



Six Sigma for Financial Services: Industry Trends

*How Leading Companies Are Using Lean, Six
Sigma And Business Process Management*

March 3, 2009



Today's Discussion

- In 2006 we conducted a survey of financial services companies as part of the research for the book, "**Six Sigma for Financial Services, How Leading Companies Are Using Lean, Six Sigma And Business Process Management**"
- This book proposed a model for Business Process Excellence that outlines the attributes for a successful BPE deployment
- In 2008 we updated that survey to understand the latest trends in BPE ... that is the content for this presentation!

But first let's understand Business Process Excellence...



What Is Business Process Excellence?




The primary goal of **Business Process Excellence** is to create an ongoing culture for continuous improvement and change that:

- Utilizes what the customers' value to set appropriate performance goals and to assess how your end to end processes are performing in delivering to those goals.
- Enables organizations to utilize the most appropriate methods, tools, and techniques to improve and transform those processes in the correct way to meet their customer's requirements and provide continuing value.

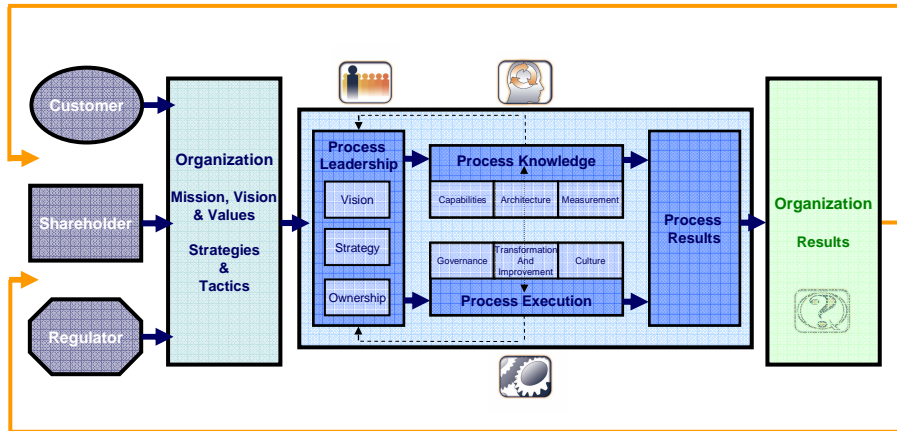


What Is Business Process Excellence?

Business Process Excellence mobilizes the organization's performance transformation and improvement efforts around three key themes:

1. Process Leadership 
2. Process Knowledge 
3. Process Execution 

Business Process Excellence Framework



Business Process Excellence Framework



Process Leadership

- **VISION**-We have a vision for each core process, fully aligned with our overall business strategy
- **STRATEGY**-We have a structured plan to achieve our vision
- **OWNERSHIP**-We have leaders accountable for business process excellence



Process Knowledge

- **CAPABILITIES**-We have the resources, skills and capabilities to achieve our business process excellence objectives
- **ARCHITECTURE**-We understand our organization's core end-to-end processes and how they fit together
- **MEASUREMENTS**-We have end-to-end stakeholder oriented process measurements



Process Execution

- **GOVERNANCE**-We have business process excellence governance and accountabilities
- **TRANSFORMATION & IMPROVEMENT**-We use leading methods, tools and techniques to systematically transform and improve our performance
- **CULTURE**-We have an organizational culture that enables business process excellence to flourish and succeed

BPE Within Financial Services



Quote from an interview with a private equity firm:

When we asked what they looked for in a target acquisition in the way of a Business Process Excellence or Lean Six Sigma program, their response was *“hopefully none, this makes our job easier. Then one could implement the appropriate ones and easily manufacture value. Conversely, if all these are in full use, in the appropriate way, much of the easier value has been captured....no upside.”*

Process Leadership



Growth In Blended Programs



- The good news is that most leading financial services companies have a Lean Six Sigma Program or a variation of a Business Process Excellence program that incorporates Lean and Six Sigma.
- Many of these programs have expanded to add Project Management, Process Management and Design for Six Sigma.
- Of those surveyed in 2008, 82% now have a Lean component versus 57% in 2006...
- And 71% have a Process Management program.

