Lean in financial domain

Extra work done on products or services can lead to customer dissatisfaction in the long run. This includes unnecessary transportation, needless delays, excessive inventory, and many other activities, which the customer may not appreciate. Recognising these forms of waste and taking corrective measures is what lean practitioners do…

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There are many activities that add wastage to the final product or service. Some of them are…

Over-processing

Over-processing is adding more value to a service or product than customers want or will pay for - The basic premise of over-processing is doing more work than is absolutely necessary to satisfy or delight customers. There are two fundamentals to over-processing:

- ***Not knowing what customers want:*** For example, a credit card company including an envelope along with their invoice is considered as a value added service by those who pay by cheque, while those who pay by automatic transfer consider it as a waste
- ***Redundancy:*** Consider a process that involves a number of approval steps. Would customers think that each of those steps is adding value? Hardly. Rather than requiring five managers to sign off on a decision, why not develop a process and guidelines so one manager can make the call?

By developing a check list of information and documents required one authority could be authorised to process the requirement instead of many. By eliminating unwanted or irrelevant information the non-value added work could be eliminated.

Transportation

Transportation is unnecessary movement of materials, products or information - Too much physical movement back and forth is one of the problems that plague many financial areas. Excess transportation is important to recognise and eliminate because every move from one activity to another adds time to a process, and world-class organisations are passionate about reducing time.

Yet, in many service processes, we see paperwork go back and forth several times… waiting in queues. Transportation in service processes almost always manifests itself as

materials are being collected or delivered, or the actual or virtual chasing of information - For eg, - ("Who has that expense figure? Ram? Okay, I'll ask Ram…. Ram says Lakshman has it…"). At one end of the spectrum, eliminating excess transportation involves combining steps to eliminate the back and forth movement of information or paperwork. Cutting the movement path of information or paper in half by eliminating the unwanted steps generally cuts the queue time in half. At the other end is the option to rearrange the workspace to match the flow of the process.

Motion

Needless movement of people - While 'transportation' refers to the movement of the work, 'motion' involves movement of workers. Both are much harder to see in service environments than in manufacturing. Motion may show up as people constantly switch between different computer domains or drives, or simply having to perform too many keystrokes to accomplish a computerised task. Solutions can involve everything from rearranging people's desks, to purchasing ergonomic furniture and equipment, to using software that performs tasks offline, so information is waiting for the staff rather than vice versa.

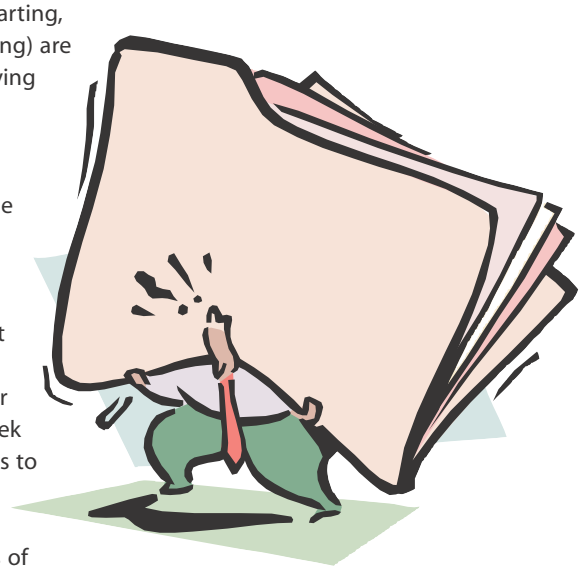
Inventory

Any work-in-process that is in excess of what is required to produce for the customer can be termed as extra inventory. The evils of inventory were first recognised in manufacturing because that is where the inventory itself is most visible. It is hard to ignore a room full of half-completed assemblies - a very visible reminder of millions of rupees the company could be putting to better use.

Inventory in service areas is just as big a problem, but more dangerous because it is not as readily visible. Look for physical piles of forms (in in-boxes, for eg), a list of pending requests in a computerised e-mail program, callers on hold, people standing in line, etc. This excess inventory is often the result of overproduction. (As discussed later in the article) The goal, from a lean standpoint, is to have on hand only what is needed immediately or in the short-term. (To find solutions to inventory problems, read upon Lean practices such as pull systems.)

Waiting

Any delay between the time one process step/activity ends and the next step/activity begins - One of the biggest tribulations in today's marketplace is to make customers wait for delivery of a product or service – because chances are a competitor will be able to get it to them quicker. Anything in a process that makes a work item to be processed wait should be eliminated. Because so much of the work in a service process is invisible to the naked eye, process-mapping techniques (flow charting, value-stream mapping) are essential for identifying delays in a process.



Defects

Any aspect of the service that does not conform to customer needs - Producing work that customers are not going to pay for – or that makes them seek out other companies to do business with – is one of the more obvious forms of

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waste. Statistical methods such as Six Sigma practices have long been structured around minimising the possibility of producing defects. In a service, these methods translate to prevent the possibility of missing information, thus improving the possibility of making deadlines.

One clue to studying defects is to recognise that their impact is usually felt far downstream from where they occurred. Customer-service staff, for eg, is likely to receive the complaint calls from customers upset about something that happened in an entirely different part of the process. The defect has to be traced back to where it happened – where the incorrect information was put into the computer system, for eg, – in order to find a solution that will last.

Overproduction

Production of service outputs or products beyond what is needed for immediate use - In one of Lockheed Martin's procurement centres, buyers purchased items for 14 or more different facilities. The way the computer system was initially set up, it was incredibly cumbersome for the buyers to switch from one facility to another. So they naturally processed all the requests from one centre before moving on to the next, even if there were urgent or priority requests in queue from other facilities. As a result, non-priority requests from one centre would be processed before priority requests from another facility. This batch processing and delivering a service before the customer needs - it is a type of overproduction common in services. The solution to overproduction is to examine the process and see why the staff does not work in a way that reflects actual customer needs, and then make changes accordingly. (At Lockheed Martin, the solution was to change the computer system so buyers could see priority requests from all facilities simultaneously.)

The better the Lean practitioners in financial services recognise these forms of waste, the more effective their improvement efforts will be. MMT

Note: Look out for a series of articles on 'Leadership' from the next issue.