

## Case Study: Six Sigma in Financial Services

By Dr Uwe H Kaufmann

### Background

OurBank is an American international bank with 50 branches in Germany and approximately 300 employees working either in the headquarter office or in one of the branches.

In 2003, the senior management of OurBank decided to adopt and implement Six Sigma as their business management tool across all business units in the Europe region.

According to the OurBank business strategy, the car loan business was identified as one of the business priorities in the next 12 months. The strategy was to significantly grow the car loan business market share within the region in two years time, by 100% in the first year, and by another 70% in the second year.

### Pre-Analysis Phase

In order to identify appropriate Six Sigma projects, a cross functional team from sales, marketing, and operations was formed to investigate the key drivers (sounds like drivers of cars without the word key) of car loan business and market share growth.

The team created a high-level process map and identified the sub-processes and the relevant influence factors. The identification of the indicators was achieved through a series of interviews with a lot of process stakeholders. They did not know about process indicators but they were able to express what kind of “critical numbers” they looked at monthly. Some of those numbers could easily be translated into indicators; others needed more effort to become obvious.

*Examples for process indicators:*

Sub-Process	Voice of the Process Owners	Process Indicator
Communication with car dealers	“We need frequent contact to our car dealers”	# contacts/month
	“No misunderstanding and communication errors”	# complaints from car dealers
	“They should generate business”	car dealer turnover/month
Loan Collection	“Phone handling is important”	% abandoned calls; speed of answer in sec

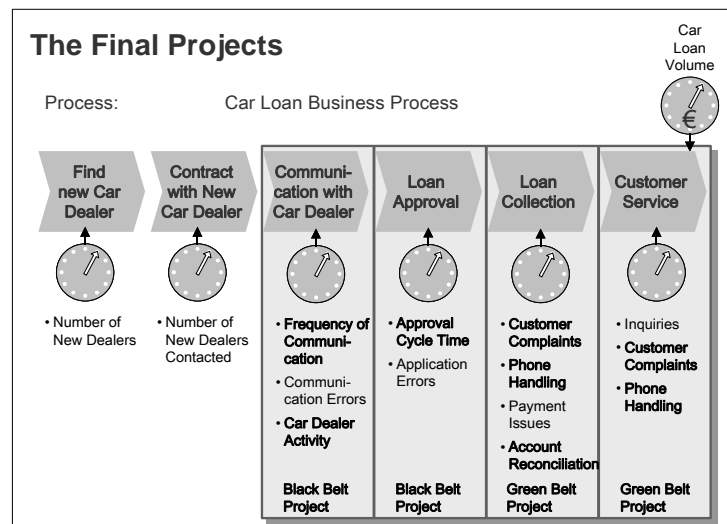
A key success factor of this exercise was to have the respective sub process owners contributing to pin-point the specific problem areas.

From this pre-analysis, the team identified two Black Belt and two Green Belt projects. The distinction between Black Belt and Green Belt was made depending on the urgency of the task. They reasoned that full-time Black Belts can deal with the problem faster and more effectively than part-time Green Belts.

## Project Definition

The final project definition for one of the Black Belt projects had a narrow scope including only one sub-process: Communication with car dealers. After the interviews and after pulling some data from the Management Information System one of the reasons for starting this project was the recognition that more than half of the car dealers has not done any business over the last couple of months. In addition, some marketing data told the team that it was much more expensive (about 500%) to acquire new car dealers than to work with existing ones.

One of the biggest obstacles at this point was engaging the process owner in the project. The car loan business process owner – the sales director – was one of the few that were quite sceptical towards Six Sigma. Additionally, the team was not used to working as a team: Different office locations for marketing/sales and Operations led to a break-down of communication between these functions. The first team meeting was a very quiet exercise with obvious as well as hidden finger-pointing.



However, the Belt Black Belt did an excellent job in influencing the process owner, by helping him to understand and see the benefit of Six Sigma.

