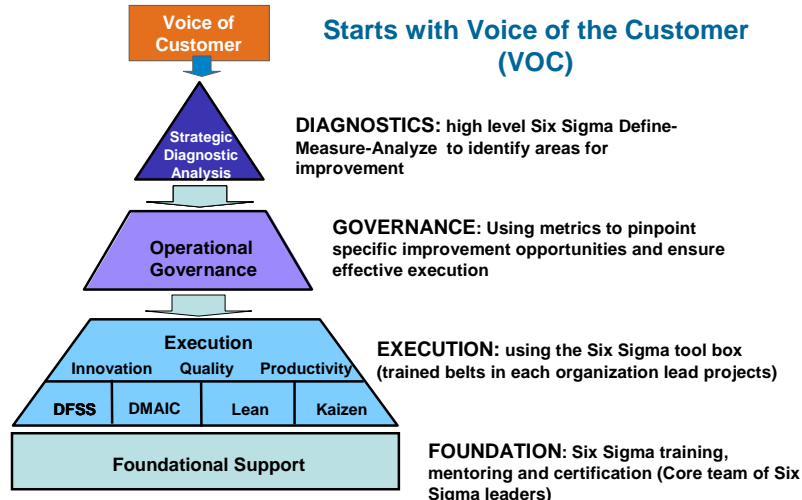
1. **Senior management fully engaged**
2. **Approach integrated across business units**
3. **Methodology standardized**
 - Project Definition, Selection, and Execution
 - Training and Recognition:
 - Blue Belt and Champion Training for leadership
 - Green and Black Belt for team leads
 - Yellow Belt for Subject Matter Experts
4. **Targets carefully selected (linked to business & customer goals)**
5. **Financial and other corporate teams on board**
6. **Control, tracking and leverage tools in place**

The Business Excellence organization provides the framework for continuous improvement

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CIGNA Lean Six Sigma Continuous Improvement



11.9 million members ~ 28,000 employees ~ Health, life, and wellness

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Look for the Seven Types of Waste:

1. **Waste of Motion** – Looking for Files, Too Many Mouse Clicks or Screens
2. **Waste of Inventory** – Backlog of Calls, External Pends, Adjustments
3. **Waste of a Defect** – Incorrect Data, Missing Data
4. **Waste of Transportation** – Hand-offs, Unnecessary Mailing
5. **Waste of Over-Production** – Excessive Reports, Excessive Letters
6. **Waste of Waiting** – Reviews, Signatures, Serial Routing
7. **Waste of Over-Processing*** – Adding Extra Steps, Approvals, Returning to Same Screen

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How does this apply? Examples:

■ Legal

- Strategic Imperative: Regulatory Compliance
- Potential Defects: Missed or late implementation
- Metrics: Timeliness, accuracy; effort for reporting;
+New paradigm: Excellent insight into E2E business model

■ Audit

- Strategic Imperative: Identify and plan for risk
- Potential Defects: Failure to identify risk or gap
- Metrics: Completion Rate; Resource Placement
+Source of continuous improvement opportunities

■ Finance and Accounting

- Strategic Imperative: Investor Confidence
- Potential Defects: Late or inaccurate release
- Metrics: Time to close; accuracy
+Greater transparency of business and resource metrics

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Example: Improving Audit Functions

■ As-Found Condition:

- Of 7500 calls audited monthly (500 individuals x 15 calls) only 20% 'passed' internal criteria

■ Immediately reduced number of audits; inspectors tasked to find causes and recommend improvements

- Examined pass/fail criteria and practices
- Criteria written but subject to interpretation
 - Inspectors' expectations differed: some required statement at start of call, some at end, some either!
- Inspectors reviewed requirements, revised criteria & controls

■ 'Pass' rate almost immediately jumped to >80%

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Examples from Finance and Accounting

Project ID	Project Name	Business Sub
95	Finance: CHC Consolidation of Results Simplified in Oracle GL	Accounting
232	Healthcare Pricing Buildup Process	Accounting
370	Internal Audit Exposure Findings	Audit
393	External Commission	Accounting
444	Check Cashing Optimization	Treasury
607	Accelerating the Accounting and Financial Reporting Close	Accounting
101	Finance: Sarbanes Oxley Indemnity Reporting & Controls Project	Accounting
249	Finance: 2007 Sarbanes Oxley Indemnity Financial Reporting & Controls Project	Accounting
266	Finance: 2007 CHC Consolidation of Results Simplified in Oracle GL	Accounting
381	Oracle Ledger Dynamic Insertion for Corporate ledger	Accounting
244	Settlement Annuities Unclaimed Funds Project	Treasury
388	SAS70 Backend Improvement	Corp Audit
243	Settlement Annuities Policy Audit Quality	Corp Audit
380	Improve SAS 70 Audit Engagement Process	Corp Audit

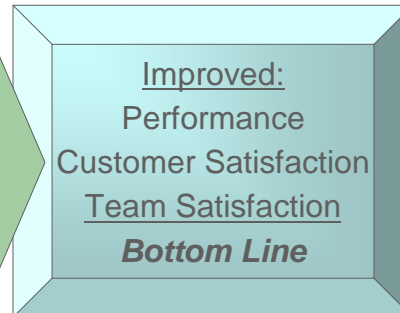
- *Enterprise-Wide Improvement Initiative started in 2008*
- **Areas of Improvement:**
 - Expenses; Reporting
 - Controllership; Finance
- **Initial Objectives**
 - Timeliness and Quality
 - Productivity
 - Redundancy, rework, and step elimination
 - Workplace Quality of Life
- **Strategic Goals:**
 - Transparency of Metrics
 - Top quartile for reporting

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Key Elements for Success

- Customer Identification
- Corporate Alignment
- Cultural Alignment
- Resources
- Other Keys



The elements are identified, drawn together and maintained by a common, repeatable, and measurable process.

