

SATISFYING CUSTOMERS

Citibank creates defect-free processes to increase customer loyalty

By Rochelle Rucker

Citibank, a Citigroup company, has set a goal to be the premier international financial company in the next millennium. Clearly, an ambitious one. However, to achieve it this global financial giant had to implement quality initiatives that satisfied customers quickly and flawlessly at the point of every interaction, anywhere around the world. SIX SIGMA® quality was always in the domain of the manufacturing arena. Could it work in the service industry? Could it work for a financial organization worldwide, too?

Citibank undertook this challenge of improving total customer satisfaction by investigating well-known, manufacturing management theories and attempted to apply them to their own nonmanufacturing environment. Methodologies like Cycle Time Reduction (CTR) coupled with the detection of defects using SIX SIGMA®—and implemented globally by using empowered teams—have resulted in significant savings in process timelines, improvements in cash management and increased customer loyalty and satisfaction.

Outsourcing for the Best Assistance

In 1997, Citibank took a bold step by hiring Motorola University Consulting and Training Services to help teach them SIX SIGMA® defect reduction and CTR. Most people think reducing cycle time is only in the domain of the manufacturing sector, but at Citibank, CTR was found to be extremely useful in financial areas such as consumer banking and emerging markets.

To achieve CTR, Motorola University (MU) developed the Cross Functional Process Mapping (CFPM) methodology. This involves developing “maps” of process flows by describing the functions involved in each step of a particular process. Maps are developed for both the way things are being done (*as is* map) and the ways things should be (*should be* map) handled.

In the beginning, with the help of Motorola facilitators, Citibank established the Citibank Cross Functional Performance Challenge within its banking divisions using the SIX SIGMA® methodology to identify defects, CFPM to map the steps for improvement and empowered teams to correct the defects.

At its core, CFPM involves eliminating wasteful steps, which are defined as all activities that do not contribute to meeting customers' needs. With nonmanufacturing companies, typically 90 percent of activity does not add any value.

The 3 R's— Re-locating, Re-training and Re-gaining

While one of Citibank's financing divisions was relocating from one market to another, a number of challenges were uncovered. With some of the trained employees not wanting to transfer to the new location, how does a company, already witnessing a diminishing level of quality, successfully train a new crop of employees to handle customer inquiries, while still handling the day-to-day operations of a global business?

That's what John Podkowsky, managing director and business head for Citibank's Asset Based Finance (ABF) division, faced a few years ago before his back office operation relocated from New York to Delaware. "The department went through a transition period and when that period was completed, there were some people who chose not to relocate," says Podkowsky. "So it was left in the hands of the new people who were basically inexperienced in the job they were handling. When problems came up neither, they, nor their supervisors knew how to fix them."

To address the problem, his department implemented the Asset Based Finance Cross Functional Performance Challenge. A crucial part of the ABF team's progress was vesting the authority to "sign-off" on loan availment to Podkowsky's team. By reducing the number of "hand-offs" necessary to make funds available, the cycle time for this segment of the availment process was reduced by an average of 75 percent from two hours, to 30 minutes.

"We've completed that project and it's been very successful with reduced cycle time. Instead of getting complaints from customers, we are now getting compliments."

First things first—Identifying defects

A defect is anything that dissatisfies a customer, and using MU's SIX SIGMA® methodology enabled Citibank employees to find out why they were not achieving Total Customer Satisfaction (TCS). When customer satisfaction is good, but not great, customers say:

- You're difficult to do business with.
- You don't fix my problems.
- You have slipped on innovation.
- Your systems are not state-of-the-art.
- You are slow and complicated.

Customers who do business with Citibank's Private Bank sometimes initiate manual funds transfers. When they want to send money from their account, they call up their banker, then fax, phone or mail in a request to have it processed. Because the process was so complicated, customer complaints occurred.

Most of the complaints lodged with the department dealt with the time it took to complete the process, from "I can't understand why you don't have my request," to "When will my transaction be confirmed?"

"If the request wasn't the bankers top priority for the day, it would sit there for two or three hours before it even went to the back office," explains Cherylann Munoz, compliance director for Citibank's Private Bank in the U.S. and Western Hemisphere.

SIX SIGMA® to the rescue

SIX SIGMA® is achieved using simple tools which include the Pareto chart. The data on the chart identifies which problems occur with the greatest frequency or incur the highest cost. It provides direct evidence of what should be corrected first. Vilfredo Pareto, the Italian economist for

whom the chart is named, theorized that 20 percent of possible causes are responsible for 80 percent of any problem.

