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Innovation in the Mail Room? Strategies for Improving Speed, Service, Quality, and Cost at the Front End



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The mail room: often, it's an overlooked function within a financial services company. Most assume it simply works, just like the phones, heating, and lights. True, much of what enters a company today comes in electronically, including electronic applications and service requests. Still, might there be opportunities to forge additional improvements in the mail and records areas? Or, are these functions too established and routine to be significantly upgraded?

Increasingly, companies are merging the handling of all of their incoming mail, records, faxes, and archives into a single business function. Why? Most of these documents can be converted into electronic format and sent directly to their respective owner or downstream processing unit. Done well, the results can be significant in

terms of speed, service, quality, and cost.

The Internal "Document Factory" Endures

While many of our clients have gone "paperless," mountains of paper remain. And for a long time, paper-based transactions have been characterized by numerous handlings in a surprisingly lengthy process. For institutions without electronic applications or endorsements, customers communicate with agents who complete paper forms. The customer may need to sign the form, which is then mailed or faxed to the home office. In the home office, envelopes are sorted, transported, and then opened. A second sort occurs, and next the documents are prepped for imaging. Prepped documents are batched and carried to scanners. Document batches are imaged and filed for later destruction. The images are indexed into a workflow system and electronically routed to the new business or service areas. Once a transaction makes its way to these areas, decisions are made and databases are updated. The

customer's original desire has become part of a high-volume, batch-processing document factory.

Where's the Work?

The first step in attacking the problem is to understand what's occupying most of the staff's time. Two perspectives are helpful here: an activity view and a document view. The activity view is a categorization of the functions involved in the document factory, coupled with documentation of how much staff time is spent on each function. The document view is an array of the documents imaged by type, in descending order by annual volume. This second view is sometimes challenging to achieve, especially in companies unaccustomed to analyzing the document factory.

There are many ways to craft a better approach that significantly lowers cost. Next, we'll identify a few improvement results that The Robert E. Nolan Company has recently been involved with, and describe the basic elements of a comprehensive strategy to lower front-end costs.

One-Stop Document Imaging

One-stop imaging has been found to significantly streamline the document handling process: with this method, experienced processors handle all steps for their own work. Each processor begins by removing the contents of envelopes and organizing groups of documents for imaging. When the shared scanner is available, the processor turns to scan the groups of documents and then turns back to his or her PC to index those images. New technology has brought down the cost of powerful desktop scanners, but scanner sharing needs to be enabled through workplace redesign.

One-stop imaging can eliminate as much as 50% of the time consumed by older multiple-handoff processes. The streamlining occurs when several sub-processes—numerous sorts, documentation on batch sheets, transportation of documents between steps, and rework of documents improperly handled by inexperienced staff in the preparation phase—become obsolete.

Another key benefit of this streamlined approach is improved quality. One experienced processor is responsible for the full process, from envelope to indexed image. Processors can see the results of their own actions and can be held uniquely accountable for those results.

The Ideal: Once and Done Electronically

Although one-stop processing brings efficiency to the high-volume factory, the documents-imaged-by-type array previously described allows taking a step back and challenging the initial step of committing the customer's desire to paper. This reformation often involves technology, so it will likely be part of a longer-term strategy. The ideal involves enabling the customer to interact

directly with company data bases through the Web to effect the product initiation or change without the need for company staff. Two examples of such an approach are electronic apps and electronic address changes.

This ideal may be reached in phases, such as with agent-completed applications or address changes. However, the improvement process begins with identifying, through the imaged document array, which document types are being imaged. Here, Paraeto's Principle often holds true: 80% of the imaging volume involves just 20% of document types. Focus the digitizing effort, in other words, on those documents that will provide the highest payback.

The Comprehensive Strategy

How do the above improvement examples comprise a comprehensive strategy for lowering front-end costs? First, take a hard look at the document factory. It may seem physical, routine, and well-established, but it is responsible for considerable costs—costs that are candidates for reduction through innovative streamlining.

Second, look to reducing the volume of transactions that flow through the factory. Challenge the perception that customer communications must be documented on paper. Instead, couple the existing technology of the Web with the burgeoning technologies behind electronic documents and signatures. Focus this effort where the work is.

Third, embark on both efforts concurrently. Streamlining the imaging process will lower costs immediately. Simultaneously, begin to digitize the process of capturing customer requests in company databases. The new electronic processes will take longer to develop and install, but will continue, inexorably, the drive to lower front-end costs.

Making It Stick

Assuming the critical front-end process of imaging has been streamlined, have you achieved the major benefit of reduced costs? Not if fundamental tools to realize consistently high productivity and quality are not installed.

We've found, in fact, that a substantial portion of cost savings lies in reaching high levels of productivity. This can be done through measuring how long it should take to image and index documents. Then, communicate this expectation to processors and provide feedback on their performance. Combine these measures with historical and future projections of business volumes to create a staffing model, which locks in savings while responding to increasing sales volumes.

A second fundamental tool boosts the quality of imaged and indexed documents. This tool uses random sampling to review a portion of processors' work and enables feedback to processors about their errors. Such a tool captures savings by eliminating rework and radically reducing previous checking.

Lessons Learned

What are the crucial insights we have garnered from projects improving front-end processes? First, use a comprehensive approach. Create significant cost savings early within the document factory, and begin a focused effort to digitize transactions so the factory is needed less. Second, don't be afraid to challenge conventional thinking. Break the traditional mold of multiple handoffs among low-skilled positions. Last, don't forget the details. Create fundamental tools and management practices that ensure high levels of productivity and quality. These key principles form the basis of a comprehensive strategy to lower front-end costs. §