Whole System Redesign In a Bank Operations Division

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Background

U.S. Bank[1] has been in business for almost a century. In the 1980s the bank experienced a series of financial challenges. Their market position dropped at the same time that the banking industry was faced with bad foreign debt, deregulation, and fierce competition. In addition, the bank had purchased several banks in other states and was trying to consolidate banking procedures.

The bank needed to change and knew it. This was mandatory to remain competitive and to increase their market share. Initially there were short-term results produced through traditional cost and staff reductions. The operations division, the "back room" that processed all monetary transactions, was managed by a "quality" conscious leader who felt the time was ripe to begin a formal quality process in his division. His leadership provided the impetus to create a vision of total quality in all operations groups throughout the country.

In 1988 a quality initiative began. Problem-solving teams and quality councils were established in all locations. Through the first year, over sixty teams were created and 400 improvement ideas were submitted. Cost savings were estimated to be over $450,000.

But this did not produce systemic changes in how work was done or how people were organized in their natural work groups. Also missing were long-term opportunities for continuous improvement. More needed to be accomplished.

U.S. Bank Culture

The bank was steeped in tradition. Titles and other status symbols were considered entitlements for playing by the rules. Turf fighting and lack of communication across divisions and departments were normal operating procedures.

The organization had moved gradually from a family oriented, paternal system to a hierarchical, class-oriented one. The time it took to get approvals slowed down all operations and decisions. Even the quality initiative was hampered by bottlenecks and bureaucracy.

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[1] The name is ficticious. All other details are actual.

The cost and staff cutting efforts and the historic management style had produced distrust between employees and managers. Turnover was high. Recruiting, hiring, and training practices had not kept up with the changing environment and business conditions.

The Next Step

In 1989 the leader of all operations had a vision for the future. A number of his management team were reluctant, but most were positive. He decided to proceed. The process they adopted was Miller Howard Consulting Group's Whole System Architecture and team management approach.

Three states' operations top managers plus the leader created their vision and philosophy statement. The key points were:

- We will deliver timely, error free, competitive services that meet or exceed our customers' expectations.
- Team pride is the foundation of our organization.
- Teamwork will be encouraged within and across state lines.
- Every person is important.
- We will strive to reduce organizational restraints to our quality philosophy.
- Every team will identify their customer(s) and their requirements.
- We will be proactive and seek customer and supplier involvement.
- We will seek to continuously improve our service.

First, an executive steering committee made up of top managers from the three states was formed. Next, each individual state formed a local steering committee. Then all executive and local top managers were trained in team management and whole system design. Finally, design team members and internal consultants were chosen and trained.

Each state's design team spent four days a month for the next five months completing the design process and developing recommendations. Each state's steering committee (top manager and his direct reports) began practicing team management procedures when running their weekly team meetings. Rather than wait for the completion of the design, they felt it was important to utilize the team process themselves before imposing it on the rest of the organization. The top manager was coached by the consultants on how to be more participatory and to manage team meetings.

The design teams presented their recommendations to their steering committee. Then, representatives from each state's design team

met with the executive steering committee to share ideas and gain insights from each other.

Each state developed an implementation plan to be followed for the next few years. This case study covers the results and implementation plan for one of the three states. This state did a more comprehensive design than the other two. However, many of the issues were similar in all three locations.

One State's Story

The local steering committee, using the original vision and philosophy statement, developed their own principles to guide the design team. The principles were further specifications for the team to use to design a total quality culture.

The key points spelled out for the design team were:

1. Maximize efficient use of resources and people and provide highest quality service at lowest cost.

2. Eliminate unnecessary or redundant activities.

3. The new organization should maximize opportunities for people to learn, advance, share in decision-making, and take responsibility for whole processes.