BPE Within Financial Services



- Many financial services organizations have successfully utilized BPE methods and techniques to improve their performance

Commercial & Savings Banks		Diversified Financials
Abbey	HSBC	American Express
ABN Amro	ICICI Bank	Aon
ANZ Bank	JP Morgan Chase	GE Capital
Asian Development Bank	Keycorp	Insurance
Bank of America	Lloyds TSB	Aetna
Bank Negara Indonesia	Marks & Spencer Money	Aflac
Bank Mandiri	Masterlease	AIG
Barclays	Mellon Financial Corporation	AXA Insurance
Bradesco	National City	CIGNA
Capital One	NCR Financial Solutions*	ING Insurance
Cendant Corporation	Nedcor	Lincoln Financial
Citigroup	Ocwen Financial	Scottish Widows
Commonwealth Bank	Overseas Chinese Banking Corp	USAA
Credit Suisse	Principal Financial Group	Zurich Financial Services
Development Bank Singapore	Shinhan Bank Korea	Securities
Diebold*	Standard Chartered Bank	Charles Schwab
Deutsche Bank	State Street Bank & Trust Co	Dresdner Kleinwort Wasserstein
Fidelity	Swisscard	Fidelity Investments
First National Bank - SA	UBS	Goldman Sachs
Fifth Third Bancorp	Unibanco	Merrill Lynch
Gulf Bank Kuwait	Wachovia	
Halifax Bank of Scotland	Washington Mutual	
	Wells Fargo	



Growth In Leadership

- Process ownership is also maintaining a high level of acceptance with 87% of those surveyed having assigned process owners.
- 77% of the time the process owner is a member of the senior leadership team or a member of management immediately below the senior leadership team.
- 65% have identified process leadership teams.
- However the establishment of a comprehensive strategy for process leadership continues to lag for the majority of companies (35%)
- Process ownership and process leadership teams are critical to the success of a process led organization



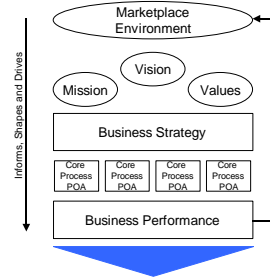
Visions Without Plans

- Organizations that have established process visions for some or all of their core processes have grown from 45% to 53%, with an additional 24% piloting or beginning to establish those visions.
- Most (65%) however do **not** have a multi-generational plan in place to guide the journey toward that vision.
- Having a process based vision that links to the overall corporate strategy with at least a 3 year plan is critical in order to achieve that strategy.



Create the Process Vision: *“We have a vision for each core process, fully aligned with our overall business strategy”*

- Any business strategy must be seamlessly translated and integrated into the organization’s operational processes to be executed
- Creating a Process Vision is a critical first step in viewing, managing and valuing the organization’s process(es) as *Strategic Assets*
- A Process Vision enables people working in the process to understand where they currently are, and where they’re heading - and can be used to promote cross functional collaboration



Customer Acquisition End-to-End Process

Example	Process Performance	
	Today	POA
Applications Processed	10MM	25MM
Sigma Level	3.2	6.0
Process Cycle Efficiency	5%	50%
Unit Cost	10.0c	6.0c
Customer Satisfaction	80%	>95%

Process Knowledge





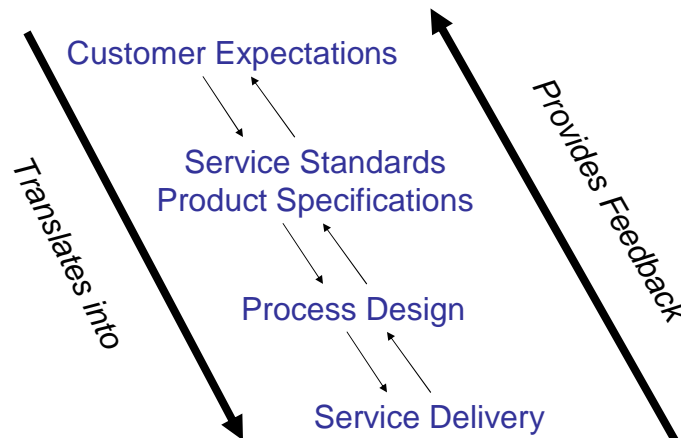
Resurgence Of Process Management

- We also are impressed by the resurgence of Process Management. Many companies are now embracing PM as the way to steer their process improvements.
- The more progressive companies have established their core processes (65%) at the enterprise level with 77% having mapped all or some of their core business processes.

Process Management is - *a management practice that provides for governance of a business's process environment and is a structured approach to employing improvement methods, metrics and tools to manage and optimize an organization's activities.*



Process Management Is A System...



Note: Each step is a potential point of measurement in order to predict the potential outcomes.