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Stakeholder Identification and Engagement

- Who are the external customers?
- Who are the internal customers?
- What are the key customer satisfiers?
- Who are the other external and internal stakeholders?
 - Regulators
 - Shareholders
 - Directors
 - Upstream and Downstream Business Partners

Remember – the cost of poor quality is always paid by somebody!

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Corporate Alignment

- **Objective 1: Engage key leaders:**
 - Include Executive, Product Line and Support Functions
 - Assess the need and imperative for change
 - Establish program goals and governance structure
- **Objective 2: Establish clear continuity between VOC, VOP, and business goals and metrics**
 - How are top-level strategies and gaps linked to projects?
 - Consider MBF's for each project and for program success
 - Projects: Key input and output metrics *tied to business*
 - Program: Project completion, time, benefit

VOC – Voice of Customer VOP – Voice of Process MBF – Management by Fact

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Cultural Alignment

- **Common as-found condition: blame, frustration**
 - Acknowledge the *process* is faulty
- **Your operators are the experts – give them the tools and opportunity to improve by promoting:**
 - Passion for improvement
 - Discovery of causes, not just symptoms
 - Accountability and risk-taking without blame
- **Also provide:**
 - Appropriate training and governance
 - Consistent measurements and recognition

If one of your goals is continuous process improvement, you must be prepared to put the control of that process into the hands of operators!

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Apply Process Improvement Resources

- **People – Develop a practical structure and success path:**
 - Identify
 - Train – right candidates, right level and curriculum
 - Recognize
 - Reward
 - Re-enter
- **Functions – Employ the experts in your deployment!**
 - Finance, IT, Sales, Communications, Legal, HR
- **Systems – Keep it simple**
 - Project tracking (key improvements and time-to-complete)
 - Benefit tracking and calculation methodology
- **Tools**
 - DMAIC, DFSS, and Kaizen
 - Integrate Lean!

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What can You do?

- **Identify the key metrics for your processes:**
 - Inputs (information or material you count on receiving)
 - Outputs (feedback on what you deliver)
- **Start recording what goes wonderfully right (and terribly wrong) with processes you touch. Watch for:**
 - **Accepting frequent rework as ‘normal’**
 - **Missing or inadequate Process Specifications, Ownership**
 - **Poor process alignment with business objectives**
 - **Mistaking ‘Cost’ for a defect**
 - **Adding ‘Quality’ check points before fixing the process**
It is cost-prohibitive and nearly impossible to inspect quality into a product or service just prior to delivery
 - **Excessive reporting or detail (simpler is better)**

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Some Best Practices

- **Advisory and Governance Boards**
 - Seek interaction with your leads, customers, suppliers, and professional organizations
 - Continuously align and improve your program
 - Set expectations for resource and project cycles
- **Reporting and Tracking System**
 - Each event is a learning opportunity – if the event and corrective actions are identified and shared
 - This is a systematic approach for measuring health of your processes and delivery to your customer
 - However, *don't go overboard...* simple rule: enough info to tally and repeat the results

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Practice what you preach!

- Set expectations and performance metrics for projects.
Examples:

Employees

Yellow Belt	2023	
Green Belt	432	
Black Belt	163	(How many projects/year?)
Master Black Belt	8	
[Total trained	2341]	(About 4/project)

DMAIC Projects

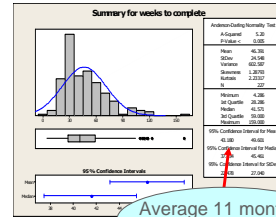
Launched	607	
Cancelled/Hold	198 (33%)	(How can we reduce?)
Completed	237 (39%)	(Expect closer to 80%!)

DFSS Projects

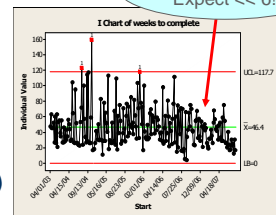
Launched	29	
Cancelled	7 (24%)	
Completed	11 (38%)	

Projects completed per active GB/BB 0.54 (Expect 1/yr)

More than 20 Lean/Kaizen were also completed, each with 3-5 areas



Average 11 months;
Expect << 6!



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Summary and Closing

- We have covered settings, prerequisites, approaches, and examples of applying Lean Six Sigma in non-traditional, transactional settings.
- If we have time...a quick look at Lean Integration Structure and Kaizen approach
- What Questions do You Have?
- Thank you!

For additional information please contact

CIGNA Business Excellence:

John Watson john.watson@cigna.com

860-226-6234

Len Javinett leonard.javinett@cigna.com

860-226-9187

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