



CAPITAL GAINS: LEAN IN THE FINANCIAL SERVICES SECTOR

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THE FINANCIAL SERVICES BACK OFFICE

A bad process is often blamed on the system, just as a bad workman blames his tools. Imagine this typical scenario: A man walks into his bank to enquire why his direct debit mandate changes are taking 35 days instead of the previous best of 2 days. He is informed that there is a new system in place that makes it impossible to perform all of the process steps in the previous cycle time. "Can't the bank change back to the old process?" he asks. No, the system is in control. Ultimately, we often get ourselves wrapped up in blaming systems. Actually, it is often the people themselves that use the system that are the biggest opponents to change.

In financial services, the growing use of centralised operations and shared services is continuing, leading to the key operational strategies of integration and rationalisation. To merge and standardise operations, a firm in this position needs to consider using Lean tools. Typically, 5-10% of any process is adding value to the customer within financial services, in many cases it is probably even less. If the customer experience of a process cycle is something like 35 days but it only takes the bank about 45 minutes to transact that process, you can work out how much value add is in that for the customer. But if you do that time and time again in some of these processes, it does not become surprising. So is it a problem?

CUSTOMERS IN FINANCIAL SERVICES

Customers in financial services are now more aware. They are able to compare and will switch suppliers. On the flip side of the coin, when we talk about people in investments, customers often leave their pension investment with the same company because they do not know any different. However, with the growing usage of independent financial advisers, people will start talking and will have the ability to change.

In this space, therefore, you have to try to make sure that the customer is served. The one time you manage to upset them word will spread, and it is so easy for them to move. There is more and more regulation within financial services, so banks need to ensure that regulation does not impede the customer or spend too much time checking itself. They must make sure that the customer is at the front end of its processes. Service and rigorous process management are the way forward.





TRANSLATING LEAN INTO SERVICE

Speaking the right language

One of the reasons why Toyota is such a good example of Lean is that they create a crisis to work towards. In financial services, those sorts of crises have not been there until now. The banks doing this kind of thing at the moment include about 10 who are actually following a Lean type of deployment, a translation of Lean into service. The first step is to ensure you talk about Lean in terms that will be understood in financial services. There is no point talking about Lean in a bank in the same terms you would use in aircraft maintenance. The people simply won't get it. Instead you must talk to them in a language that they understand; otherwise it will just switch people off. Lean needs to speak to the people in the business themselves.

Seeing the process from the customer's perspective

Can service businesses create a standard and force a standard on their process? The theory says "no", because they do not know what the customer wants. Trying to understand a value stream from a customer's perspective is difficult. You must ask yourself, 'Is this process in the right sequence to make for the customer experience?'

Getting it Right First Time

What's more – can you get it right first time? Toyota aim to get it right first time. Can you reduce 70% or 80% re-work at any particular moment in time? Can you reduce it by 50% to start with and continually look at it to reduce it further and further? People tend to believe that re-work is part of their job. Getting it right first time is about changing attitudes.

Getting the process to flow

Just in Time is maximising the flow. When you move a process across departments, people tend not to understand the concept of flow. They do what they do in their space and the whole customer experience does not get realised. In connecting it all up and trying to make the process flow, you have to really consider what it is that you are trying to achieve and from there work out the waste within the process.

Motivating staff

The importance of motivating and supporting staff to challenge the process cannot be overestimated. When you start a process improvement programme in financial services you are unleashing hell. You are unleashing people to fix their processes and if you cannot





follow through with support from beginning to end, you will be left in a worse place than where you started. If you choose to do process improvement, do so with vigour and ensure that when you open a door and unleash it, you have something that you can control it with, as opposed to the other way round.

Lean in the office is all about getting rid of waste. It is not about manufacturing. It is all about the process from receiving an order from the customer until we collect the cash. That can be replicated in any business. This whole process of eliminating waste is learning to see what is right and wrong, learning to see what waste is and what value-add is. Eventually your staff will start thinking about all these things they see on a day-to-day basis within any process or business.

The first thing Gordon Ramsay does when he goes into a failing business is to get rid of the obvious waste - demystify the menu and make it simple. People get used to chaos when they live in it all the time. They go in with all the enthusiasm in the world, but after a while they just get involved in the usual day-to-day activities.

Galvanise the staff and produce great, simple "food". Get the staff to confess their faults. This whole process is all about saying what you really think. You are wasting your time if you do not get down to the root causes of what happens in a process.

CAPABILITY AND CAPACITY

Consider this example from investment banking: £200 million of additional business was written with no increase in staff. In a review of one particular process, they were so bombarded with customer complaints all the time that the process was streamlined the Lean way. The result was that they freed up time, allowing them to write more business. They came to understand their capabilities and capacities. They improved the efficiency of the staff by 75%.

There is another key example in the commercial finance sector. Four times the volume of work was achieved with 25% less staff. Originally the business had wanted to employ lots of people because they had all this volume of work. They did not believe they could do it. However, they ultimately reduced the cycle times, and put key visuals in place to ensure they could manage that process.





SUSTAINABILITY

There are two key aspects to sustainability; Standardised work and visual management. In aircraft maintenance, everything is written down in minute detail. Yet in financial services, no-one's process is written down in minute detail in a back office. It is only when you get into the minute detail of a person's job that you create standards. When 20 people are doing the same job differently, this is the only way to move towards standardisation.

When you consider the visual workplace, the information centre concept is vital. It can be as simple as a white board showing the key things to focus on or the targets for the day. The idea is to visualise key issues. What are the four or five things the MD wants? How do the operations directors handle those information centres? How do the people manage their day-to-day to match all those things up?

CONCLUSION

It is quite simple, Lean is about sustainability. Get people involved day-to-day in using information centres and using standardised work. When that happens, you will have control of your business.

About the author:

Paul is Director of Lean for Venturehaus and a market recognised expert in the strategic deployment of Lean in financial services and other transactional businesses. Prior to joining Venturehaus, Paul was a Lean Leader at GE Life and GE Commercial Finance, where he helped pioneer the use of Lean in Europe's GE Capital businesses and its subsequent integration into GE's Lean Sigma initiative. Paul was recognised globally for the successful launch of Lean into the GE's financial services businesses. Paul has successfully deployed Lean globally in various different financial services environments across both front and back offices. Working within the businesses, he has taken the lead in over 150 successful Lean interventions. As the first recognised Lean Master Black Belt in GE Capital, Paul has also personally trained and coached over 100 Black Belts and Master Black Belts. He also acts as a strategic advisor to a number of Senior Executives across the whole financial services sector.





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