

Service Company: Lean #1

Service companies often - despite the description - have much in common with manufacturing companies and this makes ResQ's lean thinking in terms BATCH PROCESSING very applicable.

How?

Within the service industry, products or services are not stored in a warehouse waiting for someone to buy them – they are provided on an ad-hoc basis to customers as required and therefore you may not think that lean would be applicable.

However looking below this level and you'll find at least one interesting similarity;

Back Office Processing: within any industry there will be paperwork involved, this might be sales invoicing, policy set-up, welcome letters, letter handling, call handling, stationery printing etc. Many of the processes used here are similar in nature to manufacturing in that;

- They are handled in a batch nature; work is batched up and passed from one person to another, once a certain amount or time has been achieved.
- It's not uncommon to find certain types of work being done at certain time of day or on certain days of the week. This is due to accounting techniques wanting to maximise staff and resource "efficiency".
- By applying the "one-piece flow" techniques used in manufacturing these batch techniques can be removed.

In one such example the route of incoming mail at Client X was as follows;

Mail delivered @ 7.30

Mail room staff arrived @ 8.00 and start processing.

Mail is delivered to various departments including claims processing between 11 and 12.

Claim processing can't start on the days work till at least 11 am, normally 11.35am.

As the business and legislation only gave 48hours for the initial reply to a customer claim, the immediate task was to send out a letter to each claim stating it had been received and would be reviewed – **Cost 1** (a massive duplication cost)

The claim team would be reviewing claim from previous days in the period 9 -11.35.

The claims were then divided out to claim handlers on an ad-hoc basis regardless of who could handle it – certain types of claim i.e. complex, consequential loss could only be handled by certain qualified staff. However these complex claims could easily end up in the hands of a junior member of staff who wasn't sufficiently qualified – **Cost 2** (re-working)

A second run of mail was delivered at 3.45pm, the teams were then under pressure to get letters out for the end of day

To discuss how LEAN WILL improve your clients please contact us on: 07712 669396 or
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Solution

(Half) Mail room staff arrived at 7.15 – ahead of the mail delivery to get ready.

Member of the Claims team deployed to the mail room to sort through letters from 8am.

The aim of this was to sort mail before it was delivered to the claim team based on the type of claim and who could deal with it. i.e. identify the **runners** (many per day: straight forward motor vehicle only claim), **repeaters** (few per day: single incident multiple vehicle claims), **raritys** (very rare: motor claim including livestock) and to ensure that the queries went to the right people to handle them. This helped to reduce the implications of **Cost 2**.

First Mail run to claims team at 9am – letters including the answer and claim payment to start to go out – removing **Cost 1**.

Every two hours the same mail run took place – meaning that the work was regular and a flow established. Claims staff were encouraged to go and collect work should they run short during the two hour period and to help sort in the first instance.

A number of other initiatives took place at the same time including relaying out of the office which reduced the walk times for the delivery of mail.

Further work

Following this work, it became much easier to investigate the runners and repeaters and understand what was involved in processing these and work on processing them with fewer resources. It also highlighted the skills issues and allowed developments to be put into place to obtain a better balance of skills within the team.

The results were that the team could handle 60% more claims per day than previously thought, at a cost per claim which was reduced by 40%.

The team became more skilled which reduced pressure on the senior members which gave more flexibility to spend time on further improvements (business and self) and holidays

Only by applying the same *flow and value stream techniques* from manufacturing were these results obtained in a service environment.