

Centralisation: What technology makes possible, Six Sigma processes make successful



The back office centre of the world...

The past few years have seen India emerging as the principal hub for centralisation of processes of global majors in the banking and financial services.

A few proactive players in the banking sector have already started exploiting technological advancements, networking of branches and common databases. The outcome - an emerging model of centralised operations and decentralised service which gives cutting edge advantage both in terms of reach and cost.

The prompt for centralisation comes from three fundamental business compulsions:

- Dramatic reduction of costs
- Increased scalability at high volumes
- Maximum utilisation of scarce skilled resources

CEO's dilemma

- Should I centralise my operations? If yes, which processes should I centralise?
- How do I resolve the change management issues that are likely to come in way of centralisation?
- What process change should I make to get full value out of centralisation without affecting the end customer?

Centralisation may make perfect business sense but it is definitely not easy to accomplish. It fundamentally changes the role, process & structure of an organization. To make the processes First Time Right and to avoid the initiative from boomeranging, it is imperative to plan, evaluate and design the processes for success. That's exactly where Six Sigma comes in...

Differentiating between Instant and Deferred transactions is the key to centralisation

A leading new generation private sector bank retained ECS to centralise its operations while providing customers quick and hassle-free service.

Benefits achieved

- Cost reduction of over Rs 15 crores p.a.
- Turn Around Time reduction by 40 to 60 %
- 30 % reduction in skilled manpower requirement
- Standardisation of processes and controls in credit scrutiny & compliance

ECS's assessment of the services rendered to the customer revealed significant opportunities to centralise repetitive transactions by:

- Identifying 'Instant transactions', those which the customers necessarily need to have serviced across the counter
- Identifying 'Deferred transactions', which include:
 - The services which are mostly performed in the "Back office" of the branch
 - Services for which customers are willing to wait for a reasonable period of time
 - Transactions are scrutiny intensive and need specialised skill sets (and hence higher costs)

Insights

- While technology makes centralisation possible, it is robust processes which make it successful
- Branches are increasingly playing a greater sales & service role instead of just an operational one
- All 'Deferred transactions' are amenable to centralisation
- Higher uniformity of scrutiny by virtue of centralisation reduces credit and operational risks
- "Assembly line" principles applied to centralised operations give the maximum efficiency

ECS designed and implemented end to end Six Sigma processes for centralised operations

A dedicated team of ECS consultants and client members representing all functions worked on the following processes:

- Customer enrolment
- Account opening
- Cheque book, ATM, Debit cards
- Statement generation
- Depository services
- International remittances
- Trade Finance services

The efforts involved understanding customer expectations, mapping the existing work, information and decision-flows and defining the Six Sigma process metrics. Bringing all customer & management issues and expectations to the surface led to an understanding of their impact on process metrics. Finally, measurement of the Six Sigma metrics gave the extent of variability in service experienced by the customers.

Burning Issues

- Managing changing roles of the employees
- Managing customer interface and hand offs
- Managing customer queries on the centralised process at the branches
- Managing iterative information and document flow
- Reliability of IT infrastructure
- Deciding manpower requirement given the intra day/intra week variation in volumes
- Designing the most reliable process

In addition to the monetary benefit, the Six Sigma initiative resulted in the gain of several intangible but invaluable assets, such as:

- A process focused organisation
- Clarity on changed roles
- Process to manage contingencies
- Higher sensitivity to customer service
- Measurement driven quality improvement
- A continuous improvement culture
- Change Management skills

Contact for details

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ECS is a premier business management-consulting firm in India. Its consulting practice covers **Services, Strategy, Operations, Human Resources & Change Management, Supply Chain Management and Full Value Spend.**

Experience in Banking & Financial Services

ECS's pioneering work in the **Banking & Financial sectors** has resulted in significant improvements in **Service Delivery, Cost Efficiency** and **Operational Risk** reduction in the areas of:

Retail banking

Account initiation, centralization of operations, secured and unsecured retail lending, depositories and branch transactions

Wholesale banking

Trade finance, asset management, corporate banking, cash management services, working capital loan, term loan & corporate Internet banking

We partner all our clients from concept to implementation. Typical results of implementation have been a significant reduction in Turn Around Time and cost along with increased productivity and reliability of business processes.

Some of our leading partners include **American Express, Citibank, ICICI Bank, Dubai Islamic Bank, Deutsche Bank, GE Capital, Standard Chartered, ING Vysya Bank, Max New York Life, Baha Allianz and ICICI Prudential Life.**

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