

Six Sigma for Financial Transactions

\$4.5MM Operational Risk Reduction – Wire Transfers

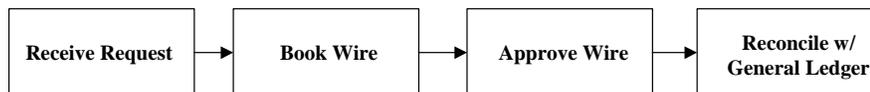
INTRODUCTION

A medium size bank in the midst of a rapid growth cycle had one central concern: the scalability of their business processes. Management wanted to ensure that the bank possessed the required rigor and controllership to manage an increase in transactional volume. The objective was to secure growth while controlling cost and maintaining a consistent level of customer service.

After meeting with the ProcessArc team, management was convinced that Six Sigma tailored for the financial sector offered the optimal roadmap for consistent and continuous improvement. In order to effectively manage the change required for process improvement and get the required buy-in, a “pilot” program was adopted. Several high volume processes (e.g. account opening, check issuance, wire transfer, ACH Transfers...) were considered for the Six Sigma efficiency and cost assessment study.

PROBLEM

The wire transfer process, considered by many in the bank to be relatively simple, had an annual volume of 10,000 to 25,000 transactions. The *perceived* flow, based on conversations with client service representatives, had only 4 steps as outlined in the map below:



The wire transfer request is initiated by any one of the 250 branches and handed off to the operations unit for completion. Based on availability, the request is transacted upon by one of the 12 dedicated client service representatives.

Using Six Sigma process mapping and data collection techniques, the ProcessArc team followed multiple wire transfers from initiation to completion. Based on an analysis of the collected information the following facts were discovered:

Six Sigma Findings		Business Impact	Financial Impact
Actual Number of Process Steps	32	Process complexity - Resource usurper	\$ (80,000)
Frequency of Transactional Errors	55%	45% disatisfied Customers	
Inspection Points	25%	Ineffective - mistakes not caught	
% of Non-Value Add Steps (<i>Waste</i>)	31%	Missapplied labor. Increased cost	\$ (120,000)
Frequency of Double Payment or Wrong Acct	2%	Dollars at risk	\$ (4,500,000)
Total Cost			\$ (4,700,000)

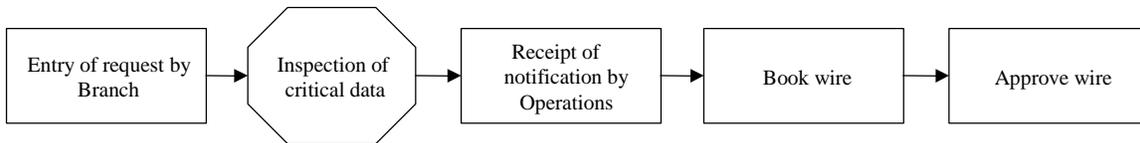
The study established that the wire transfer process was significantly more complex than previously understood – by both management and service representatives. Given that this workflow had not been critically analyzed before, every service representative had a unique approach for completing the task. The end result was process and service variation – a source of discontent for customers. Furthermore, over 85% of the process steps had manual touch-points and their purpose was not well defined. The central causes of inefficiency, customer dissatisfaction and over \$4.5MM of risk were as follows:

1. Inefficient usage of the bank’s IT infrastructure
2. Poor collection of required data prior to commencing the transaction

SOLUTION & RESULTS

In order to avoid re-inventing the wheel, ProcessArc identified and studied similar processes within the bank: the issuance of checks. It was determined that the workflow for issuing checks was significantly less complex – over 80% of its steps were automated. The same IT technology could be leveraged for wire transfers. Within 4 weeks the process was re-engineered (outlined below) in a way that produced significant benefits.

REFINED PROCESS



BENEFITS

	Pre Re-engineering	Post Re-engineering	Savings
Actual Number of Process Steps	32	5	\$ 72,000
Frequency of Transactional Errors	55%	<5%	
Inspection Points	25%	20%	
% of Non-Value Add Steps (Waste)	31%	0%	\$ 120,000
Frequency of Double Payment or Wrong Acc't	2%	0%	\$ 4,500,000
Total Savings			\$ 4,692,000
Re-engineering Cost			\$ 50,000
ROI			93

By leveraging the Six Sigma methodology to identify and examine a relatively overlooked process a \$4.6MM opportunity was identified. Imagine the magnitude of savings if all high volume transactions were examined and streamlined.