Improving the customer's experience and driving out waste - Can you do both?

WASTE IN THE BACK OR FRONT OFFICE?

Today, many organisations have already outsourced, or off-shored, their back office operations in an effort to improve efficiency. What impact this has had on customer service is perhaps more open to debate, particularly when you hear about businesses bringing call centres back to the UK. In the public sector, there is much talk of Shared Services, with opportunities for several organisations to bring together their support processes and achieve efficiencies through economies of scale and concentration of non-customer-facing business activities (e.g. HR, Finance, Procurement) under one roof.

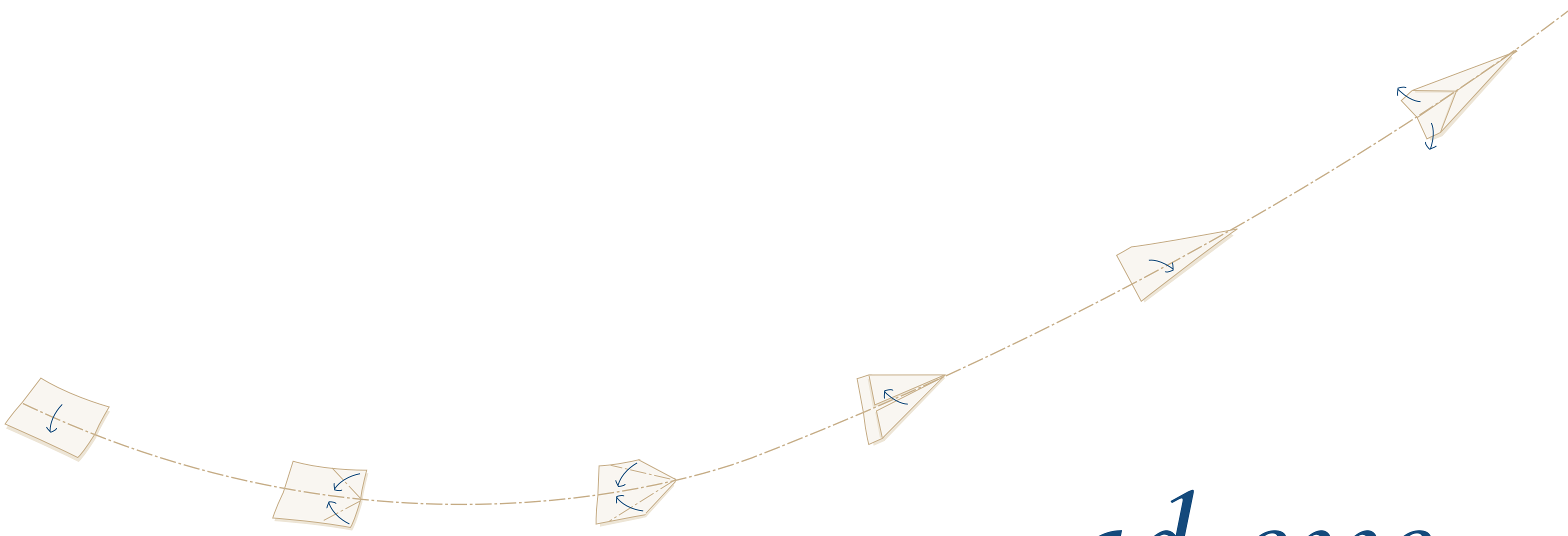
Whether your organisation is reviewing the way it carries out its customer-contact activities (front office) or are attempting to improve efficiencies in back-office processes, there is a real need to understand the concept of Value-Add before considering process change and automation.

Over the years we have carried out assignments where the objectives have been to improve the customer's experience of using a service, or to take waste out of processes. Sometimes the objective is to achieve both.

This has included:

SOFTWARE COMPANY

One project was to look at the customer experience of using the Product Support Service covering all elements of customer contact from registration through to product support and come up with suggested improvements. Calls went through screening (to direct them to the right person and check eligibility for free or paid support) through to the different levels of technical, or commercial support. We developed a set of recommendations that improved the number of calls resolved at the first point of contact and ensured escalation to other levels happened more quickly.



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RETAIL FINANCIAL SERVICES

We trained front-line managers in process analysis and root cause problem solving techniques to enable them to map and improve back-office service delivery processes. As well as "conventional" process improvement techniques, we introduced them to Lean principles such as the Seven Wastes. They were able to identify many improvements that were simple to implement at team level, as well as others that required management action. All of these improvements were identified in processes that had previously been "re-engineered and automated" (but clearly had not considered real Value-Add).

