ideas into action

Issues in Lean Banking

Banks of all sizes face a number of issues which are damaging their performance, but which, also, present great opportunities for improvement. I suggest that these issues fall into three broad groups:

1. Insufficient focus on customer value. This is particularly true of bank branches and other retail operations where complex administrative procedures, with much duplication and overlap, coupled with complex and costly compliance checking, mean too little time is spent adding value for customers.

2. Inefficient back-office processes. Many banks have moved their back-office activities to processing centres and specialist teams separated from the retail operations. This may have economies of scale, but leads to many hand-offs and poor communication between steps which has a negative impact on quality. In addition, staff in such processes are often relatively low skilled (and low paid) in comparison to the complex products they are handling. This can result in high staff turnover leading to a loss of expertise and significant quality problems.

3. Complex and inefficient Risk Management. Regulation and risk management has become a major part of bank activities. This is understandable, but, in too many cases, compliance and risk checks have been added on top of processes, rather than engineered into them. This is costly, and leads to a lack of understanding of risk within processing teams which causes mistakes and quality problems. Thus the costs of risk management are rising rapidly and increasing the complexity and cost of processes and causing greater mistakes.

These problems are not insurmountable, but they require concentrated management effort and focus. I suggest a six step process to developing the solutions to these problems:

1. Use Value Stream Mapping to understand the core business processes, and to improve the efficiency of those processes

2. Determine critical-to-quality (CTQ) criteria through customer data, risk, audit and other feedback

3. Use FMEA (Failure Mode and Effects Analysis) to understand and score the risk points in the business processes

4. Develop appropriate solutions to deal with the priority risks and deliver good customer services, including redesigning the process; building in mistake-proofing; and/ or implementing sample-based quality checks

5. Update procedures, documentation and training to reflect the solutions developed

6. Establish a continuous improvement cycle driven by management and involving all staff in improvement

The challenge is to deploy this approach in a structured and planned manner.

Contact us for more information.

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Understanding, Involving, Improving