### Lessons Learned:

- ❑ Demonstrate right from the start that Six Sigma is an imperative that contributes to the strategy of the company.
- ❑ Demonstrate the need for the Six Sigma projects rather than starting some “learning and training projects” only.
- ❑ Make sure you organise the buy-in of the senior management first.
- ❑ The Voice Of The Customer is key

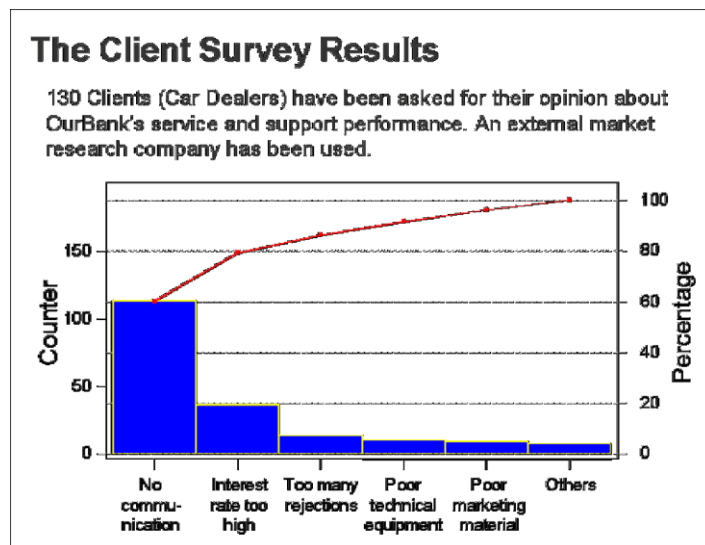
During the interviews performed to identify business indicators and to determine their baseline, the team experienced a very common opinion expressed by sales staff: “We could generate more turnover if we had better conditions.” This is never a surprise in any business in the world. However, the team decided – as part of Measure Phase – to explore the Voice of the Customer even more. Supported by an external market research company they developed a client survey that was conducted with about 130 car dealers. The result was a big surprise:

- ❑ 60% of the interviewees mentioned the non-existing or poor communication with the bank as the biggest driver for dissatisfaction.
- ❑ For about 20% the interest rate for the car loans seemed to be too high.

During the Analysis Phase the team focused on those two issues. They went through the process of communication between the sales team and the clients. Surprisingly, they recog-

nised that there was no process. The sales representatives complained about the workload they had to do every day. They were kept busy by preparing reports, sales presentations and a lot of internal meetings. They did not really focus on talking to their clients. "If I have some time left I give my clients a call." was one of the typical comments.

The analysis of the interest rate revealed an additional, and even worse issue: Some of the clients did not know the newly-reduced interest rate of OurBank .



After further analysis the root-cause for this serious fault was explored as the communication channel between marketing and operations not working very well. Immediate action was taken to inform all clients about the better rate.

#### Lessons Learned:

- ❑ Don't assume you know what the customers want. Ask them.
- ❑ Six Sigma is not about blaming people even if you see "unbelievable" weaknesses. People are not the problem. Fix the process and allow the people to do their jobs.

## Implementing Solutions And Sustaining The Gain

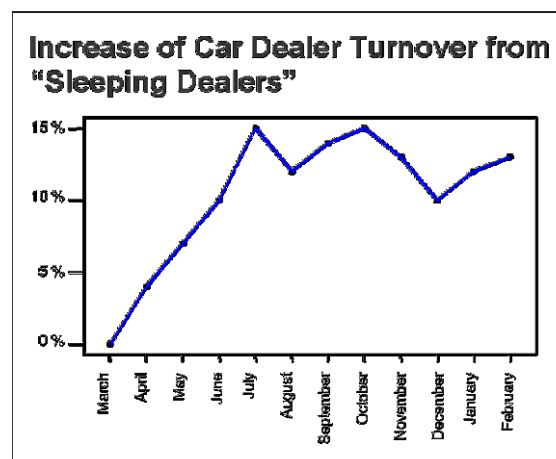
A couple of days after the market research company contacted the clients, the turnover produced by the former "sleeping clients" went up though the process had not been touched.

The customer satisfaction survey phone calls to a great extent created a positive impact for the car dealers where it was perceived and received by the dealers that OurBank does value them as priority clients.

Another reason for business growth was the communication of the new rates, which were more aggressive and competitive.

