Lean & Six Sigma in Financial Services: Case Study

Norwich Union Life

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by

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Agenda

• Aviva / NUL

• Our challenge

• Approach

• Achievements

• Conclusion
Aviva
Aviva

• World’s fifth largest insurance group
  • 51,000 employees
  • 30 million customers worldwide
• UK’s largest insurance group
• Norwich Union Life is part of the Aviva group
  • UK’s largest provider of life, pensions and investment plans
• market share of 13%
NUL Business Environment

• Products
  – Pensions
  – Life Insurance
  – Mortgages

• Customers
  – IFAs (brokers)
  – Individuals
  – Corporations

• Market
  – Competitive
  – Regulated
  – Revenue constrained
NUL Operations

• Approximately 5,500 staff in seven locations

Glasgow
Newcastle
York
Sheffield
Norwich
Stevenage
Bristol
Operations in Context

- 250+ legacy products
- 30+ major systems
- 2.7 million postal items received
- In excess of 42 million images created
- Over 5 million calls to the contact centre, 23,000 per day
Our challenge
Background

• In 2003 we identified that we offered a variable, and sometimes poor, customer experience, that cost us too much money.

• Some customers and staff were losing confidence in our service

• Our major investments in technology were often not delivering the anticipated customer and efficiency benefits
Strategic Ambition

We decided to ‘Become the Best’ as recognised by our customers for the delivery of consistent, quality, cost effective service in comparison to our major competitors. We will achieve this by...

- Being clear about the service promise we make
- Re-engineering our processes and excelling at performing them
- Delivering through the quality of our people
- Aligning technology and focusing on ‘fit for purpose’ and not ‘world class’
- Using different sourcing options (e.g. offshore / outsource) where appropriate for reasons of quality, cost and management focus

Winning through our focus on promises, processes and people.
Process Excellence

• We adopted Process Excellence to provide us with:
  – quality of outcomes and improved customer experience
  – continuous improvement, incremental and stepped
  – clarity of what we do and the information we need on how well we do it
  – an ability to persistently drive out costs, realise business benefits and performance improvement
What have we achieved?

- A major overhaul of single biggest process (Life New Business)

- Many improvements to customer experience (accuracy & cycle time) across a whole range of smaller processes. By year end this will have affected 40% of all our processes

- Over 1000 staff engaged and directly involved

- 13 Lean workstreams and 26 six sigma projects underway or completed

- Over 70 staff trained in specialist skills

- Process Excellence being adopted across the Aviva Group

- A 243% return on investment (3 years return on initial investment)
Approach
Goals for first wave of Process Excellence

• Establish core skills

• Build momentum and enthusiasm

• Start to make real improvements
  – customer experience
  – process
  – Financials

• Not be dependant on technology changes
Shaping the Approach

• Hard financial target to be met in the current year

• Implications:
  – Address processes across about 40% of the business
  – Roll out across a broad front…quickly
  – Engage large numbers of people…as willing participants
  – Need to demonstrate significant results quickly

• Tactics:
  – Lead with Lean for waste removal and cycle time reductions and speed of execution
  – Follow closely with Six Sigma for defect elimination
Change Management Context

• Environment:
  – Multi-dimensional transformation (offshoring, technology improvements, process excellence)
  – Operations-wide scope (approx 3000 people)
  – Aggressive targets

• Overall change readiness scores were modest. Weakest areas:
  – Little experience with change of this magnitude
  – Rigid administrative procedures
  – Hierarchical organisational structure
  – Concern over organisational stability
  – Lack of skills re process improvement
Change Management Strategy

• NU
  – Reach high + unswerving focus on results
  – Steering committee oversight
  – Establish Process Excellence Leader & adaptive, “virtual,” team for day-to-day management
  – Quickly build a track record of delivered results
  – Use of change “vectors” to communicate success
    • Lean Specialists
    • Lean Teams
    • Green Belts
    • Black Belts
    • Local managers
Lean Approach

Mgmt Workshop 1

Data Collection

Mgmt Workshop 2

Current State
Value Stream Maps
Key Metrics

Future State
Value Stream Maps, etc

30 days
Just Do It

Kaizen
10 weeks

30 days
Just Do It

Kaizen
10 weeks

30 days
Just Do It

DMAIC
6 months

1-2 years
DFSS

DMAIC
6 months
# Accelerated Benefits Roll Out

<table>
<thead>
<tr>
<th>Item</th>
<th>Week</th>
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<tbody>
<tr>
<td>1 Management Workshop 1</td>
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<tr>
<td>2 Collect Data</td>
<td>X</td>
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<tr>
<td>3 Management Workshop 2</td>
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<tr>
<td>4 Lean Team Trng</td>
<td>X</td>
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<tr>
<td>5 Pre Event Prep</td>
<td>X</td>
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<tr>
<td>6 Event Part 1</td>
<td>X</td>
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<tr>
<td>7 Data Collection</td>
<td>X</td>
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<tr>
<td>8 Event Part 2</td>
<td>X</td>
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<tr>
<td>9 Post Event Mgmt</td>
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<tr>
<td>10 Benefit Sign off</td>
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<tr>
<td>11 Benefit Delivery</td>
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<tr>
<td>12 Corp Leveraging</td>
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<tr>
<td>13 Leveraging Sign Off</td>
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<td>14 Continued Benefit delivery</td>
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<td>15 Leadership Audit &amp; Review</td>
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## Cascading Lean Rollout

