

Banking – A Productivity Gold Mine

By Uwe H Kaufmann

When I joined General Electric Capital fifteen years ago, I asked them why they would hire an engineer with no prior banking knowledge. The answer was quite a pleasant surprise: "We have enough people who understand banking. Unfortunately, we do not have those with a process mind-set."

To assume that banks have changed since then, might be baseless. Here is a snapshot of some of the questionable activities that banks have been engaging in.

Case 1: How to Avoid Killing Trees in Sumatra?

Bank A did never impress me with their service. Therefore, I stopped using their credit card one and a half years ago. For some reason, there was still a balance on my credit card account. Unfortunately, this amount is negative, i.e. my credit card shows a small amount of savings. For eighteen months, I received monthly statements showing this negative amount. They even included a form and envelope with payment instructions. I am tempted to send them a negative cheque trying to stop this. I guess this won't work. In the meantime, we have wasted a considerable amount of wood in Indonesia, for nothing. Is this necessary?

Case 2: How to Confirm the Confirmation?

We know banks like papers – and so does Bank B. You can send thousands of dollars to any address in the world via online-banking, but for updating your mailing address you need paper. Since we know this seems to be a critical step for any bank, we play good citizen and march into a branch – my wife and I. The nice lady at the counter copies our IC, takes note of our new address and we leave. We assume we are done – quite happy with our achievement – until we receive a letter from Bank B asking us to confirm that we have changed our address. I guess my face and my IC are not enough. We are considering getting the president to sign. This should do. Or would it?

Case 3: How Premium is a Premier Customer?

Having a customer relationship manager is good. Being a premier customer to the bank seems to be even more prestigious – unless you want something from them. I placed a request for online banking access for my son at Bank C before Chinese New Year. Assuming many of the staff went home for two weeks we gave them until mid-March. Nothing. Then after, I walked into a branch to place another request. The staff at the counter promised to take care of it. Nothing again. On 05 April, I dropped a mail to my Premier customer relationship manager who replied "I will personally see what can be done on this tomorrow for you." Guess what – nothing so far. Why don't they tell me if this is something they cannot solve?

Case 4: How Good is the Information on a Bank Statement?

The first time I received my statement saying that there was a deduction from my CPF for an instalment – although I have instructed Bank D to deduct from my savings – I politely inform them. The second time, I alerted them again. The third time, I let the phone banker feel that I am upset. The fourth time, I got in touch with a manager in this bank who asked his staff to look into this matter in detail. The result, they explained: the statement they sent out follows a certain standard process. In reality they did not touch my CPF at all. What an explanation!

Conclusion

Have you ever considered how much unnecessary paper you receive from banks, telecoms, insurance companies, etc., you immediately feed into the dust bin? It is amazing that they do not think to stop the nonsense such as sending a payment instruction in case there is nothing to pay. Doing seems to be much easier than thinking. In other words, rethinking the process from time to time does not seem very popular in banks. Just doing the same old thing over and over again is much easier. But, guess who pays for this waste!

Is the lack of customer relationship a productivity problem? I guess it is, for the bank, if you consider that someone needs to take my call again, needs to work on my email again, has to try to understand the problem again. Think about all the unproductive processes I will trigger when I eventually change banks. And, it is a productivity problem for me, too.

Once more: Guess who pays for all this!

This kind of productivity problems do not lie with staff and it cannot be fixed by sending some people to a skills development training. The issue lies with the managers who do not understand what is going on in their processes.

Even outsourcing and moving the back office processes to a lower cost country would not fix the problem. My best bet is that the same inefficient processes are run – from a cheaper location.

Recommendations

Of course, banks work on improving their processes. However, the above mentioned mishaps may not seem critical enough to be tackled, or may not even be known. Most of the customers would ignore or swallow these things without feeding back – until they change their bank.

The customer surveys I received from my banks were so focussed that they rather not arrive at detecting the issues mentioned. However, I am very convinced that if I encounter such issues, hundreds of other customers do as well and thousands or even millions of mailings are wasted. A study of complaint management in the German finance industry (Pietsch, 2003) revealed that complaints display only the tip of the iceberg. A multitude of

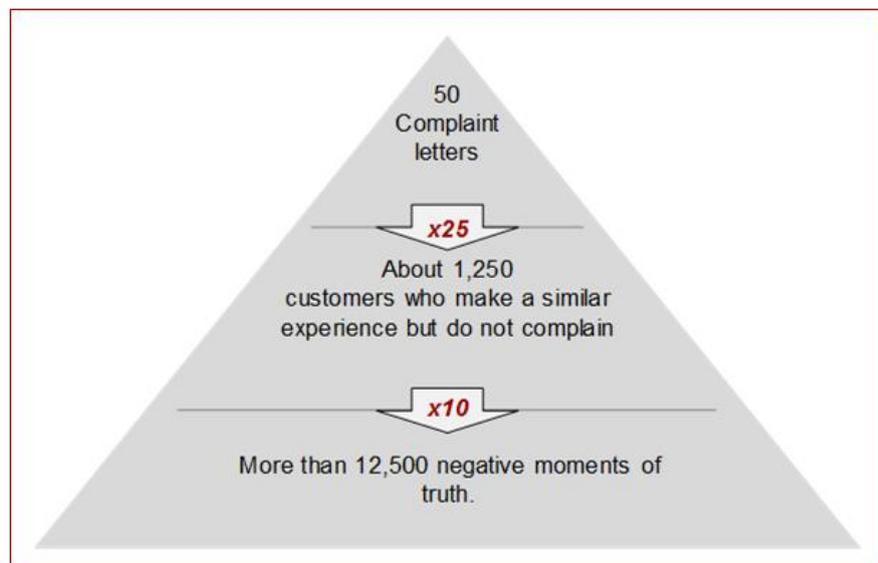


Figure 1: The Tip of the Iceberg

problems is usually hidden and hardly voiced by customers if they are not asked (Figure 1)

My immediate recommendations for our banks are not new:

1. Review your Voice of Customer (VOC) system to get more comprehensive information.
2. Feed the VOC data back into process improvement or process redesign activities. Do not just follow Voice of Management.

3. Train management and staff to really move from fixing issues to rethinking processes.
4. Reward management and staff for detecting process issues and suggesting changes.
5. Make critical indicators for these issues part of the Management Information System (MIS) – equally important to financial indicators.

There are some good news, too: I have one bank whose statements I can always trust. They work fully electronically – even for change of address – and do not send me any paper anymore per my request. I can always reach their website – even with the newest browsers. And the best is: if I call this bank I get to talk to a real person immediately – even without being their Premier customer. However, I have not called them for years, because there is no need.

Eventually, excellent service and high productivity come together.