

Using IT to enable a lean transformation

Senior leaders can play an important role in assembling a lean program by involving the CIO more closely in designing and executing the transformation.

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Situation

Lean-related improvements in operational efficiency can significantly enhance a company's performance, boosting productivity, efficiency, and margins by optimizing workflows and processes.

At one large European bank, executives wanted to speed the account-opening process for corporate customers. Poor IT integration and fragmented oversight meant that manual entries, overlapping requirements, and high volumes of paperwork were the order of the day—bogging down opening times, adding costs, and frustrating potential customers. Conflicting rules for accounts and marketing brochures using different names for seemingly similar products confused internal teams and clients alike.

This predicament seemed tailor made for the lean approach. The bank's leaders wondered if it could help automate the account-opening process, streamline product options, and better integrate the customer-relationship-management (CRM) function—a long overdue improvement. Initial assessments indicated that such a project would pay back its expenses in under three years, with potential labor cost savings of up to 50 percent for the process of opening corporate accounts.

Complication

While lean techniques could address these issues, the bank had experienced roadblocks in previous lean programs, which in the end failed to deliver the hoped-for returns. In one case, the process just moved too slowly. The division manager charged with leading the project found that integrating operational changes one department and branch at a time—each with its own people, processes, and technology—would take nearly a decade. In another instance, management tried to avoid a lengthy implementation by taking a “quick and dirty” approach, using lean only in select areas. While the rollout was faster, the project failed to integrate IT systems, processes, and applications at the local level. Operational changes failed to gain a toehold as employees fell back into their old ways of working, and the program fizzled once the start-up phase ended.

In assessing these past efforts, management realized that it had squandered opportunities to use IT effectively as a change agent, not only to convert a patchwork of silo-based activities into an integrated whole, but also to provide for improved governance through a common framework of performance measures. During earlier change programs, IT had remained largely peripheral, merely advising on system, software, and application questions;

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primary process considerations were left to business and functional managers. Cultural issues—such as the different working methods, priorities, and time horizons of the lean and the IT teams—compounded the operational fragmentation.

Senior managers, determined not to launch yet another stalled implementation effort, knew that IT had to play a central role in the lean redesign of the corporate-account program.

Resolution

Senior leaders can play an important role in assembling a lean program by involving the chief information officer more closely in designing the transformation. The bank's CIO started by determining how long it took for a customer to open an account under the current system. Modeling software allowed the IT team to optimize staffing and flow in the call center channel, to chart bottlenecks, and to test alternative ways of streamlining that step. The IT team's goal, in tandem with the lean team, was to create a single, unified IT system replacing a series of separate applications.

To speed up implementation, the CIO's office worked with risk, legal, sales, and other relevant units to craft a set of core requirements, such as minimum account thresholds, line-of-credit provisions, and reporting and disclosure rules. It automated the resulting decision-making flow across the affected functions, trimming a number of process steps that produced significant savings (exhibit). This effort reduced the paperwork that clients and employees had to complete and turned a sequence of manual entry forms into an integrated electronic document. With improved oversight in mind, the IT team also developed an online implementation-tracking system that gave management a quick overview of how the implementation effort was going across more than 1,000 branches.

To reconcile conflicting product descriptions, the team used data-management software to standardize core definitions (such as lending and capital management) and the range of features clients could select. It linked this program to the bank's existing CRM system so that account managers could better track client activity and customize the service offering appropriately. On the front end, clients gained a redesigned Web site that presented the bank's product portfolio more clearly.

Wiring IT into the lean-improvement effort made it easier for employees to sustain these successes. With a unified account-opening system in place, reverting to earlier practices was harder—by default, the new system became the standard operating procedure. Automating processes also had the advantage of reducing the number of errors entering the back office.

The bank's leaders were pleased that the project reduced labor costs by 50 percent for the process of opening corporate accounts. Cost savings financed the rest of the program: for phase two, involving additional improvements to the CRM program, the bank applied €1.5 million of the total €4 million in savings from phase one.

Implications

Allowing IT to play a central role in developing and driving the implementation of lean projects can help organizations in many industries better address two problems that have long plagued such initiatives: high complexity and poor sustainability. But that won't happen unless the lean and the IT teams work closely together to improve both the rate of success and the rate of return.

The benefits compound when companies use the lean approach to create new sources of value. During an IT–lean collaboration at one bank, project man-

Exhibit

Simplifying

One bank's savings from simplifying the account-opening process financed the automation of further steps.

Example of European bank's end-to-end simplification and automation of account-opening process; index: costs before simplification = 100



agers saw that queuing times were an issue for premium customers. In collaboration with the technology team, these managers saw to it that the chip on the cards of premium customers was customized so that the bank's staff became aware of them when they entered the system and they received priority in the queuing system.

Although the nature of a business and its underlying processes can raise the degree of difficulty, IT-based lean improvements have worked well in a variety of industries. Better workflow integration at a call center, for example, lowered overall call vol-

umes and uncovered incremental capacity of 20 percent. A software company that wanted to cut the cost of field services used IT to model the impact of dynamic dispatching—an approach that identified ways to slash travel times by 40 percent.

Companies are learning that lean and IT are complementary in the effort to streamline, standardize, and integrate process improvements. Because IT can help not only to coordinate program deliverables but also to spot opportunities to lower costs and boost innovation, CIOs are often well placed to lead the joint effort. [o](#)

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