

CFO Focus: Going 'Lean'

Randolph Brooks FCU Leverages Process Improvement To Enhance Members' Experience

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It wasn't that long ago that renting a car was a pretty good hassle. Renters had to ride the shuttle bus to an off-airport location, wait in line, sign papers and produce their driver's license. Enter Hertz's "Gold member" initiative. Now, Hertz and other car rental companies that have identified premium members have shortened the process. They collect these top members' information up front and have the car ready for them to pick up-sometimes even with the engine running-when they arrive. In addition to producing a far superior customer experience, the rental companies get key information on their premium members that can be used for better marketing.

The process of going "lean," as these rental car companies have done, is all about looking at core service processes, eliminating waste, and shortening the timeline of service events so the activity and focus is all about what the customer values, Randy Smith told attendees of a recent Webinar, "Leveraging Lean Thinking in Credit Unions: Three Ways to Improve Member Service While Reducing Costs," sponsored by Guidon Performance Solutions. Smith is president/CEO at \$3.6 billion Randolph Brooks Federal Credit Union, Universal City, Texas.

Randolph Brooks FCU started applying lean principles two years ago, and has already seen valuable results.

For example, the credit union applied lean thinking to its call center and reduced the rate at which a call is transferred to another staffer to 20 percent from 50 percent; reduced inbound calls by 28 percent, effectively eliminating issues that create the need for a member to call; reduced the abandon rate to 5 percent from 8.9 percent; and reduced per-call handling time to 150 seconds from 169 seconds, according to Peter Farrow, the credit union's VP/process improvement.

The CU also has eliminated waste in its other processes, typically reducing the time of service delivery 40 to 70 percent, decreasing errors and rework 30 to 80 percent, and reducing handoffs 30 to 80 percent, Farrow noted.

The first year savings overall from applying lean principles to the credit union's processes was conservative estimate of \$430,000, reported Smith. "We've saved some dollars and seen them drop right to our bottom line."

Jimmy Junkin, SVP/finance, told the attendees that the credit union has also been keeping an eye on its operating expense ratio. "Most credit unions are seeing an increase in that ratio and a decrease in earnings, yet our expense ratio is flat and our earnings are up. We attribute it in part to the implementation of these concepts."

The work of going lean has been done with cross-functional employee teams brought together to examine a particular process. They are trained to look for "waste," including unnecessary processing (such as collecting similar information from a member twice), waiting (such as a member sitting while a staff member copies a document), and errors (such as a misapplied loan payment). At least some of the recommendations made by the team can be implemented the very same week, Farrow noted.

In addition to the call center and lending processes, Randolph Brooks FCU has worked on its branch staffing levels, also with good results. Current testing of a LeanSigma Workforce Management approach in four branches demonstrates a potential resource savings of 10 to 20 percent, while still maintaining member service expectations.

"This respects our employees," Smith added. "They want to be engaged. They don't want to stand around and wait for the next customer. This helps us smooth out those groups."

So how does a credit union start applying lean principles to its own processes? Here are some suggestions from Larry Mead, vice president of Guidon Performance Solutions, Phoenix, which works with Randolph Brooks FCU:

- Pick a single pilot area or service on which to focus. Randolph Brooks FCU started with its member service area

- Develop a better understanding of the member experience. Identify what happens in the initial contact. Note delays and hand-offs from one service representative to another
- Identify waste
- Eliminate the “low hanging” fruit first. Tackle the easy and obvious right away
- Measure your processes before and after you apply lean principles
- Expand beyond pilots to apply lean principles to all the processes at your CU

Smith responded to a question about how to get employee buy-in and participation in such a project by saying, “Make sure employees understand the environment we’re living in. We’re all going to have to be more effective and efficient if we’re going to survive.”

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