Lean and Digitize: Prioritizing Projects to Add Value for the Customer

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Agenda

• Lean Six Sigma Methodology
• An Integrated Approach: Lean and Digitize
• The Prioritization Process
• Some Best Practices
• The Future of BPM
"May you live in interesting times!"

"愿你生活在有趣的时代"
Changing Environment ... The 4Cs

Customers
Empowered and demanding
Complex and confused
Bored

Competition
Global
Aggressive

Costs
Inflation
Complex Technology
Outsourcing

Compliance
Security Requirements
Laws and Regulations
GRC

Challenging Environment
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Quality … a Darwinian Development

“Quality is Customer Satisfaction Profitably” GE
Lean Six Sigma … Executing Faster & Better

Six Sigma + Lean = Lean Six Sigma

Six Sigma works on Quality … *may* improve process speed

Lean works on Process Speed … *may* improve quality

reduces complexity and improves both Quality & Process speed

Innovate for operational effectiveness across the enterprise
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Lean Six Sigma is not enough: Lean first and then Digitize

Are we really implementing changes?

Are we profitably improving processes for the customer?

Is ICT bought into Lean?

ICT Planning
Scheduling and execution
... linked to Quality Plan

Enable process driven enterprise architecture
The Lean & Digitize Methodology

• The Environment and the Needs
• The Vision
• The VoC and the Strategy
  – The Metrics
  – The Prioritization
• The Governance and the People in the Team
• The Components
  – Processes
  – Physical Layout
  – Digitization
• The Lean First
• The Architecture, the Build and the Deployment
• The Control and the Improvement

“With Six Sigma... We were able to dramatically improve our processes”
Ken Lewis
Agenda

- Lean Six Sigma Methodology
- An Integrated Approach: Lean and Digitize
- The Prioritization Process
  - Benchmark
  - Bottom Up Approach
  - Top Down Approach
- Some Best Practices
- The Future of BPM
Benchmark of Project Selection in Six Sigma Programs*

- 89.0% respondents who indicate financial savings is of high or very high importance when prioritizing potential Six Sigma projects
- 76.4% respondents whose organizations require a formal approval prior to moving forward with a Six Sigma project
- 44.6% respondents whose organization always presents a business case prior to project approval
- 50.8% respondents whose company frequently or always uses a project prioritization process
- 19.9% respondents who say employees are the primary source of project ideas
- 40.8% respondents who indicate having a known solution is of high or very high importance in prioritizing projects
- 50.1% respondents from highly unsuccessful Six Sigma programs who say “gut feel” is of high or very high importance in prioritizing projects
- 0: Number of highly successful Six Sigma programs that do not have an approval process in their business
- 75.1% respondents who rate their Six Sigma initiative as highly or somewhat successful
- 78.3% respondents whose senior management is very or somewhat committed to Six Sigma

* Jonathan Atwood, SixSigma Magazine, March 2005, 988 Respondents
Lean at Bank of America

Below is a list of projects and savings generation results at Bank of America:

• $1.3 M Savings: Reduce Cost of Relocating New Hires
• $5 M Revenue: Improve Lockbox Deposit Availability
• $30 M Revenue/$1.5 M Savings: Measure Return on Sponsored Events
• $7.8 M Revenue: Retain Customers Who Move Within Footprint
• $950,000 Savings: Complete Federal Tax Return Faster
• $6.6 M Loss Reduction: Reduce ID Theft Through “Account Takeover”
• $2 M Revenue: Improve Results From New Sales Hires
• $10.7 M Revenue: Improve Customer Referrals From Tellers
• $3.6 M Revenue: Improve Credit Card Sales

“Since launching our Six Sigma efforts, we’ve saved hundreds of millions of dollars in expenses...” 2003 Annual Report to Shareholders
Focus on Customer value (Bottom Up)

Use Failure Mode Effects Analysis (FMEA).

- Determine your vision.
- Measure Cycle Times and Cost of Poor Quality of all products line.
- Once few (hopefully) worst product lines are identified, create a process flow chart for each product, determine all possible defects at each process steps and how you could accelerate the process time by eliminating waste (non value added steps).
- Focus on critical customer value aspects by prioritizing actions for your limited resources.
- Perform sensitivity analysis
The Vision

Get a Competitive Advantage in the Business

- Build a rich customer value
- This normally requires strategic differentiation
- Reduce operational costs and increase efficiency
- Improve agility and time to market for the introduction of new products

“53% of the institutions surveyed identified customer service as one of their top 3 competitive advantages...” Economist Intelligent Unit
The Ultimate Measure is the NPS (Net Promoter Score)
NPS – Net Promoter Score (Top Down)

**Question to your customers:**

“On a scale 0-10 (where 0 means you would not recommend under any circumstances, and 10 means you definitely would recommend), how likely would you be to recommend our company?”