<table>
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<tr>
<th>Target Workstream</th>
<th>Month</th>
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<td>Workstream 1</td>
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<td>Workstream 2</td>
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<td>Workstream 3</td>
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<td>Workstream 10</td>
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<table>
<thead>
<tr>
<th>Lean activities</th>
<th>Implementation</th>
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- **Lean activities**
- **Implementation**
# Green Belt Training Format

<table>
<thead>
<tr>
<th>Activity</th>
<th>Month</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Training</td>
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<td>Exam</td>
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<td>Project Reviews</td>
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<tr>
<td>Pilot/Certification</td>
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Achievements

—

One Year Later
New Business Life Example

Before - LEAN

After - LEAN

Reduced number of steps from 32 to 10,
25% increase in productivity,
50-70% reduction in avg. cycle time.
Discontinuance of Schemes

OLD PROCESS
53 Steps
11+ months

NEW PROCESS
28 Steps
3 months + 1 week

New DISCO process has made 70% improvement in CTR
Reduce staff by 66% (18 to 6)
= £204k

Renewals Yearly statements

OLD PROCESS
34 Steps
Up to 28 mins

NEW PROCESS
10 Steps
Waste Removed (eg checking)
= 4 mins per life
= £160k
Business Capture Centre
(document scanning)

EXISTING BUSINESS Process Cell designed and implemented

• 80% reduction in cycle time – 3.5 Hours to 30 Mins.

• 45% reduction in space usage

• 50% reduction in travel distance

• 40% improvement in productivity…

work previously done by 13.5 staff + o/t now done by 8.
Improvement is actually much greater as work is finished in between 3 and 4 hours…i.e., finished by noon.
Organising For Success - 5 S

After 5 S!
Customer Service Improvement

Examples: Pensions

- Reduced backlog
- GMP: Improved productivity

CT, Information requests: GPP Designer

Old 32 Hrs

New 5.5 hrs
Customer Service Improvement Examples

• **Contact Centre:**
  – Incorrect information reduced from 14% of calls to 1% (reducing call-backs by 25-30,000/mo.)
  – Avoidable Calls: Chasing, incorrect routing, clarifying, incorrect handoffs, Total: 30,000/mo

• **Commissions:** Partial agency transfer CT reduced from avg of 88 days (max. of 239) to 2-3 days

• **New Business Life:** Acceptance cycle time reduced from avg. of 45 days to 15 days…35% accepted *same day*
Customer Service Improvement Examples: Life 70 (db) Suspensions/Day

Before

![Before Chart]

After

![After Chart]
The customers are feeling the difference

"Well done YOU and well done NU. This is the kind of service we really value."

"NU are consistently delivering very good service compared to other high volume providers"

"Andrew and his team are seriously good at admin"

"I wish more areas of NU had you and your teams’ positive and commercially aware attitude."

"Your constant, continual and vigorous support is very much appreciated."

"Another example of your team delivering the wow factor"

"You are the best area we deal with by far"
Our people are feeling the difference

“We don’t have to walk miles to get a simple answer from Underwriting. They’re now sat next to us”
New Business Administrator

“Our queues are so much lower than the non-Cell teams”
New Business Manager

“Under the old process each piece of paper travelled 130 feet. Now it moves no more than 10 feet. That’s a huge time saving”
BCC Team Leader

“These NB Cells have actually improved morale as well as the process. Admin and Underwriting have a better understanding of each others work and it’s no longer a case of them and us. We work together now”
NB Underwriter

“We are running a pilot cell in transfers and you can really see the difference it makes to job satisfaction. We have done a rate change today and whilst the old team are running around like headless chickens the pilot team is an oasis of calm, and that’s down to our new process”
Transfer Team Associate

“Emulation has helped us turn a 50 minute process into a 50 second process - automation makes it quicker and generates less mistakes. That’s good for me and the Customer”
IPP Pensions Administrator
Conclusion
Key Solutions

• We have identified that

  - Most of our processes can be organised around ‘cells’ which ensure the handling of work far more efficiently

  - Most of our processes include re-keying of data from one legacy system to another which we can eliminate through simple use of technology – we call this ‘emulation’

• We can quickly apply cells and emulation to many of processes – we do this through ‘mini-lean’
Cultural Changes

• Gradual shift in cultural emphasis:
  • Internal focus => Customer focus
  • IT systems solutions => Business process solutions
  • “Task” management => Process management
  • Checking for Quality => Process improvement
  • Isolated functions => Teamwork (e.g., Admins. + Underwriters)
  • “Can’t be done” => “Can be done”
  • Work force suppressed => Work force expressed
  • Micro-management => Process control
Key Learnings from 2004

• Rapid momentum can be created through combining Lean with Six Sigma

• We have built a platform from which we can move forward to really change the customer experience

• The ‘quick wins’ of Lean have tended to dominate
  - At times ‘cost reduction’ has obscured voice of the customer
  - We have found it difficult to gather good data for our dashboards in the rush for benefits

• Common themes such as cells and emulation can be leveraged

• It is hard work – the only route to success is continued, determined leadership