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Do Operations deliver what Sales promise?

Maximising four key goals — sales, service, cost and risk — is the Gordian knot bankers continually struggle to cut. But some banks are addressing the problem by eliminating the knot entirely. The solution lies in an unlikely place: their back shop processes.



### How do you balance the goals of revenue, customer service, cost and risk?

" After a one-week blitz our back shop improvements cut turnaround times and errors in half, while doubling productivity and managing risk."

It seems impossible to ratchet up one goal without ratcheting down another: *"Three years ago we were driving sales, now we have to manage all of the poor loans we took on. When we get sorted out, we'll be back to pushing sales"*. It is a commonly held belief that customer service and cost are inversely related: *"We'd love to have shorter queues, but can't afford more staff - and we're trying to get our mortgage interviews down to under 45 minutes."* Yet to be market leaders, sales and service must both be increased and risk and cost decreased. Some organisations have found their back shop operations hold the key. It's easy to see how a back shop affects cost and risk, but surprisingly it also affects sales and service. By improving their back shop, these organisations significantly reduced processing demands on front line personnel, which freed more time for selling and service. This has given lower costs and better service, plus higher sales with no added risk.

- A bank reduced the turnaround time of one insurance product *from 13 days to 4 hours* while reducing the FTE by 25%.

- A building society was spending 4% of revenues resolving customer service issues and cut that to 1% in five days while reducing turnaround time by 80% - with no additional headcount
- An insurance company was receiving 600 product applications a week and closing only 300 - with a turnaround time of one month. After four days, an internal team reduced turnaround time by 30%, and improved the close rate by over 80%.

Imagine the impact of these improvements on sales and service efforts. Halving turnaround time means customers will have their products before they change their minds and without tying up branches & call centres with 'queries'.

Though specific circumstances differed in each case, what finally cut the knot and delivered success was a change of perspective. This new perspective has three rules which may sound bizarre - until put into action.



### Don't improve departments

Common sense dictates that to improve the whole, we should improve each of the parts. To improve sales we should improve the sales part. To improve risk, we should improve the risk part ..... and so on. Focus efforts on the area where the problem is.

But common sense is wrong. Trying to improve the organisation one function at a time creates frustration and confusion, and does not improve overall performance.

The first step in cutting the Gordian knot focuses on the flow of work, rather than on the series of departments through which it travels. What each of our sample organisations did was to create teams whose members represented every stage of the process: from customer request to delivery. By examining the total journey of a customer request, internal

teams were able to identify and eliminate unnecessary and duplicated work - and then improve the quality of the whole journey.

Time was saved across all departments, delivering measured improvement in productivity. Communication improved too, giving better quality and risk management outcomes.

" Rather than push time and effort from one department to another, we drove it out of the Bank entirely!"



### Don't solve problems

There is an old adage: "*the squeaky wheel gets the oil*" and much problem solving tries to oil squeaky wheels. Managers fire fight customer complaints, trying to make the pain go away quickly. They easily end up with a new patch on a poor process. Although this approach may fix a problem for a while, it creates more knots in frayed strands. Cutting out knots altogether needs a different approach that systematically reduces waste, variability and errors.

- **Waste** activities are things overdone, duplicated or unnecessary. Cutting these out can halve the turnaround time.
- **Variability** concerns why and where work is not done consistently. By minimising variability, work becomes less complex, easier and faster.
- **Errors** are not just mistakes made but mistakes that **could** be made. Error-proofing work reduces time spent on inspection and rework. Through improved work quality, risk of failure is reduced and less time is spent handling complaints.

" We didn't improve on the way we worked - but changed the whole process. This cut turnaround time by 7 days, our errors by 85% and our headcount by 13% "



### Don't spend money

Money is one resource that *impedes* sustained improvement for two reasons:

**First**, money inhibits creativity. Money can speed up, make more comfortable or automate a process - but waste, variability and errors generally stay built in. Money rarely of itself changes the way people work. Most significant improvement is made by changing how people work, through eliminating waste, variability and errors. A good improvement goal is more effective than money. Each team described above was given goals to improve quality, turnaround time and productivity by 50% within a budget of less than £1000. They all met their goals without spending their given budgets.

**Secondly**, expenditure on a process is usually controlled by managers remote from where work is done. Their decisions can inhibit the participation and "*ownership*" of people inside the process. Most successful teams are a mixture of those who do and understand the work (e.g. cashiers, interviewers, processors, reviewers) and their local managers - who must be authorised to make improvements. Once made, such improvements endure and grow. This is because they have been implemented by the people who invented the change and do the work; not by outsiders.

" I was most impressed by our people. They used their creativity, fought for their changes - and spent only about £100 for a week of lunches"

Experience shows that teaching staff to improve their own processes pays handsome dividends: for both back shop service and front line sales productivity.

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