The Six Sigma team developed solutions for addressing the main problem root causes:

- ❑ Development of a communication process between sales representatives and clients
- ❑ Development of a monitoring tool to alarm sales in case of inactivity of clients
- ❑ Refinement of the roles of Marketing, Sales and Operations resulting in taking some administration work off the sales force



in order to give them the chance for their first priority: talking to the clients

- ❑ Redefinition of internal interfaces to improve communication between departments
- ❑ Layout of a Marketing Handbook to support clients selling OurBank's services

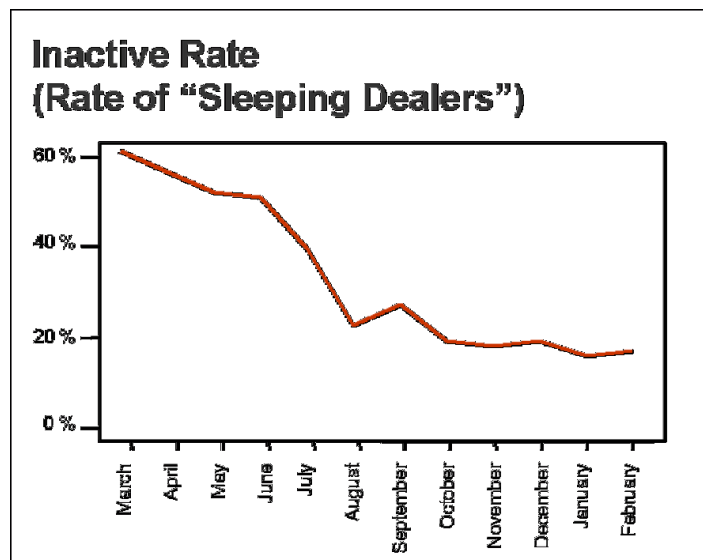
Especially during the Improve Phase, the presence and support of one of the clients, a car dealer, was essential. He gave the important input about how often and in what way he would like to be contacted by the sales force.

The solutions needed some investments. To get the approval was easier than the team had thought before. The major differentiator was the data about the additional turnover and about the decrease of the process indicator – the rate of inactive car dealers. The team used the data to extrapolate the growth for a one year period and compared this data with the costs expected for the solution. The Sales Director was 100% supportive of the solution.

Part of this phase was also

- ❑ Communication with the whole organisation.
- ❑ Describing the new process in the Operational Manual.
- ❑ Training of all people involved in the process on the changes.

The consecutive project phase Control was about putting mechanics in place to make sure the process improvements last. Part of control was to make the "Inactive Rate" part of the company's Management Information System. It meant to show the actual Inactive Rate monthly and to take action if it deviates from the "norm".



To decide whether a deviation was critical or not, the team implemented a control chart. This was built using the weekly 'inactive rate' after the process had stabilised a quarter after implementing the changes.

Using a control chart for this purpose seems to be questionable. At the beginning a lot of education in how to use control charts was needed: The control chart is just the mechanic; the application on the other side is the real art. Not only that you have to be calm even when the 'inactive rate' moves within the control limits, but also that you need to explain when the indicator deviates from the control band.

#### *Lessons Learned:*

- ❑ Measuring the process means changing the behaviour of the people. Measuring the right indicators means changing the behaviour in the right direction. You will see some improvements shortly after having started the data collection. But don't assume these improvements will stay for longer than you measure unless you implement some tools that help to sustain the gain.
- ❑ Involving clients in project work is a challenge at the beginning because you "open the book" to them. After this sometimes rather tough starting phase, they are able and willing to contribute a lot. This normally builds a long-term relationship with benefits

for both, the clients and your own business.

- ❑ The use of control charts in a service environment is possible, although you need to make sure the control chart is set up in the right way, the process owner understands the purpose as well as the usage, and the results are utilised to act upon significant changes in the process.

## Summary

After implementing the changes and after the results became obvious, Six Sigma experienced gained persuasive momentum within OurBank. The start of further Six Sigma projects did not depend any longer on the headquarters pushing but became more and more part of the normal business. The Sales Director showed his newly-gained commitment by proposing “his” Six Sigma team for a reward and recognition event in the headquarters of the enterprise.

The results in addition to the profit out of this project included:

- ❑ OurBank gained very valuable information about the voice of the clients and their needs as well as the impact of internal processes upon that.
- ❑ The team experienced the power of teamwork, communication and process analysis rather than application of complex statistical tools.
- ❑ Additional improvement opportunities were identified during the project work, i.e. restructuring the client communication process in other business areas.

## About the Author

**Dr. Uwe H. Kaufmann** is the Singapore-based Managing Director of COE. He has extensive experience in implementing process and organisation improvements for various industries. He specialises in Six Sigma and Quality Improvements as well as Strategy Implementation and Change Management. Uwe is a German national and can be reached at [Uwe.Kaufmann@COE-Partners.com](mailto:Uwe.Kaufmann@COE-Partners.com).

(For further details about this case study and Six Sigma in service processes in general, see “Six Sigma in Transactional and Service Environments” by Hasan Akpolat, Gower, September 2004)