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Case Study: BANK OF AMERICA
A Lean Six Sigma Deployment Success

Bank of America began its Continuous Improvement journey several years prior to its Six Sigma deployment, a journey undertaken simply because senior leaders realized that inefficient, error-prone processes were costing the company money through non-value-added rework. Unfortunately, according to quality leader Milton Jones, these efforts had minimal lasting effect because they lacked systematic implementation and often lacked executive support. This led to a perception by some in the company that quality approaches were nothing more than another "Flavor of the Month."

This situation changed radically when Ken Lewis became CEO in 2001. Lewis announced a major strategic shift in the company from growth through acquisitions to organic growth. Realizing many of its customer satisfaction metrics were still at poor levels, and realizing that organic growth would require significantly enhanced customer loyalty, Lewis decided to get serious about quality improvement. In particular, he felt the need for a disciplined, rigorous, and comprehensive approach to process improvement. Based on the results he had seen others achieve, he chose Six Sigma as his approach. Then he hired Chuck Goslee as the first Bank of America quality executive, reporting to Lewis.

It is particularly noteworthy that **as CEO, Lewis took on the first Green Belt project in the company**, setting the expectation for others. This project involved resolution of customer complaints that had been elevated to the executive level. In a talk given at the American Society for Quality (ASQ) annual Six Sigma conference on February 2, 2004, Lewis described his experiences on this project:

> Some of you may wonder why the CEO would get involved in a Green Belt project.
> The answer is three-fold:
> (1) First, I wanted to send a clear message to the entire company that Six Sigma had the support of the company's most senior leadership.
> (2) Second, I wanted to have a useful command of the terms, tools, and techniques that we would be adopting throughout the company.
> (3) And third, this was a problem that really needed to be solved. Let me elaborate.
>
> I felt it was critical to our success that everyone in the company get on board with this effort. When we began our quality journey back in 2001, there were skeptics — some of them inside the company — who wondered whether we could use disciplines, methods, and tools from the factory floor and apply them at a large financial services company.
>
> I knew we had to get the message out, loud and clear, that we were very serious about quality and that Six Sigma would be our methodology. We hired a seasoned quality executive, Chuck Goslee, and I made him a member of my executive leadership team. That sent a message.
>
> Then I took my Green Belt training, and I asked each executive on my leadership team to complete Green Belt training as well. That sent a message, too.
>
> Today, I'm proud to say that every member of my leadership team has Green Belt certification, and about 95% of leaders in the next two levels have completed their Green Belts, as well.

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> I knew that in many companies, Six Sigma professionals were frustrated with the "bottom-up" implementation of quality, and the absence of executive sponsor ship. At Bank of America, our leaders have made the effort to understand the language of Six Sigma — its tools and techniques. They support its implementation across our company, and everyone in the company knows it. My other reason for wanting to look at this particular Green Belt project, as I said, was that this was a problem that simply needed to be solved. We were getting 20,000 of these complaints per year, and the actual and potential losses were in the millions of dollars.
>
> A lot of those letters were on my desk. So I took it personally.

Other executives would do well to take customer complaints as personally as Lewis did! Lewis stated later in his talk that the **ultimate result of this project**, which included efforts of many others beyond his own, **was a doubling of Bank of America's customer delight metric and a financial impact of more than $2 million**.

Deployment Strategy

It is often difficult to find the appropriate technical resources for Master Black Belt (MBB) and Black Belt (BB) roles when launching a deployment beyond the factory floor. Bank of America decided to address this by using internal Green Belts (GBs), but aggressively recruiting MBBs and BBs externally, especially from Six Sigma successes such as Motorola and GE. In addition to providing needed technical skills right away, this also helped to "seed a culture of quality throughout the company".

