Benefits and Challenges of Six Sigma in the Banking Industry

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Six Sigma is a technique employed by companies to reduce costs and improve efficiency through the elimination of defects in a process. Indeed, businesses in the finance industry can benefit significantly from the use of six sigma practices despite the fact that the nature of banking institutions present unique challenges to its implementation. Six sigma can be employed in service processes to reduce costs associated with low quality and hence promote the achievement of a more consistent service delivery process. This paper explores the benefits and challenges of using six sigma in the banking industry.

According to Thuraisingham (2017), application of six sigma in the banking sector ensures that not only is the right work is done but also that it is done in the right way. Through the five whys analysis, the six sigma methodology ensures that firms pay more attention to those activities with legitimate value and that all activities are designed to minimise unnecessary steps. The methodology ensures that things are not done in a certain way simply because 'they have always been done that way.' A good example here is when it comes to loan acquisition where the number of approvals can be reduced by increasing the limit of one approval. Furthermore, the technique ensures that staff are well-trained and can easily access vital information. For instance, all employees who face customers should have access to key documentation, inputs, and procedures necessary to efficiently carry out their activities. Through the FMEA technique, the institution can predict problems and identify the most effective preventive measures.

The six sigma methodology benefits a banking institution in that it helps it to understand the customer better and at the same time, enhances the flow of activities (Thuraisingham, 2017). Through the methodology, the staff gets a better understanding of the needs of their internal customers, and hence they deliver exactly what is required. This enhances customer satisfaction. For instance, a local branch ensures that all compulsory documents and necessary

information is submitted to the credit evaluation team is done in the manner required. Further, the methodology helps to align tasks in the most efficient sequence and it ensures that value flows without backflow, rework or duplication. Similar to the above example, no rework is needed when the correct information is submitted meaning that there is a smooth process flow. Indeed, six sigma can create controls that prevent employees from erroneously submitting irrelevant documents (Raisinghani et al., 2005).

The first challenge in the implementation of six sigma is training issues. Indeed, training is a crucial factor when it comes to successful implementation of the program; hence it should begin with top management and be applied to the entire organisation (Antony & Banuelas, 2002). In fact, the training curriculum needs to reflect the requirements and needs of the organisation, and it should cover both quantitative and qualitative measures. Lastly, employees need to be informed concerning the latest tools and trends of six sigma. Kumar & Deepak (2014) explain that most institutions do not conduct training and if they do, they rarely follow these aspects of training.

The second challenge lies in the collection and analysis of data. Antony, Kumar, and Cho (2015) explain that unlike in manufacturing, data in the service sector is rarely readily available and that it is even more difficult to collect. Completeness and accuracy of the data is a huge problem. When it comes to the source of this data, customers are the suppliers in most service processes meaning that the institution as low bargaining power. Therefore, firms in the banking industry have a hard time convincing customers that they have something to gain from the data collection process. Lastly, data collected from customers in this industry can be challenging to analyse and interpret because most managers do not have a statistical background.

Measuring customer satisfaction is another possible challenge in the implementation of six sigma in the service sector and specifically, the banking industry. This challenge can be

attributed to the interaction in human behaviour when delivering services. These human behaviours include honesty, eagerness to help and friendliness (Antony, Kumar & Cho, 2015). These characteristics have a significant impact on service processes which implies that they also affect the quality of services delivered. In addition, resistance to change is higher in this sector in comparison to the manufacturing industry due to the human behavioural characteristics listed above.

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