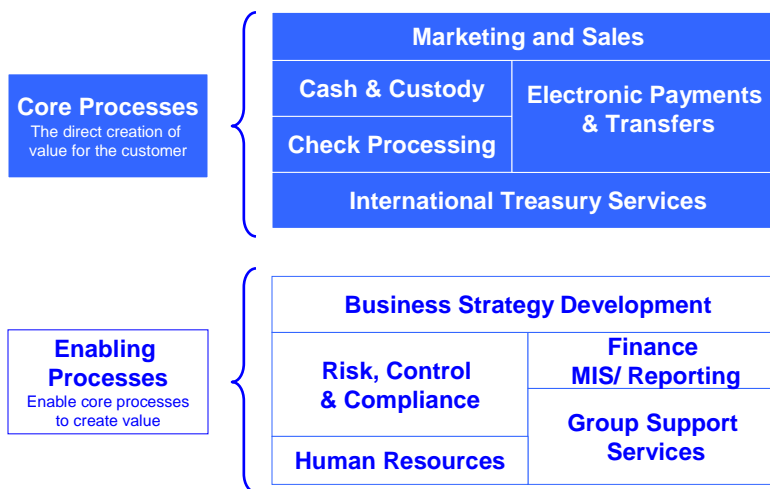


Measurement And Architecture

- 65% of the companies surveyed have defined their core processes at the enterprise level or at the business unit level up from 54% in 2006 and 77% have mapped some or all of those processes as opposed to 58% in 2006.
- Measurement is another area of growth with 71% of companies using a process based scorecard to measure overall core end to end process performance up from 54%.
- Also 82% of the time key performance indicators (KPIs) have been linked to specific core end to end process performance indicators. This is up significantly from 64% in 2006.

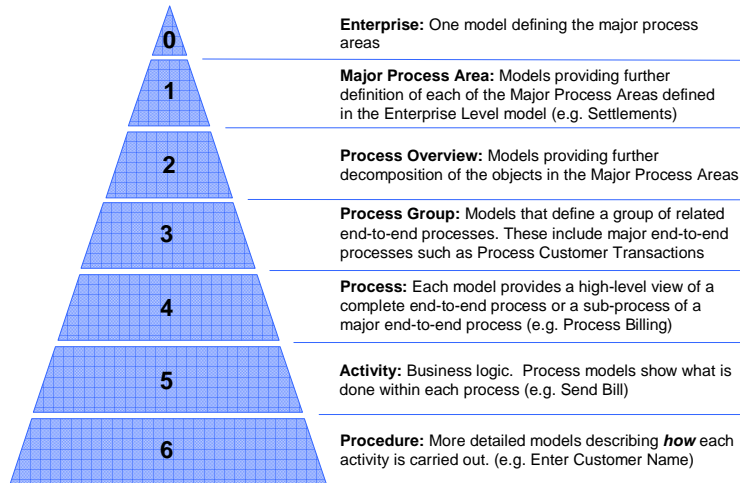


Defining a Process Architecture: Core and Enabling Processes





Defining a Process Architecture: Process Hierarchy



Requirements For Methodologies & Projects

- The requirement that all of your business transformation initiatives utilize specific methods, tools and techniques has dropped drastically from 60% to 35%.
- Another common mainstay of most Lean Six Sigma programs in past years has been the requirement for employees to bring a project to work on as part of their LSS training. In the last two years this has dropped from 82% to 59%.
- The common danger is that it becomes training for training's sake and that the training is not being used to drive results.

Requirements For Assessment



- There is little to no use of assessment tools such as the Malcolm Baldrige National Quality Award (MBNQA) or the European Quality Award run by the European Foundation for Quality Management (EFQM) version (only 6% of those surveyed).
- ISO fared only slightly better at 12% and with neither of the users being from North America or Europe.
- The percentage of organizations that do not measure the capability of their processes prior to the implementation of a new product or service is 76%, virtually unchanged from 2006.

Linking The Customer To The Process



- Again we found extensive use of customer surveys (94%) and benchmarking (53%) to understand customer's needs which is a strong positive...
- And again we found weak linkage of those customer's results to the key process drivers in those same companies.
- One way we have seen companies solve this gap is by integrating the quality function with the customer insight function and requiring business leaders to link their improvement initiatives to those customer measures.

Drilling Into The Customer's Expectations



Electronic Payments

Customer's Expectations

	Process Step 1	Process Step 2	Process Step 3	Process Step 4
Timely	9	3		
Accurate	3	9	3	
Best rate		9		
Supporting information	3	1		3
Easy to use			9	9
Importance of the Measures (calculated)	28.0	345.0	40.2	495.0
Percent Importance	17.1	210.0	14.6	180.0
Max = 40.2				
Percent Importance				
Mn = 14.6				

Process steps or metrics

The customers/stakeholders expectations can be linked to your process steps and to your process performance metrics

Process Execution





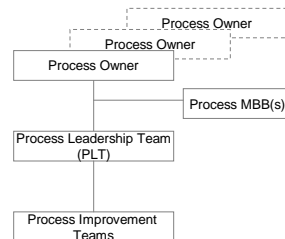
Process Leadership Teams Deliver Results

- Not only do a majority of companies use process leadership teams, 65% of these teams meet monthly and 29% meet weekly. This drives greater focus on improvement.
- 69% of the time these process leadership teams have representation from all or most of the internal business units.
- The most common topics covered by these teams are; process performance updates, project reviews, resource discussion, goal setting and deployment issues.
- However only 47% of the time do these teams have discussions using process based scorecards.



