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Is muda costing you money and lost sales?

Consider the following real life story....

A successful financial services organisation wanted to reduce the average time needed to process a mortgage application from 15 to 10 days. But, having got the time down to 12 days, they were stuck. A Setanta consultant asked the Head of Mortgage Processing, "How long would it take the CEO to personally walk his daughter's application through the system?" "Probably about four hours," was the reply.....



Why not provide CEO quality service to all customers?

“Should we be doing that work at all?”

Strange as it may seem, this organisation's error was to tackle their mortgage application problem logically. As most organisations do, they identified a team, gave them a goal and asked them to solve all the problems keeping them from reaching their goal! In the business of process improvement, incrementing your way to perfection is perhaps laudable but probably misguided. Even though problem free perfection is practically impossible to achieve, that is the approach into which many companies put their resources and not surprisingly, most companies don't get the

results they need. But history has shown that by following a "waste-reduction" approach, companies deliver much better results - and they don't even have to be outstanding at it!

When your focus is restricted to solving problems in how you work currently, your improvement results will be constrained.

But if your improvement strategy starts with the question, "Should we be doing that work at all?" your improvement results can be dramatic.



So, what is this waste we are talking about?

The Japanese call it muda, which roughly translates as, "Every moment of time when nothing of value is happening", where value is determined by the customer of the activity. To make it easier to find, many improvement strategies identify several types of muda, including:

Overproduction: making more than the customer wants or can use at the time

Inventory: information or materials waiting with no value being added to them

Waiting: people waiting and not doing anything valuable

Transportation: information or materials moving from place to place with no value being added

Motion: people moving from place to place and not doing anything valuable

Over processing: doing more to the information or material than the customer wants

Correction: inspecting and correcting information or material



Tackling waste in financial services organisations

Initially developed by Toyota as a way of improving their manufacturing capability, muda-based improvement strategies have demonstrated tremendous results in the financial services industry for example:

Overproduction: Has your organisation ever launched a marketing campaign and been so successful that more business was generated than the back office could process? If so, what happened to customer satisfaction? Why did this happen?

Inventory: Most organisations still "batch" a day's worth of applications in each department. This means the minimum turnaround time is equal to the number of departments (i.e. five departments = five day turnaround regardless of how long it takes to process each application). By reducing the inventory time of applications to less than a day, turnaround times can be significantly reduced.

Waiting: How much waiting is there? Waiting for signatures, for callbacks, for meetings, for reports, for computer systems? How fast could you complete your work if you didn't have to wait for these things?

Transportation: Imagine the process an application takes through your organisation. Does it move continually towards the external customer from one department to the next?

Or does it zig-zag from place to place, department to department, desk to desk, queue to queue? Why does it do that? How fast could it go if it didn't?

Motion: Many processing centres are designed with open floor plans, which let you see people moving around. Here's an eye-opener; stand in one place where you can see most of the floor and watch how much movement there is. Ask yourself two questions, "Where are these people going?" and "Why can't we move whatever they are going to get to their workplace?"

Over processing: One organisation looked at the paperwork packages passed from branches to the operations centre and found they created 50% more paper than was required. This tied up branch staff needlessly (and also reduced sales time!) and those in the operations centre, as well as creating many more things which could go wrong.

Correction: Many processes were designed with a "belt and braces" approach to risk management. This means one department might check information and then forward the application to another department to check it again and then finally send it to a third for a signature. Each step in the process asks for slightly different information or verification with the branch network.

“Mortgage turnaround was reduced by 40% in 3 months”



Making people responsible for eliminating waste

Front line staff in branches and operations centres recognise these issues when drawn to their attention. With the right methodology, switched on managers, training and encouragement to eliminate muda and other forms of waste, back office staff can effect dramatic improvements to their own operations. And it's not just in processing areas that such improvements are possible.

Branches, call centres, sales teams and head office departments can create much more productive sales and customer time by focusing on muda.

It may sound crazy, but if you really want to make significant improvements in your business results, don't focus staff on solving problems, try eliminating waste!

Using this type of approach the mortgage turnaround time mentioned above was reduced to nine days within three months and the trend is still downwards.

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