

# Six Sigma in payment processing services

proXcel White Paper

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Due to increasing dynamics of today's markets the long-term and sustainable business success depends on the company's ability to adapt continuously to changed basic conditions and challenges by correct selection of strategies and thus projects. Especially in the financial sector there is an enormous cost pressure and radical structural change. Therefore there is a trend in the financial sector where they intend to accomplish the challenges of the markets becoming a full service provider in a consolidating EU market which represents a decisive contribution for SEPA.

On the one hand this deal will have a share in standardisation as well as in harmonisation of the European payment processing. Thereby the markets become more efficient and the payment processing simpler. In this context **Six Sigma** as a modern management strategy can support a company to attain and to upkeep the business success in a long-term way. Main targets of Six Sigma are the customer-oriented improvements to achieve the business targets. Institutions like Citibank, American Express, Bank of America, Credit Suisse, Ford Bank and HSBC are already using Six Sigma. By using Six Sigma they have had huge cost-savings as well as increasing revenues in the past time.

On the other hand SEPA will lead to a European Domestic Market with standardized payment products. Therefore this market development will intensify the competition and at some indefinite future date to a new consolidation wave. At the end a limited couple of providers will survive. Hence the generation of suitable solutions in realisation of SEPA in order to satisfy customer needs is a critical competitive advantage which is important for a strong and sustainable competitive position as well as the maintenance and enhancement of a company value. This will only be possible if providers are in a custom-tailored position and by this means more cost-effective, better, faster, safer and more reliable than its competitors to profit more from the advantages of SEPA. As a promising strategy combining Porter's generic competitive strategies "cost leadership and differentiation" **Six Sigma** is making the targets attainable by using the structured and systematic project approaches to achieve operational excellence (for existing processes: DMAIC-cycle = "Define-Measure-Analyze-Improve-Control", for new processes: DICOV-cycle="Define-Identify-Characterize-Optimize-Validate" and for a completely redesign of processes: DMADV-cycle="Define-Measure-Analyse-Design-Verify").

The way of the correct application of the tools as well as the degree of detail depends on the respective improvement project. Therefore and also for steps in the future a wide training program is the base of all Six Sigma doings where the employees learn und understand the philosophy, the cultural effects, the targets of Six Sigma as well as the Six Sigma project approaches.

In summary the DMAIC/DMADV/ DICOV cycle illustrates with its toolsets a systematic and continuous process to improve products or processes from each area with statistical and non-statistical methods

in a traceable and sustainable way to become better, faster, more cost-effective and in sum safer as well as more reliable. But how to select the right projects in the **payment process**?

Therefore Six Sigma recommends a translation of the strategic goals into measurable targets with a **Six Sigma scorecard**. This reasonable concept enables the integrated and multicausal evaluation of the process organisation structure efficiency from customer as well as entrepreneurial view. It shows how the company accomplishes internal/ external customers as well as entrepreneurial requirements. That's why Six Sigma has two-sided focus combining external with internal needs in kind of a counter current process. That means it connects the voice of the customer with the voice of the payment process service.

All analytical developed KPI's are selected and defined with the support of Six Sigma tools and with the participation and contribution of the process owners in according to the service level agreement, process targets and specification limits. Therefrom all users get the same understanding about failure which is often a matter of definition of standards, effort or rather added value as well as customer requirements.

Afterwards the **payment process service** can detect weak points and generate improvement projects having financial effects in order to optimise the value chain with its Six Sigma agents to enhance the customer satisfaction and thus the business success. Moreover the Six Sigma scorecard has an early-warning characteristic. In the long-term a company will improve its **market position** and also its **business relationships**. Having such a Six Sigma scorecard is definitely a competitive advantage.

Furthermore Six Sigma emphasizes the necessity of a fit between the **implementation steps, the corporate culture as well as the organisation formation** because of essential interdependencies for business success. Between 10-30% of strategy implementations are merely successful. The simply mathematical function  $Q \cdot A = E$  shows the meaning of A which stands for acceptance. Q is quality and E is the extend of the performance. Enhancing the **acceptance** A will lead the payment process service to a keen extend and thus better performance. The Six Sigma philosophy of "zero-deficit-quality" is understandable for everyone in the company. Employees learn the way to that vision. The required acceptance is to be supported and promoted with the structure of a knowledge data base and the spreading of knowledge in the payment processing service. Special career programs for Six Sigma agents favour also the acceptance so that the language of Six Sigma will get the language of the company.

On the whole, implementing Six Sigma is a top-down-process and it offers a holistic **Business System** (see below) where all levels are connected with each other within the principle of a counter current

process. Targets are given by the upper levels (Top-down), and the lower levels must fulfil these targets (Bottom-up). For this manner Six Sigma delivers holistic concepts and frameworks. Therefore Six Sigma is a vision, philosophy, strategy and toolset at the same time. Especially new companies have great opportunities to do everything in a proper way from the first time without any barriers.

