



Win-Win:
Myth-busting the
Service Level v. Cost
Dilemma




ASQ Service Quality Conference
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Dodd Starbird

Agenda

- Why does better quality service have to be more expensive?
- The story of “EZB” at Principal Bank
- Question and answer time



REMEMBER, QUALITY IS OUR TOP PRIORITY.

QUESTION: IS IT MORE IMPORTANT THAN SAFETY?

OOH... I FORGOT ABOUT THAT ONE.

QUESTION: IS QUALITY MORE IMPORTANT THAN OBEYING THE LAW?

WELL, PROBABLY NOT.

IF WE COULD MAXIMIZE SHAREHOLDER VALUE BY SELLING LOWER QUALITY ITEMS...

...WOULDN'T WE HAVE A FIDUCIARY RESPONSIBILITY TO DO IT?

I'M SURE IT'S IN THE TOP FOUR.

WHAT IF WE HAD TO LIE TO ACHIEVE QUALITY?

Principal Bank Vision: Become “EZB”

*Step 1:
Commit to Change*

EZB means “easier to do business with us” for our customers.

The EZB strategy at Principal Bank included establishing capable processes and driving strong performance -- using Engaged Team Performance (ETP) concepts to change both culture and results.



The “EZB War Room”

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Engaged Team Performance (ETP)

$$R = Q \times A^*$$

* Results = Quality x Acceptance

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SAFO Distribution *Process*

- Streamlined process in May, 2010:

Person 1
 Receive the Form,
 Do CIP and Distribution
 at Same Time, then
 Immediately Prep the
 Form for Imaging

→

Person 2
 Image the Form
(downtown)

- Cycle time: 1 day (end of next day)
- Required:
 - Cross-training of CIP and Distribution tasks
 - Piloting to prove cycle time reduction, enabling removal of up-front imaging
 - Visual measurements
 - Disciplined execution to stay under 2 days

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Pilot Work Time v. Baseline

Task Type	Std Time
Approvals for Disbursements	0:03:38
BTE (Batch Transaction Entry)	0:02:35
CDAs	0:25:36
CIP	0:03:17
CIP - Finish after Pend/Echane	0:05:00
CIP - Only (Fax, new process)	0:05:47
CIP - Only (Mail, new process)	0:03:11
CIP - SAFO Dist Combo (Fax, new process)	0:05:22
CIP - SAFO Dist Combo (Mail, new process)	0:04:43
CIP - sig cards only	0:01:00
Death Processing Sendout	0:21:12
Email/voicemail	0:00:00
Escalated Issues	0:13:13
DRA Account Building/business objects rpt	0:07:14
DRA Distributions	0:05:59
DRA Distributions (VERA)	0:02:45
DRA Distributions (VERA) - Fax	0:05:13
DRA Distributions (VERA) - Mail	0:06:03
DRA E-Sign	0:00:53
DRA Faxing	0:01:41
DRA Filing	0:00:58
DRA Logging	0:04:17
DRA Mail	0:00:34
DRA Maintenance Board (Distributions)	0:00:28
DRA Maintenance Board (Other)	0:01:03
DRA Maintenance Board (Reinvestments)	0:02:10
DRA Maintenance Board (Research)	0:04:46
DRA/SAFO Incoming Mail	0:01:18
Legal/Letters	0:17:40
Levies/Garnishments	1:00:30
Loan Maintenance Board (other)	0:07:20
Other	0:00:00
Prep for Scanning	0:00:27
Recons	0:00:00
Research/Recons	0:09:00
Return of Benefits Report	0:14:00
SAFO Distributions	0:03:33
SAFO External Incoming Files	0:00:20
SAFO Maintenance Board (Distributions)	0:00:12
SAFO Maintenance Board (other)	0:07:00
SAFO Report	0:43:40
Scanning Prep	0:00:13
Search	0:00:13

Baseline:

SAFO Mail Prep	0:00:40
CIP	0:02:13
SAFO Dist	0:02:30
Total	0:05:23

New CIP/SAFO
combination (mail) is
4:42...

13% reduction in work
time

80% reduction in cycle
time (<48 hrs)

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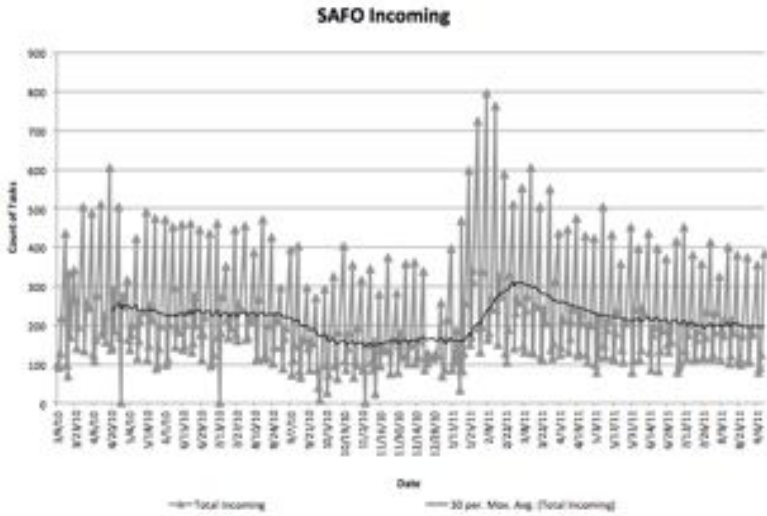
Daily Visual Data, SAFO Distributions

	New Accounts	SAFO Mail	SAFO Fax	Sig. Mail/Paper
In-Use	37	6	1	
Change Date	10/5	10/5	10/5	10/5
Income for last 24 hrs	0	69	22	9
SAFO Mail Accounts				
Complete	N/A	75	N/A	151

