# insights

setanta

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## Is there a 'best way' to improve processes?

Six Sigma has been hailed as the next great thing in operational improvement. But can an approach born in electronics manufacturing and implemented throughout GE really help to improve financial services?

And what needs to be done to ensure successful implementation? Many have found the hard way that one size does not fit all.

## A true story

"*I'm glad to be back,*" said Jack Welch on GE's corporate TV one day in 1995. He was addressing the company just after heart surgery, reassuring everyone about his fitness and desire to stay on as CEO. His return was an important event in GE's history. But what is remembered most was his *second* topic - the company-wide rollout of a new programme called Six Sigma.

A Setanta consultant, working in General Electric's corporate headquarters that morning, remembers the flood of phone calls which followed. Concerned line managers were making sure that their 'blackbelts' could be trained right away so they could meet Jack's deadlines. Within hours, the Six Sigma programme office had allocated most of its resources for the foreseeable future and Six Sigma was off and running.

Though it seems that GE implements at the snap of the CEO's fingers, the reality was more complicated. GE had tested Six Sigma for months to understand the benefits to its business and fine-tune the implementation requirements. They knew Six Sigma wouldn't replace what they were currently doing; it would enhance their current improvement efforts. Six Sigma was not a 'flavour of the month' improvement programme but a management tool to drive business results.

## Making improvements is a core activity

World-class companies see improvement as a critical business process, define it as an important product and manage it the same way. Improvement has specific measurable goals, a business plan to reach those goals and resources dedicated to implementing the plan. And not surprisingly, resources expended on improvement are expected to deliver significant returns within a short time.

To reinforce his commitment to Six Sigma, Jack Welch set specific goals, which had to be achieved in order for management teams to be eligible for their annual bonus. He integrated improvement into the performance review system used for other important business results. Costs, revenues, profits, market share *and improvement* were on everyone's goal sheets. No wonder the phones rang so quickly!

Unfortunately, many organisations don't see improvement as a business and don't manage it that way. Often, programmes are delegated to a staff department after the initial announcement with little support from senior management. Business goals are often hazy or qualitative (i.e. ‘Improve customer service’) and improvement activities are conducted as time and resources allow.

Managed this way, improvement has about the same degree of importance as the company picnic.

## Developing your improvement strategy

Successful companies recognise that every improvement opportunity requires a unique approach. These companies develop their overall improvement strategy by creating a toolkit of activities that address different issues in different ways:

1) *Waste and slack.* This is the focus of 'Lean' thinking. The Japanese call it *Muda* (roughly translated as ‘every moment of time when nothing of value is happening’) and ask, "*Why improve something if it doesn't need doing in the first place?*".

2) *Variability.* This is the focus of Six Sigma efforts. When variability is measured in a result (e.g. some mortgages take 3 days, others take 3 weeks) it means some part of the process is out of control. To get to the root of the variability, improvement teams track it back 'upstream' like a gold miner, to the processes that created it.

3) *Process errors.* Errors are not defects. The latter are passed on to customers. Errors are still in-process, and must be stopped or they will add cost and reduce quality.

Having decided the focus, there are basically four approaches to improvement:

- Fast - achieving significant gains quickly. This is used to harvest the 'low hanging fruit' obvious to everyone.
- Comprehensive - solving complex problems which don't have easily identifiable solutions.
- Proactive - researching and developing new, more robust processes that avoid waste, variability and errors.
- Autonomous - making improvement as automatic and natural as breathing.

A typical 'comprehensive' Six Sigma project addresses variability issues. The same 'comprehensive' Six Sigma approach can be refocused on waste or errors as the situation warrants. Similarly, a 'fast' paced project that starts life addressing waste can be refocused on variability or errors as well. Rather than a 'flavour of the month' companies develop an integrated, robust improvement strategy capable of addressing each opportunity as it presents itself.

| | | Approach | | | |
|---|---|---|---|---|---|
| | | Fast | Comprehensive | Proactive | Autonomous |
| Issues | Waste | | | | |
| | Variability | | | | |
| | Errors | | | | |

" When all you've got is a hammer, everything looks like a nail."

## Making improvement efforts successful

Companies struggling with improvement often have a single approach regardless of the opportunity or focus. Improvement teams become frustrated as they get bogged down in red tape when solutions are obvious. Or they never get to the root cause of complex situations. Other companies try to 'scale up' their improvement programme with poor results. Those organisations which have learnt how to develop and sustain a culture of successful improvement recognise the need to:

- Set ambitious goals and timescales. Challenging goals can appear unreasonable, but often produce new thinking and innovation. Demanding timescales avoid the risk of rambling projects which lose momentum, enthusiasm and key team members.
- Work top down and bottom up. It's essential to involve the people who do the work. Senior managers must set the agenda but they rarely have time to put in the detailed effort that is needed.
- Learn how to scale up. Most improvement projects involve a high degree of technical skills (analysis, mapping, measurement etc.) but the real wins are in system-wide improvements. This is usually the toughest task. State of the art organisational change principles and skills are key.

The approach that GE adopted worked for them, largely because of the personality of the CEO and their particular culture. In financial services each organisation needs to work out its own unique approach and resist being seduced by apparent GE magic.

For questions, comments or feedback about Setanta or additional copies of Insights please contact:
**Joe Liddane**
T +44 (0) 20 8442 0838  F +44 (0) 87 0160 3792  E jliddane@setantapi.co.uk

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Setanta Performance is an international consulting firm that helps financial services organisations to achieve superior sales and service results. We use innovative, collaborative methods that help integrate people, technology and processes to produce measurable improvement in business results. Current clients include Banco Comercial Português, Britannia Building Society, Nationwide, Royal Bank of Scotland and Visa. Issues where we have made major contributions include:

- Designing sales processes
- Improving operational efficiency and effectiveness
- Choreographing the customer experience
- Migrating transactions
- Improving sales productivity of small business banking
- Recognising lifestyle tribes

## Authors

**Joe Liddane**, European Managing Director, has spent the past 15 years consulting to the financial services sector on a wide range of people performance issues.

**John Hutchinson,** is a Director of Setanta with 30 years of line management and consultancy experience, helping many organisations create winning people and processes.