Case Study
Implementing Six Sigma Across Asia: the Citibank Experience
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John Reed, who was Chairman and CEO of Citibank announced the adoption of Six Sigma as a breakout strategy by the bank in 1997. The authors focus on the implementation of Six Sigma by Citibank in the Asia Pacific. The article discusses some of the major issues that are thrown up and need to be tackled when a major quality initiative is taken up. These include management support and building employee commitment as well as ensuring that measurable output is obtained.

Six Sigma is a quality improvement method. The key driving idea behind the method is that customers do not observe the mean level of performance but that they do observe deviations around this mean. The key issue is therefore,

• quality with consistency and predictability

The “sigma” in Six Sigma measures this deviation. A company that starts measuring the mean number of defects in a process can then contemplate ways to

• reduce the number of defects and bring it as close to zero defects as possible.

Six Sigma is achieved when your process (or product) has

• a mean of 3.4 million defects per million opportunities
• a defect is a failure to meet specification

Ideally, specifications are set with an eye to two things:

• Customer driven standards
• Process capabilities.

Six Sigma seeks to

• reduce variations in your process
• raise process capabilities so that customer standards are fully met and even exceeded.

Manufacturing companies that had adopted Six Sigma demonstrated impressive results. An executive summary on six sigma at General Electric available at the BestPracticesdatabase.com website provides evidence for that.
Six Sigma enabled the GE Plastics division to produce 1.1 billion pounds more plastic without the construction of any new plants.

At Motorola Six Sigma reduced the manufacturing time for pagers from 40 days to less than one hour.

In 1997, Citibank became one of the first services firm to announce the adoption of a Six Sigma strategy. There are peculiar problems to the adoption of Six Sigma in a services setting:

- a defect is much more loosely defined than in manufacturing.
- the emphasis is almost wholly process based rather than product based.
- The different processes are more likely to be more closely interdependent than in a multi-product firm where different manufacturing lines can be more easily buffered from one another.
- service organisations do not use statistical measurers as much as manufacturing
- for a banking firm, getting processes right meant getting it right across all processes and all geographic divisions

In other words, it is not possible to have the Citibank cross-border fund transfer performing at Six Sigma levels in Asia Pacific and operating at Three Sigma in Europe. Appropriately therefore, the Six Sigma strategy was announced as a global strategy.

in every 100 of the countries across all aspects of the Bank so as to distance ourselves from the competitors

For the Asia Pacific, the strategy was kicked off in January 1998 in Hong Kong. The aim was to meet the Citibank goal of becoming the world’s premier financial services company.

The adoption of Six Sigma at Citibank meant the appropriation of manufacturing metaphors and their application to a service context. In 1997, Citibank hired Motorola University Consulting and Training Services to teach its employees “defect reduction” and “cycle time reduction”. These concepts from Six Sigma in a manufacturing context were found to be most relevant to Citibank’s financial services operations.

Motorola University had developed what it calls

- “Cross Functional Process Mapping”. The idea behind this is to develop two process flowcharts- for the process “as it is” and for the process as it “should be.”
Citibank adopted this technique and a major thrust of its strategy in Asia Pacific was

- process redesign.

Processes, however, are only part of performance. The other part is

- people.

The deployment of Six Sigma necessitated

- retraining senior management and even frontline staff on the process, methods and tools of Six Sigma operations.
- Building commitment amongst Citibankers.

The kickoff of the strategy for the Asia Pacific was done by LCQ - Launching Citibank Quality for senior managers to ensure

- top management support in all areas.

To build commitment among employees it was necessary that

- demonstrable results be generated without long gestation.

In the 5-day launch, senior managers identified cross-border fund transfers as an area where significant improvements can be made within six months. As results started coming in after the workshop, enthusiasm and commitment among employees were generated, which built the initial momentum for the major quality initiative.

It is possible, however, for employee enthusiasm to peter out. Sustaining the momentum in the initial phases of the programme also meant that

- periodic reviews be taken where collective experience can be shared.

This was done by making key people responsible for the breakout strategy come together on an annual basis.

- internal support be garnered through appropriate in-company communication.
- customer support be created through external communication.

Clear goals were set against which the company can measure achievements from the quality program. The global measurable goal was 10X10X – 10 times reduction in cycle times and 10 times reduction in defects by December 2000 and every 2 years thereafter. This highlights the importance of

- spelling out the time frame by which Six-Sigma levels of operation would be achieved.
- breaking the overall goal into shorter term measures against which performance can be monitored and reviewed.
Measuring progress with the new programme meant that appropriate measures be developed. The Citibank approach was to

- focus on set of seven measures considered vital for the everyday performance of the bank.

Once results were visible, the whole process was bolstered by technological changes. Processes once redesigned appropriately need to be automated for faster routine operations.
Teaching Suggestions

1. Students may be introduced to the concepts of flowcharts and Pareto Charts that are widely used TQM tools.

2. The instructor may want to take students through the cycle time reduction and defect reduction methods of Six Sigma. Defect Reduction is usually done through a Pareto Chart that identifies which problems occur most often, where and when.

3. Citibank uses a five-step process for cycle time reduction using Six Sigma. These steps are:
   i. - identify a key process.
      - identify a senior champion.
      - identify a team of key personnel for that process.
   ii. - map the process as it is.
   iii. - verify accuracy of your map by cross-referencing.
   iv. – map the process as it should be.
   iv. - implement.

Students could be encouraged to study a real company, and apply the five-step process to that company.