4. There should be total involvement of teams in managing their own work.

5. The plan should provide for measurement of performance, ongoing feedback, evaluation, and improvement.

6. The design should consider reallocation of resources balanced by customer needs and priorities.

7. The new design may reduce layers of management.

There were some restraints placed on the design team. The local steering committee specified boundaries that were to be used to develop recommendations. They were: 1) the new design had to be in accordance with state, local, and federal laws and regulations, and 2) any changes in pay systems could not specify specific amount of dollars.

The overall objective of the design process was to use employee involvement to create ways to improve quality, reduce costs, and reduce cycle times.

Work System Design

The design team mapped, analyzed, and created ideal state maps for twelve major processes. The team members drew relationship and transformation maps of the current process flow. They then analyzed each map for problems or variances from quality standards, from cycle time goals, and from their principles. Based on variance reduction the team members created ideal maps. Some processes went from thirty steps to seven, cutting cycle time by seventy-five percent. Other process flows needed less change, but opportunities for improvement were found to save one or two hours (out of a six to eight hour process) and provide better customer service.

In addition to speeding up cycle times, multiple opportunities were located to reduce "checkers" and multiple approval points. For instance, by raising the amount a clerk could approve from $200 to $1,000, two approval levels were eliminated.

It was discovered that three different departments within the division were doing the same type of work. It was recommended that a new department be formed that could do all pieces of the work with small teams handling the work.

Another example of an opportunity discovered was in an area that was technologically driven. By buying new cutting-edge equipment, the work process could be reduced from thirty-eight steps to sixteen. Through the use of teams, the level of staff needed could be reduced by fifty percent.

Human System Design

After completing the technical analyses and presenting interim suggestions to the local steering committee, the design team began their human system analysis. They used lists of human system variances (people problems or management problems) uncovered during the work analysis phase plus additional information they had gathered from their fellow employees to create human systems (structure, systems, skills, style, and symbols) to support the ideal work systems.

The human system analyses produced more areas for improving quality and customer service and reducing costs. Some of these were:

1. Create work teams throughout the division of ten to fifteen people each who are part of a larger group of forty to sixty people. Teams would have facilitators, not supervisors. This would change the ratio of management to employees from 1:7 to 1:35. Before there were six levels of management; there would now be two levels.

2. Recruit and hire new employees based on more stringent criteria for skills needed, training required, and the team philosophy. Increase all types of training: bank related, job related, team participation, and quality improvement. This would reduce turnover and increase the capacity of the employees to work more efficiently and effectively.

3. Planning and communication systems needed to be clearly established across departments and levels and within the teams. Hold everyone accountable for open communication. This would greatly increase trust and information sharing.

4. Decision-making could be pushed much further down in the organization, reducing frustration and time delays. Give teams increasingly more responsibility for making their business decisions. This would create a culture of involvement and ownership and improve cycle times.

5. Create and use team measures as well as individual measures of performance. Without this, the team system will not work effectively.

6. Everyone must work on their skills and style. The skills and style necessary to work in the new organization were spelled out. For instance, openness, flexibility, participation, and team commitment were requirements for all employees.

Management was given a list of suggestions for style changes such as being more visible, more proactive, more participatory, and less authoritarian. This was another of the key human system changes that had to occur if the new design would be successful.

Recommendations

The design team presented all of their recommendations to the local steering committee. Several review and question and answer sessions followed. The steering committee met on its own and agreed to implement a majority of the recommendations. Two divisions within this state's operations division were selected to begin the implementation process. The two were selected because of the openness of their top managers, the opportunity to have a positive impact on the rest of their organization, and the lack of disruption to other major areas.

The Implementation Plan

Once the decision was made about which divisions would be first, their top managers were invited to meet for three days with the design team, the internal consultants, and the external consultant. Their task was to create an implementation plan for the two divisions and the rest of the operations division for 1990 through 1995.