WHOLESALE BANK

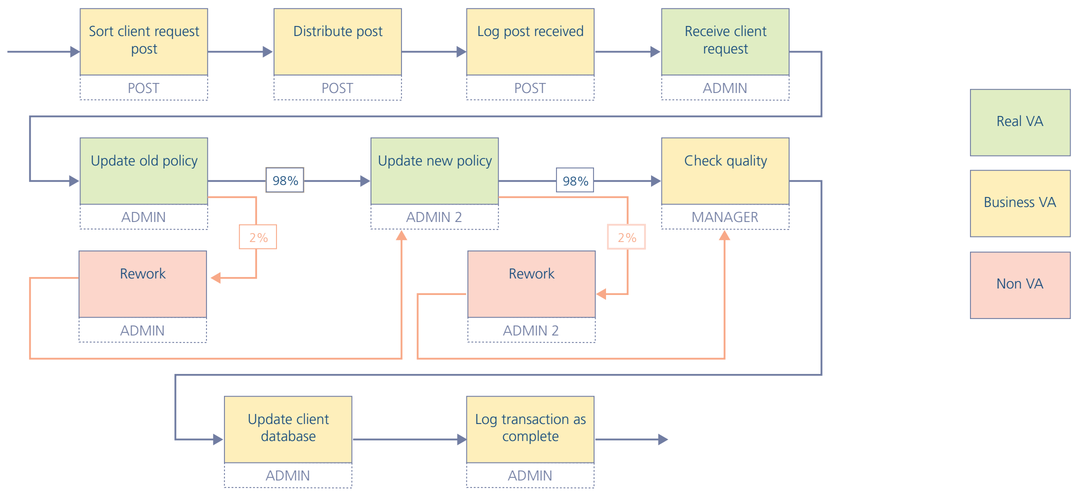
We facilitated a number of improvement teams looking at back-office processes and in one particular team reduced error rates in processing share deals from 750 ppm to 200 ppm in three months. They had previously measured defects in % and believed that they were at a level that could not be reduced further. Using root cause analysis and changing the basis of measurement opened people's eyes to the scope for further improvement.

APPROACHES WE USE:

Value Add Analysis

We use a simple walk-through to challenge the purpose of process activities. The diagram below is an example from the Back Office of a Financial Services business dealing with incoming post and making some policy changes for the customer.

The walk-through typically leads to root cause problem solving to eliminate the non-VA activities and streamlining or automation of Business-VA activities.

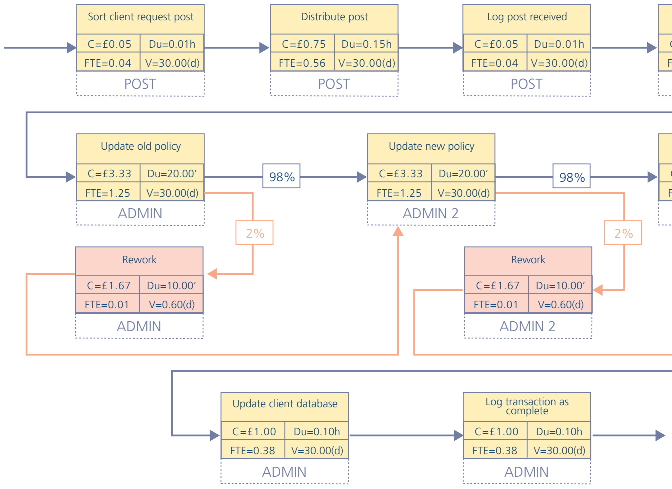


Another example of a VA Walk-through was done at the level of incoming customer 'phone calls and understanding what the customer's experience was. In one call handling script, it emerged that customers were being required to listen to taped messages with standard "Terms and Conditions" and there was no way for the call taker to know when the message had finished. This was resulting in non-VA time, delays and was also frustrating for the customer.

We are particularly challenging when we find "Checking" and "Approval" activities, where there is often no current valid reason to do these things. In one client's process they had two 100% checks carried out by processing staff, followed by a 10% "dip check" by their line manager and still had over 70% errors at the end of the process. Our approach is to look for the root causes of the errors and to eliminate these.

Unit Costing and FTE Analysis

We took the Financial Servcies example and added some volume, processing time and cost data to understand the workload implications of various scenarios.