A sigma is a statistical term which measures to what extent a process varies from perfection; three Sigma = 66,807 defects per million opportunities; and SIX SIGMA® = 3.4 defects per million opportunities, or virtual perfection. Citibank's goal is to have 10 times reduction in defects and cycle time by December 2000 and then to reduce defects and cycle time by 10 times every two years.

A team, composed of bankers and operations people, identified the entire funds transfer process, tabulating defects and analyzing them using a Pareto chart. High on the chart of defects was the internal call back procedure which required a staffer to phone back the requester to make sure that the instructions were correct, or had not been altered.

"We cut monthly call backs from 8,000 to 1,000 and we eliminated call backs for 73 percent of the transactions coming in," Munoz says.

In Citibank's Global Cash and Trade Organization (GCTO), for example, MU's SIX SIGMA® methodology helped track defects and documented the results by teaching team members to identify appropriate metrics, determine a baseline, establish appropriate standards and monitor execution. These solutions required employees to form teams to solve the issues discovered.

To reduce the time for opening an account, a cross-functional global team of 80 people were formed. The team first identified sponsors and formed a steering committee to champion the effort. Employees were invited to participate based on their subject matter expertise and ability to assist with the solution. The largest obstacle was enabling them to find time to participate while juggling daily job responsibilities. MU consultants helped in defining the management system around which the team was organized.

Sue Andros, a global process owner in the GCTO who is responsible for the end-to-end customer experience, says CFPM "lets people get to know one another."

"Team members worked well together, since achieving the objectives would make their professional responsibilities easier and would benefit their customers — a win-win situation for everyone," she says.

"The focus on cycle time and defects has made an impact on how we serve customers. It's not just a matter of doing things faster, it's doing things better. This means no redundancy, minimal hand-offs and metrics that reflect performance in the eyes of the customer."

Dipak Rastogi, executive vice president for Citibank's Eastern European/Central Asia and Africa region headquartered in London, echoes those sentiments.

"Introducing quality as a core strategy was viewed as a unique opportunity and differentiating feature not only vis-a-vis our customers, but also our staff," he says.

"When implemented correctly, quality increases customer satisfaction, leads to shorter reaction time and faster introduction of new products —providing a sustainable competitive advantage."

Working together

The first step in process mapping is establishing a team—30 to 50 people is typical — drawn from every unit that contributes to the process. Cross-functional teams, made up of representatives from each functional department, develop maps. They include employees deep within the company—the “doers” of the current process. Because of their close vantage point, these employees can offer valuable insight into daily business operations. Management empowers the team to implement any changes they develop that will reduce the cycle time and improve customer satisfaction.

Citibank’s CFPM has five phases. First there’s planning, when the critical business processes to be mapped are identified and a team is selected. Next, the team meets for four to five days to map all current steps and identify what is not working now—the “as is” process.

The map is then taken back to colleagues throughout the organization to verify its accuracy and to see if there are any more problems or issues they want to add; this helps secure buy-in for simplifying the process. Then they meet to map out the desired, streamlined process, which has removed non-value-added steps—”should be.” The last phase and probably the most difficult, is the implementation of the action items to achieve the “should be” process which can take several months. Even after the process has been improved, CFPM does not end.

Ronnie Wackstein, a vice president in the Private Bank observes: “The ‘as is’ mapping session is a very critical step in the process. Until you map those processes out, you don’t know where the problems are. This step enables you to design a streamlined ‘should be’ process map.”

People helping people

In order for CFPM to work, there must be a commitment at all levels with everyone taking a leadership role. In fact, key team members spend ¼ of their time on the project. With team leaders, it’s at least ¾ of their time, for up to a year. When these teams are challenged to reduce cycle times within their departments, they become empowered to make improvements which in turn improves the corporate culture.

Sandy Jaffee, division executive for Citibank’s Worldwide Securities Services (WWSS), says empowering those who do the work to change the process is a very powerful concept. WWSS is primarily in the business of clearing and settling cross border securities for major broker dealers, custodian banks and institutional investors.

When the WWSS team was challenged to reduce the securities fail rate by 60 percent for eight large customers in six emerging markets, the team not only attained the goal, but three team members have gone on to initiate other challenges to improve other processes in their area.