The following process was used to develop the implementation plan. The team did the following:

1. Developed a brainstorm list of what had to be done to make the design work for 1990.

2. Developed a list of what was not possible or concerns they had for 1990.

3. Reached consensus on the recommendations (work and human) that were possible for 1990.

4. Developed an unprioritized list of the steps that needed to be completed in 1990 (each division).

5. Prioritized the list (each division).

6. Shared the above with the large group and received feedback.

7. Modified timelines.

8. Had lots of discussion.

9. Discussed training needs.

10. Gave input to training division as to their needs for 1990.

11. Developed a timeline for 1991-1995. It would be modified as the implementation process proceeded.

Common themes in both implementation plans were:

1. Plan, communicate, and train people before asking them to do something.

2. Have a big celebration to kick-off the new design.

3. Identify key internal facilitators and involve them early with the teams.

4. Have frequent monitoring and revising of objectives.

5. Make sure teams are involved in their own more detailed designs.

6. Use team management training and coaching in the rest of the organization as these two divisions proceed.

Support from the rest of the division was needed to help the implementation go smoothly. Specific requests made were for quicker systems response, additional resources and training, help from human resources in recruiting and hiring, and more demonstrated support from upper management for teamwork.

The implementation plan was presented to the local steering committee and was accepted. The big kick-off was planned and took place one month after the plan was accepted.

The two divisions are currently completing the first steps of their implementation plan. One vice president approached the external consultant recently and said, "It really is difficult to change...myself included. I want everyone to do everything right now. I guess I need to remember how difficult it was for me and be patient."

Lessons Learned

Each consulting project produces its own insights and knowledge. The following are experiences or knowledge gained from the operations division of the bank.

1. It helps to have a powerful, high level sponsor for a project like this. This quality improvement process would not have happened without the personal and financial support of the leader. He made a command decision to bring in external consultants, to involve all three states, and to fund the process. When budgets are tight, it is often only the commitment and resources of the top person that keeps quality improvement processes from being abandoned.

2. Having steering committee members learn and practice team management before the design process starts increases their understanding of teams. Designing an organization is an interactive process. Teams at all levels have to be able to truly function as a team.

Most organizations function as groups who occasionally think they are teams. "We already have team meetings. We meet every Monday morning, and Bob goes over our numbers." Information meetings, where one person talks and everyone else listens, are not team meetings.

The steering committee becomes a symbol of management's willingness to model true team behavior. If people see their management functioning as a team, they believe the organization means what it says in its mission statement.

3. Selection of design team members is critical. This design team was excellent and was compatible in terms of skill, knowledge, openness, and teamwork. It took longer than usual for the steering committee to

choose them because managers did not want to "give up" their best employees to work on the design team. The managers had to be reminded to give up the old attitude of "my group" vs. "your group" and see themselves as part of one large team.

4. Every steering committee has members who don't want to change. Make sure their voiced buy-in is real. Most of the steering committee members knew what words to say like, "I think change is good. I support this." However, their behavior demonstrated otherwise. One manager would make his design team member come late to design team meetings because "you need to do your real work first." It may be necessary to use the enthusiasm (and position power) of the sponsor to help motivate them.

5. Employees are often seen as less competent and adequate than they really are. Often, the main objection raised to lowering decision-making in the organization was, "Well, if our employees were smarter and more experienced, I'd trust them to make their own decisions." Labeling employees as "not smart enough" can be detrimental to the process and morale.

6. Steering committees and design teams can get into a "we vs. them" mentality. The design team spent large chunks of time together and shared a common experience. The steering committee was used to meeting together but was not good at open discussion. Each team felt more comfortable with its own team than the other team. In addition, the two teams had not practiced reaching consensus together. Make sure there is adequate interaction between the groups to avoid this trap.

7. Involve the highest level possible of the groups that will be redesigned in the implementation planning. In this case, the top managers from the two divisions to begin implementation first participated fully in the implementation planning. Let them present the plan to their peers, if it helps.

8. Be flexible. Don't get married to any one solution. The design team members occasionally became defensive when their ideal maps or suggestions were rejected. They had to be reminded what continuous improvement requires: an open mind, alternative solutions, and compromise. They gradually learned how to let go of their ideas and listen to the steering committee. The steering committee admitted they had a great deal to learn from the design team in this area.