Another important aspect of deployment was to have all Lewis's direct reports conduct their own GB projects. This approach not only ensured that leadership was driving the initiative personally, but also that critical, strategic issues were being addressed. The list of executive projects included the following:

- Increased customer delight with problem resolution
- More precise control over payments to suppliers
- Increased productivity of new hires via training
- Elimination of significant travel expenses
- Enhancement of enterprise e-mail governance to improve productivity
- Reduction of credit-risk assessment that was considered biased
- Elimination of significant numbers of electronic information subscriptions
- Increased associate retention in key areas
- Increased collections by reducing abandoned inbound calls
- Improved ability to detect and prevent fraud at banking centers

Further, new quality executive Goslee established an enterprise-wide customer delight metric, replacing product- specific and channel-specific measures. Bank of America benchmarked externally to identify world-class performance in several areas, including a 90% goal for customer delight. They also obtained extensive voice-of-the-customer data to identify the key processes that needed to be improved to enhance customer delight, which included deposits and payments. Cross-functional teams began working on projects to improve these critical processes.

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Results

The results that Bank of America was achieving through Six Sigma were impressive. For example:

- **Missing items on customer statements were reduced by 70%**
- Through a series of focused projects, **defects in electronic channels (ATMs, online banking, etc.) decreased by 88%**
- One project on mortgage applications **reduced average cycle time by 15 days**
- Non-credit losses, including **fraud, were driven down by 28%** on a per-account basis, whereas the **number of accounts increased by more than a million** in 2003 alone
- **Same-day payments have been improved by 22%**
- **Deposit processing has been improved by 35%**
- The cumulative financial **benefits exceeded $2 billion by the end of 2003**
- The **customer delight metric had increased 25%** across the company in 2003
- Six Sigma was generating the same magnitude of benefits at a bank that have been seen in manufacturing organizations.

Next Steps

When Chuck Goslee retired in April 2003, Lewis asked Milton Jones to lead the Bank of America Six Sigma effort and take it to a new level. In particular, Jones was asked to focus the effort on driving revenue growth. As in other application areas, including manufacturing, initial efforts often produce more bottom-line cost savings than top-line revenue growth. In the next phase of Six Sigma, Lewis wanted to have the same impact on top-line growth. In addition, the application of Six Sigma was expanded along the entire value chain, including suppliers and the sales force. Many of the sales projects focused on new revenue generation. Lewis and Jones now require key vendors to apply Six Sigma and to participate in Bank of America's training.

In his talk at the ASQ annual Six Sigma conference, Lewis noted the beneficial impact Six Sigma had on the merger with Fleet Bank and how it would continue to drive improvement in this part of the business. He stated:

> And when we agreed last Fall to our pending merger with FleetBoston, we did so expecting that Six Sigma would be a key to unlocking the full value of the merger. We plan to accelerate the existing Six Sigma effort underway at Fleet, including a training center there. We are also using Six Sigma in the very process of organizing the transition itself — the first time, to my knowledge, Six Sigma has been used to execute the merger of major financial institutions.

According to Jones, Bank of America has trained more than 10,000 Champions, Master Black Belts (MBBs), Black Belts (BBs), and Green Belts (GBs) in DMAIC Detective-Work Methodology for existing

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processes, as well as Design For Six Sigma (DFSS) for designing new processes, and other quality methods. He also pointed out that there are currently more than 100 open senior leadership positions that require BB certification as a prerequisite.

In summarizing the keys to success, Jones stated:

> Quality and Six Sigma have become part of the culture at Bank of America, thanks to senior commitment, a robust internal training program, aggressive and ongoing external recruiting, and results that excite everyone in our company.

This statement captures the keys to success that we have seen here and elsewhere, both in manufacturing and beyond.

Some key lessons learned from this case study are as follows:

- The critical importance of strong leadership
- The huge potential benefits available in many financial services
- How obtaining top technical resources externally can help obtain momentum early in the deployment, when such resources are not readily available within the organization
- The ability to drive top-line growth as well as bottom-line savings with Six Sigma