Establish Process Governance: *"We have business process excellence governance and accountabilities"*

- Process Governance is a critical element for transforming performance
- Strong leadership is required to establish the required cross-functional behaviors
- Creating accountabilities for end-to-end process performance *without* large scale changes to the organization's reporting lines is crucial in the early stages
- Establishing regular, formal Process Reviews is a good way to get started
- Achieving effective Process Governance is about successfully leading change, not implementing a methodology





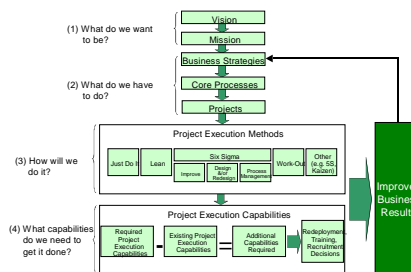
Process Transformation And Improvement

- More good news is that 88% of the time process improvements are evaluated at both the beginning and end of project or initiative.
- Additionally 82% of the time the organizations have an established project evaluation criteria used to facilitate management review and approval.
- Another opportunity for improving transformation is to bring process improvement initiatives and technology investments in line. The majority of these initiatives are grouped by business unit (65%) and technology investment decisions are made by business unit 63% of the time.



Develop Process Capabilities: *"We have the resources, skills and capabilities to achieve our business process excellence objectives"*

- A variety of capabilities and skills are required for the BPE journey ahead - some may already exist in your organization, some may be new
- Many organizations over emphasize the importance of technical skills and fail to recognize the value of strong change management skills
- It's important that new capabilities are developed in response to specific business challenges and opportunities



Process Innovation



- Innovation was the latest trend according to the over hyped media of 2007. Many articles debated whether Six Sigma was dead and whether Innovation was the latest trend. We added a question to the survey this year to begin tracking its growth.
- Currently only 24% of the financial services surveyed companies have an Innovation program and they have only been in use for a few years.

Process Culture



- Finally, establishing a strong culture is a vital attribute of an excellent organization. It is exciting to see the growth in percentage of employee performance rewards being given based on process performance moving from 9% to 41%. Having an effective communication and reward system is a primary driver of creating a strong culture of change.
- In the early days of Six Sigma it was common to require that candidates demonstrate success in Lean Six Sigma as part of the company's career progression requirements. In 2006 64% of the companies surveyed required Six Sigma certification for promotion to some extent. This number has dropped to 47%.



Closing Remarks

- The increasing demands of customers, shareholders and regulators require all organizations to continually improve their processes (**not to mention the economy!**)
- Business Process Excellence is a highly structured and disciplined approach that enables organizations to transform their performance
- It requires strong and committed leadership - if achieving BPE were easy everyone would be doing it already, and we know they're not!

Mike Nichols



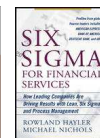
Mike Nichols is the principal consultant for Nichols Quality Associates, a consortium of Lean and Six Sigma Master Black Belts providing deployment consulting, training, and project coaching for business process improvement. Nichols' long time interest in quality management has over the years led him to assume numerous leadership positions in the American Society for Quality, culminating in his service as President of the Society for the 2007-08 year and Chairman of the Board for 2008-09.

Prior to starting his own company Mike was Director of Global Reengineering-Six Sigma and a Senior MBB for American Express where he co-developed the Six Sigma Design program (DFSS) and the Six Sigma Process Management (SSPM) curriculum. Additionally, he provided strategic deployment consultation to leadership, global training support, and he managed a multi-million dollar portfolio of Six Sigma projects.

Nichols is a Certified Quality Engineer, Certified Quality Manager, and Certified Quality Auditor by the American Society for Quality. On November 4, 2000, he was appointed as a Fellow of the Society in recognition for his contributions to quality. He has extensive Baldrige National Quality Award criteria experience, serving as a three-time examiner for the Tennessee Quality Award, and as an examiner and a two-time judge for the Greater Memphis Award for Quality. Currently he is serving on the Board of Judges for the North Carolina Award for Excellence.

Mike co-authored "*What is Six Sigma Process Management?*" (Jun 2005) and "*Six Sigma for Financial Services*" published by McGraw-Hill (Sep 2006).

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Further Information



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