

# SIX SIGMA AT CITIBANK

The financial giant strives for perfect processes to satisfy customers

## Five Steps to Successful Cycle-Time Reduction Using Cross-Functional Process Mapping

### 1. Planning (2-4 weeks)

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

### 2. "As Is" Session (2-5 days)

Map the process as it currently takes place. What are the problems, disconnects and valueless activities that waste time and create customer dissatisfaction?

### 3. Involve Others (3-5 weeks)

Confer with colleagues. Assess the accuracy of your map. Identify possible solutions and foster acceptance of the need for change.

### 4. "Should Be" Session (3-5 days)

Develop a model of the "should be" state, which works better and faster than the "as is" state without requiring additional people or spending. Establish actions needed to make the "should be" a reality with the guidance of team members.

### 5. Detailed Design & Implementation (5-10 months)

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

Citibank, a Citigroup company, has set a goal to be the premier international financial company in the next millennium. To achieve this clearly ambitious goal, the global giant had to implement quality initiatives that satisfied customers quickly and flawlessly at every interaction anywhere in the world. Six Sigma quality was always in the domain of the manufacturing arena—could it work in the service industry? Could it work worldwide for a financial organization?

Citibank undertook this challenge to improve total customer satisfaction by investigating well-known manufacturing management theories and attempted to apply them to their own non-manufacturing environment. Methodologies like cycle time reduction (CTR), coupled with the detection of defects using Six Sigma methods and implemented globally by using empowered teams, have resulted in significant improvements in process timelines, cash management and customer loyalty and satisfaction.

## Cycle Time Reduction

In 1997, Citibank hired an outside consultant to teach Six Sigma defect reduction and CTR to its employees. Most people think reducing cycle time applies only in the manufacturing sector, but Citibank found CTR to be extremely useful in financial areas, such as consumer banking and emerging markets.

To achieve CTR, Citibank utilized the cross-functional process mapping (CFPM) methodology. CFPM 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 (called the "as is" map) and the ways things should be handled (the "should be" map).

In the beginning, Citibank established the Citibank Cross-Functional Performance Challenge within its banking divisions by 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 any activities that don't contribute to the goal of meeting customers' needs.

## Relocating, retraining and regaining

A few years ago, John Podkowsky, managing director and business head for Citibank's Asset-Based Finance division, faced a serious problem when 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," he says. "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, Podkowsky's department implemented the Asset-Based Finance Cross-Functional Performance Challenge. A crucial part of the Asset-Based Finance team's progress was vesting the authority to "sign off" on loan availment to his 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," notes Podkowsky. "Instead of getting complaints from customers, we're now getting compliments."

## Identifying defects using Six Sigma

Customers who do business with Citibank's Private Bank sometimes initiate manual funds transfers. When they want to send money from their accounts, they call their banker and then fax, phone or mail in requests to have the transaction processed. Because the process was so complicated, customers complained. 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 banker's 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 United States and the Western Hemisphere.

## SIX SIGMA AT CITIBANK (CONTINUED)

Once Citibank employees had identified the primary obstacles preventing them from achieving total customer satisfaction at Private Bank, they were able to correct the problems with the Six Sigma program.

A sigma is a statistical term that measures to what extent a process deviates from perfection. Three sigma equals 66,807 defects per million opportunities; six sigma equals 3.4 defects per million opportunities—virtual perfection. Citibank's goal is to reduce in defects and cycle time by 10 times by December 2000 and reduce defects and cycle time by 10 times every two years thereafter.

Six Sigma is achieved using simple tools such as the Pareto chart. The data on the chart identifies which problems occur most often 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 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 staff to call the person requesting the funds transfer to make sure that the instructions were correct and hadn't 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 another example, Citibank's Global Cash and Trade Organization used Six Sigma methodology to help track defects and document 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, Citibank formed a cross-functional global team of 80 people. 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. Consultants helped to define the management system around which the team was organized.

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

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

"The focus on cycle time and defects has made an impact on how we serve customers," she continues.

"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."

Those sentiments are echoed by Dipak Rastogi, executive vice president for Citibank's Eastern European/Central Asia and Africa region (whose headquarters are in London).

"Introducing quality as a core strategy was viewed as a unique opportunity and differentiating feature not only vis-à-vis our customers, but also our staff," comments Rastogi. "When implemented correctly, quality increases customer satisfaction and 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, typically of 30 to 50 people, 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 team then takes the map 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. 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."

After completing the "as is" map, the team meets again to map out the desired, streamlined process, the "should be," which has removed non-value-added steps. The last phase, which is probably the most difficult and can take several months, is the implementation of the action items to achieve the "should be" process. Even after the process has been improved, CFPM doesn't end.

## SIX SIGMA AT CITIBANK (CONTINUED)

### People helping people

For CFPM to work, there must be a commitment at all levels, with everyone taking leadership roles. In fact, key team members spend one-fourth of their time on the project. Team leaders spend at least three-fourths 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 improves the corporate culture.

Citibank's Worldwide Securities Services (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 also gone on to initiate other programs to improve other processes in their area.

"These staff members know what is wrong with their piece of the process," says Sandy Jaffee, division executive for WWSS. "By bringing them together, we're able to understand what's wrong with the process end-to-end, design an improved process and give them time to implement it. The tools help the team stay focused and understand the root cause of the problem."

### The results are amazing

CTR has met the challenges of many Citibank groups, including the following:

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

**Global Equipment Finance**, which provides global financing and leasing services to Citibank customers. This group improved all steps' cycle times from when a customer places an order to product delivery. The group also reduced the credit decision cycle by 67 percent, from three days to one day.

**Copeland Companies**, subsidiaries of Travelers Life & Annuity, which 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. It also reduced the cycle time of processing statements 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. To champion the work, senior managers sponsored the quality initiatives or served on steering committees and kept 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 making 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 our 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 1997 to October 1997, more than 650 senior managers were trained. Between November 1997 and 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.

Citibank's goal of becoming the premier international financial company in the next millennium will require a devotion to excellence on the part of every employee. The goal is ambitious, but Citibank has implemented quality initiatives to make certain that it satisfies customers flawlessly and quickly at the point of every interaction anywhere around the world. By making innovative use of information technology and operations management through Six Sigma and CFPM, employees are working faster and creating high levels of customer satisfaction.