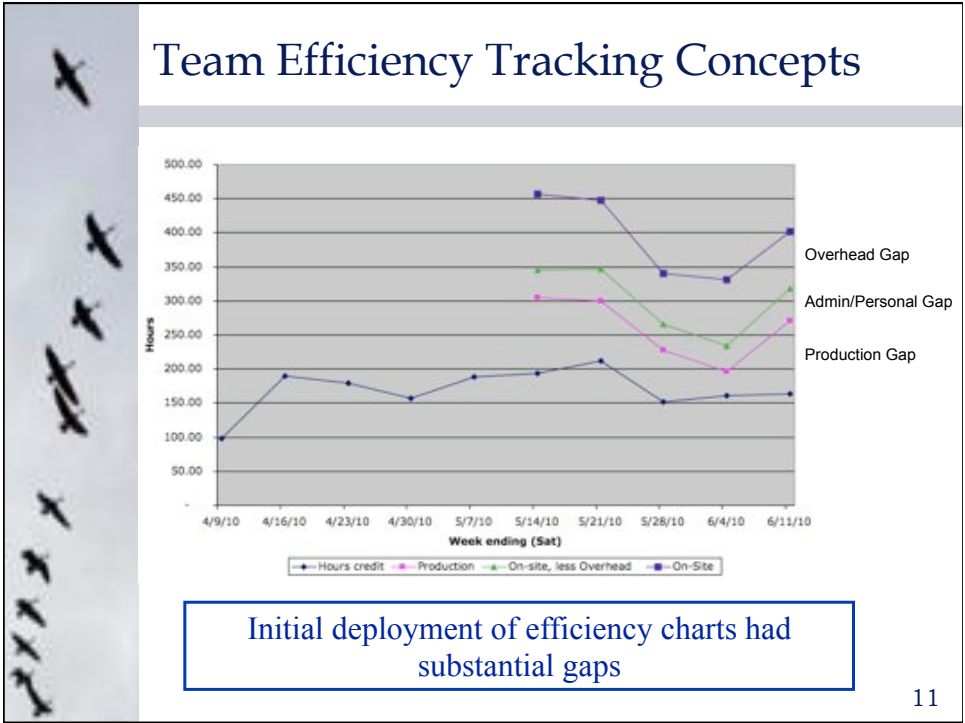
Visual Data: Gives team members "real-time" information about available, incoming, and completion volumes, including electronic queues

Visual Work: team members see the whole pile of "available" work!

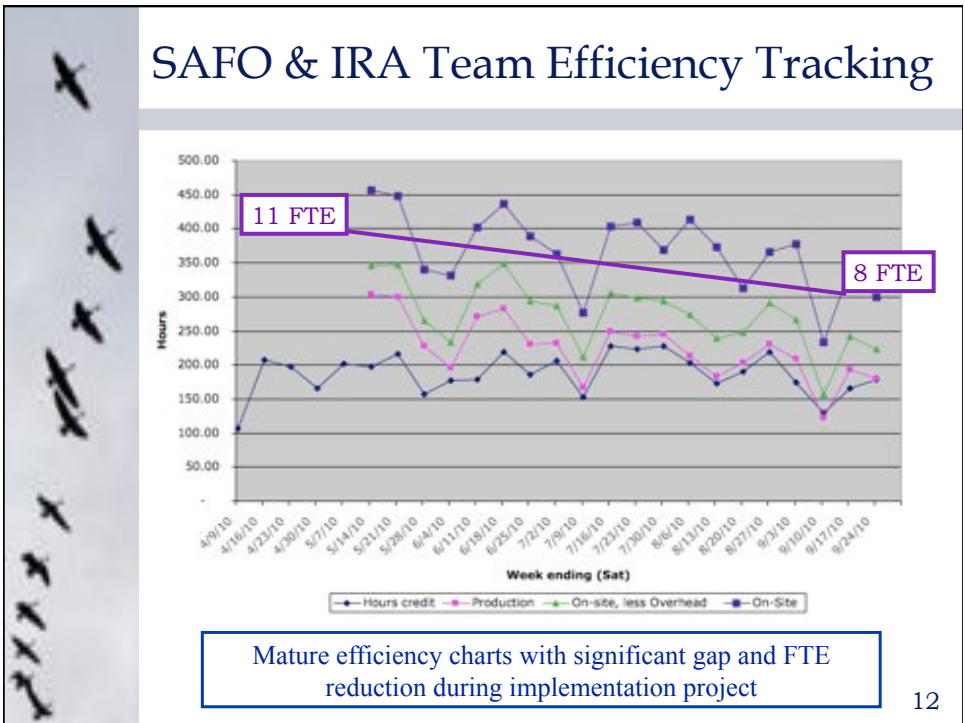
Trend Data, Incoming SAFO Requests



Trend charts give leaders and team members key information



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Results

- Reduction over 18 months of over 40% in operational labor cost
- Everything now done in 2 days or less, and many tasks same-day
- Fewer “status calls” and questions resulted in 30% drop in calls for “Safe Harbor” topic
- Improved quality and accuracy; fewer handoffs resulted in greater personal accountability and lower defect opportunities
- Engaged Team Performance!
- All of which means:

Better quality service is much cheaper!

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Discussion Questions

- Share examples from participants of reducing cost by improving quality
- Discuss: Why do leaders sometimes still believe the “either-or” myth?



- Is great quality a “means” or an “end”?

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Contact Information

Dodd Starbird
Managing Partner
Implementation Partners LLC
303-809-5054 (mobile)
dodd@implementationpartners.com

www.implementationpartners.com
www.engagedteamperformance.com

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