“These staff members know what is wrong with their piece of the process,” she says. “Therefore, by bringing them together, we are able to understand what is wrong with the process end-to-end, design an improved process and give them time to implement it. The tools assist in keeping the team focused and understanding the real reason for the root cause of the problem.”

The Results are Amazing

Over the years using process mapping, Motorola has driven down manufacturing time for

paggers once an order is received, from 40 days, to less than one hour. It's an indication of why Citibank chose Motorola's mapping process, and what a quality culture can accomplish — how cycle times can radically be reduced by a factor of 10 every two years.

“Motorola has done a particularly good job of assessing its competitive position, and has become pretty well known in the industry for reducing cycle time,” says Ed Montero, who heads Citibank's Private Bank in the company's Western Hemisphere region.

His region serves the needs of wealthy individuals and families from Canada to Patagonia. These clients are wealth creators, people that are involved in business ownership, and those who have made their income largely from the creation of wealth in their own countries. CTR has also proved useful in many other Citibank quality challenges. For example:

- **Private Bank-Western Hemisphere** serves wealthy individuals. This group reduced internal call backs by 80 percent, external call backs by 85 percent and reduced the credit process 50 percent.

- **Global Equipment Finance** provides global financing and leasing services to Citibank customers. This group improved cycle time of all the steps when a customer places an order to when products are delivered to the customers' doorstep. The credit decision cycle was reduced 67 percent from three days to one day.

- **Copeland Companies**, subsidiaries of Travelers Life & Annuity, are distributors and record keepers of financial service products, primarily through defined contributions such as 401(k) plans. This division used CFPM methods to improve the accuracy and timeliness of statements. The group achieved 100 percent accuracy within a four-month period. The cycle time of processing statements was reduced from 28 days to 15 days.

Commitment is needed from the top

Teams involved in the Citibank Quality Challenge needed to have full autonomy to make decisions about changes to the process.

Senior management sponsored the quality initiatives or served on steering committees to champion the work, and there was an “open door” policy so that teams could gain access to them as needed. According to Peter Klimes, quality director for Citibank in the Czech Republic, the involvement of senior sponsors is a continuous process all the way from setting critical business issues and objectives, to the final presentation.

“We have had a well-balanced split between projects initiated by senior management and those initiated by staff,” Klimes says.

“Our senior country operations officer and our corporate bank head were our most active supporters of CFPM projects. Their commitment helps balance back and front office aspects of the projects.”

The big picture

Citibank began its quality training initiative in 1997. From May to October 1997, more than 650 senior managers were trained. Between November 1997 through the end of 1998, another

7,500 employees attended sessions as part of senior manager-led teams. By early 1999, 92,000 employees, worldwide, had been trained.

The company's goal is to be the premier international financial company in the next millennium, which will require a devotion to excellence on the part of every Citibank employee. Clearly, the goal is audacious; but, this global financial giant has implemented quality initiatives to make certain that it satisfies customers flawlessly and quickly at the point of every interaction anywhere around the world. SIX SIGMA® and CFPM have become key tools of opportunity for Citibank. By making innovative use of information technology and operations management through these quality initiatives, employees are not only working faster, but smarter.

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FIVE SUCCESSFUL STEPS TO CYCLE-TIME REDUCTION USING CROSS FUNCTIONAL PROCESS MAPPING

1. PLANNING—2-4 weeks

- Choose a key process that needs improvement.
- Identify a senior champion, steering committee, team leader and facilitators.
- Form a team of 30-50 of the best employees from all key units involved with the process, to help redesign it.

2. AS IS SESSION—2-5 days

- Map the process as it now takes place.
- What are the issues — problems, disconnects and valueless activities from the customers' view — that waste time and are a source of dissatisfaction?

3. INVOLVE OTHERS—3-5 weeks

- Confer with workplace colleagues.
- Is the map accurate? Are there other issues?
- Get possible solutions and workplace "buy-in" that a change is needed.

4. SHOULD BE SESSION—3-5 days

- Develop a picture of the “should be” state that works better and faster, without adding people or spending more money.
- Establish action items needed to make the “should be” a reality, headed up by members of the team.

5. DETAILED DESIGN AND IMPLEMENTATION

(The Most Critical Aspect) —5-10 months

- Establish action item teams with members from throughout the organization.
- Create project plans. Team leader manages teams through monthly meetings. Reward and recognize accomplishments.

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