<table>
<thead>
<tr>
<th>%</th>
<th>Promoters</th>
<th>Detractors</th>
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<tbody>
<tr>
<td>9 - 10</td>
<td>10</td>
<td>0</td>
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<tr>
<td>7 - 8</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>0 - 6</td>
<td>6</td>
<td>10</td>
</tr>
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</table>

Net Promoter Score (% NPS)
The People ... R=Q*A

The Action Workout (AWO!)
The change process to apply the Lean and Digitize tools ... target waste with Value Creation Teams

Not traditional workout ... intense focus on action and speed

Key concept: Trystorm (vs Brainstorm)
New ideas are tried quickly, observe results
Quick iterations: try-observe-improve ... repeat

"Ask the questions that will lead to the possible insights" Jim Collins
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The Strategy

The Lean Logistics Architecture

Implement a set of improvements and best practices which allow the Business to gain competitive advantages through a better logistics system, while removing the “waste” in:

- The process path
- The physical path
- The digitization path

“... information systems have to do more than manage huge amount of financial data...” Bill Gates
Completing the Transformation of the Supply Chain Process with Logistics

One Lean Supply Chain Process for the entire Business

Stressing the Quality of Service
“Services Organization can no longer let BPM pass…” Michael Hammer
The Architecture

Customer Contact Point

CRM

Self-service Application
Optional Integrated Functionality
Security
Firewall
Media streaming
Voice Services
... Fun Interaction

Connection

Network Components
wLANs
Security
Intrusion detection
Appliances
Multi-purpose wireless network
Sona

The Hub

Data Center

Rich Internet Applications
Software as a service
Business Intelligence
Hw Virtualization
Document management
Backup

“High performance processes require new information systems” Michael Hammer
The Governance

• **The Champion** ... The Top Level Executive sponsoring the project

• **The Steering Committee** ... All the Executives involved in the initiative

• **The Lean Leader** ... The Facilitator ... Full time job

• **The Team Coordinator** ... The Project Leader from the Department more affected for the process ... For the duration of the project (including the Digitization phase) ... In charge of the planning, monitoring and managing the team

• **The Team Members** ... From the various departments interested plus Information Technology ... Either full or part time for the entire duration of the project
<table>
<thead>
<tr>
<th>Elements</th>
<th>Gen 1</th>
<th>Gen 2</th>
<th>Gen 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision</td>
<td>Replace existing legacy system. Standardize tools and process</td>
<td>Controllership on carrier invoices Track of Transportation costs</td>
<td>Maximize shipments optimization</td>
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<tr>
<td>Key Functionality</td>
<td>• Shipment creation • Shipment execution • Arrival • Doc. Mgt • RC access</td>
<td>• Rates &amp; Approval process • Carrier access • Cost allocation • Interface with Holding systems • Alerts • Inventory checks</td>
<td>• Planning &amp; Consolidation • Freight Settlement</td>
</tr>
<tr>
<td>Target Customers</td>
<td>• Manufacturing planners • 3PL • Logistics team • Finance</td>
<td>• Manufacturing planners • 3PL • Logistics team • Finance</td>
<td>• Manufacturing and servicing planners • 3PL • Logistics team • Finance</td>
</tr>
<tr>
<td>Target Processes</td>
<td>• Inbound • Outbound • Farmout • Interplant</td>
<td>• Inbound • Outbound • Farmout • Interplant</td>
<td>• Inbound • Outbound also with serviced customers • Farmout • Interplant</td>
</tr>
<tr>
<td>Technology Requirements</td>
<td>• OTM (web based application) • Oracle DataBase • BPEL middleware</td>
<td>• OTM (web based application) • Oracle DataBase • BPEL middleware • Distance Engine Software</td>
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The Improvement

Multi-Generation Project Planning
The Benefits ... Some Examples

Sustainable cost reductions of €250m p.a. to be realised by year end 200. Headcount in back office to be reduced by roughly 500 in Germany within same period.

Results in improved business process in shorter time and at lower cost.

$2.1m savings
16% increase in satisfaction score

Reduction of 65% in the operations through Six Sigma in some processes.

“There’s too much waste in banking..” Carl E. Reichardt, Wells Fargo
The Challenges

**Plus**

- Top Management Support
- Organizational culture
- Dedicated team

**Delta**

- If limit is operational processes
- If project focus creates local success but is not replicated
- Lack of training

From Multi-channel (3PL) to Multi-mode Channels (4PL)
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The Future of BPM

Integration

Mobility

Collaboration

Process

Physical

Digitization

Integration of products and process approach
Management of full end-to-end processes
Go beyond the “wall” of the Businesses
Franchising

Virtualization

Green

More and more
Web 2.0 => Enterprise 2.0
Video: Web 3.0?
Personal devices
Social Networks
EDA – Event Driven Architecture

“The Ubiquitous Bank” Forrester Research on 2023 Banking
Summary

- Long Term Commitment to Change and Process Transformation
- Lean and Digitize creates effective processes, lock in them and reduces implementation time
- Standardizing the evaluation of projects ensure consistency in the decision making process
- Intelligent compliance and risk management framework are essential
- From DMAIC to DMIACR, where R stands for Replicate
- Packages with workflows and parameters greatly help
- Monitor Performance and Adjust

Communicate … Communicate … Communicate
Thank You – Any Question?

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Appendix
Resume

• Born in Salerno, Italy
• Fulbright Scholar with a Master from Carnegie Mellon University and a Degree from the Polytechnic of Turin, Italy
• Worked in 10 Countries in several companies
  • MIS and CTO in Alitalia
  • Project Leader in Airplus
  • Program Leader in Galileo
  • CEO in Sigma Plus
  • CTO in GE Money
  • CIO in GE Oil & Gas
  • Management Consultant
  • CIO in AIG CFG Latin America
• Master Black Belt