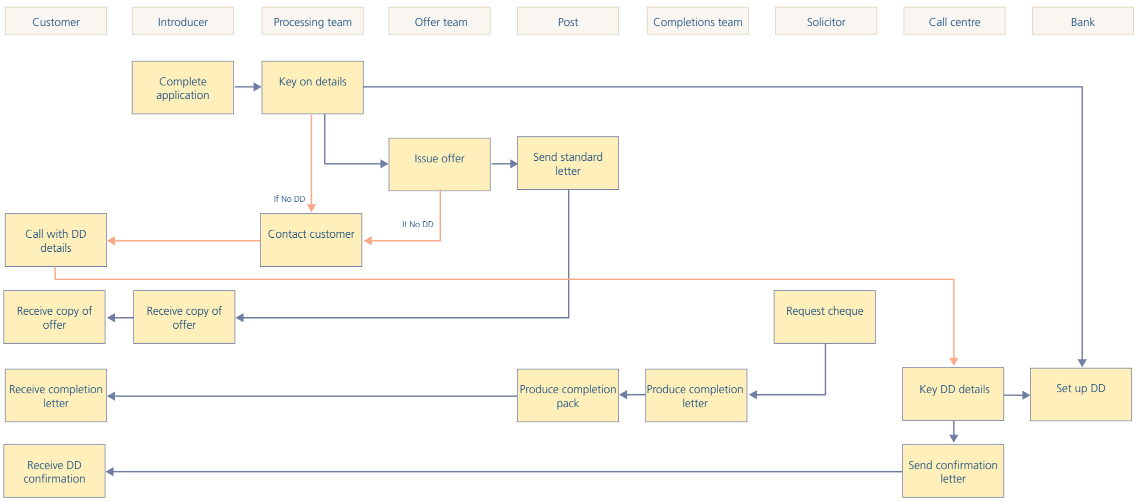


We were able to examine the effects of different levels of rework and therefore the benefits of eliminating root causes. The scenarios also enabled us to look at staffing requirements (FTE) for different volumes of work coming in.

In another client they were considering introducing some new IT to help track the payment of Accounts Payable. A quick analysis of the invoices showed that some simple changes to the way that suppliers were asked for invoices (e.g. statements and call-off contracts instead of one invoice per transaction) would significantly reduce the number of invoices. The end result was that, with fewer invoices, there was no need for an expensive tracking system.

Deployment Flowcharts

Below is another Financial Services example, using a Deployment Flowchart, which highlighted gaps and inconsistencies in the Mortgage Offer process and began to explain why delays occurred. The process covered not only call centre and back office activities, but also other key players outside the organisation.



Lean Principles

"Lean" is a set of principles and tools that provide a revolutionary, but practical, way of eliminating waste and cost in all organisations and businesses. Although initially used in manufacturing organisations, the principles have been applied in many administrative processes, including public sector organisations.

One of the key tools in the lean toolkit is the identification and reduction of the "Five Wastes". Waste is anything that does not add value to your product or service. Reducing waste gives you more resource to meet your customer requirements and makes processes faster and more efficient

It is impossible to eliminate all waste in your processes. Waste will always be present. This means that there is always something that you can do to improve your performance. Lean forces you to compare your operation against perfection and thus enables you to identify all the waste in your processes........this is not a comfortable experience!

When working in manufacturing companies, we usually talk about the Seven Wastes, although some consultancies have identified up to 14! In admin processes and public sector organisations we generally use the Five Wastes:

- Over-production (e.g. doing more than is needed "just in case" – perhaps data gathering that is never used; or doing work sooner than it is needed, which results in waiting time)
- Waiting (e.g. delays caused by other linked processes)
- Excess processing (e.g. duplicated activities)
- Motion - people, or paperwork, moving (e.g. walking to the other side of the office to the copier, or to get files from central cabinet)
- Producing and coping with failures and rework (e.g. any corrective action activities; complaints handling, dealing with queries etc.)

In some organisations, testing their processes against these Five Wastes makes virtually everything look like waste!!!

Other key principles from Lean include the adoption of flow management so that activities are only carried out at the rate of the customer's demand and bottleneck steps are identified and improved.

Techniques like visual management, whereby it's easy to see where all transactions are in a process (e.g. by use of colour-coded files and large performance display boards), also enable quick and simple improvements to be made.

METHODOLOGIES

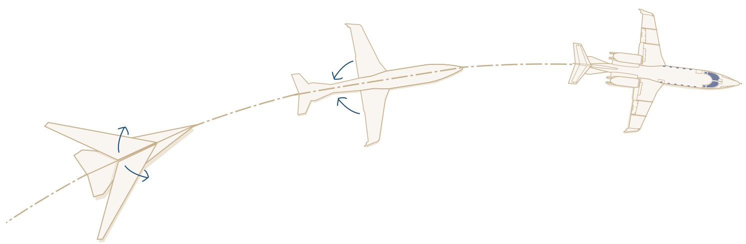
We're not locked into using a particular methodology. We know what's in the kit-bag and apply our intelligence and practical experience to decide which tools are most appropriate to help meet the client's needs.

Underpinning this, is our fundamental belief that everything can be improved and that customers' needs should be a major driver of continuous improvement. We also strongly emphasise the importance of involving staff in any improvement activity, to ensure buy-in and to enable a degree of skill transfer for the future.

Time after time, we've been able to help clients see improvement opportunities and waste reductions that had apparently been "invisible" to them. Perhaps they were too close to the problem to see it, or, in some cases they were simply not "educated" to spot what seemed obvious to us.

Applying these tools and techniques intelligently enables you to achieve the apparently contradictory objectives of improving customer service and cost simultaneously.

Are you seeing what we're seeing?



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