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Design decisions in the front office - back office issue

Zomerdijk, L.G.

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6 Case Descriptions

In this chapter we present the five cases we studied: bank A, B, C, D and E. Yet, we begin with an introduction to the cooperative banking group to explain the context in which the five banks were operating (6.1). This mainly regards the strategic priorities and positioning of the banking group as a whole and the local autonomy of the banks. Next, we describe the three service delivery processes that we investigated in each case, i.e. providing mass consumer products, providing mortgages and providing company loans (6.2). By providing such general information first, we can avoid redundancies in the report and focus on the relevant details when presenting a case.

The largest part of this chapter is reserved for the presentation of the five banks (6.3 until 6.7). We present our data in the way we collected it: by bank, then by process. This provides the easiest introduction to the material and ensures that the story per case can be told. Per case we describe some general characteristics of the bank, including its company priorities, and the front office – back office configurations for the three processes. We describe the course of the processes, the definition of front office and back office activities, the decoupling decisions and the organizational arrangements in words and graphically by means of a flowchart. Furthermore, we present the considerations and arguments a particular bank put forward for a design. These are summarized in a matrix at the end of each section. In addition, we briefly address the overall functioning of the front office – back office configurations, i.e. related to the design choices that were made, as reported by the interviewed respondents. We conclude each “story” on a front office – back office configuration by interpreting the arguments that were put forward using the terminology of our conceptual model. Thus, we look for the impact of service characteristics, competitive priorities, company priorities, information technology and staff characteristics to anticipate the analysis of the cases in the following chapters.

We conclude this chapter with a summary of case data, combining the flowcharts for the fifteen front office – back office configurations we studied and the matrices displaying design considerations (6.8). These show the main differences and similarities between the five banks.

6.1 The cooperative banking group

Our cases were sampled from a Dutch cooperative banking group. The group is one of the three large commercial banks in the Netherlands and also has an extensive network of international branch offices. It is the market leader in many financial services in the Dutch market: mortgage loans (26%), private savings (38%), small and medium-sized enterprises (39%) and the agricultural sector (85%) (Annual Report 2003). Below we briefly explain the structure of the banking group and its strategic priorities, because this helps to understand the design space of the banks in this study and their company and competitive priorities.

Strategy and structure of the group

The cooperative banking group is well represented throughout the country by a large number of banks. It comprises over 300 independent “local” banks (together containing almost 1400 branches), a central support organization and a large number of specialized subsidiaries. The local banks are members and shareholders of the supra-local cooperative organization. Just as in the early years of their existence (the roots of the group go back to 1898), the member banks today are still independent cooperatives with their own management, own balance sheet responsibility and own administration. This is referred to as the local autonomy of the banks. Within the context of this research, the local autonomy for instance regards the design of organization structures, the design of processes and the formulation of local strategic priorities.

The central support organization is set up to advise the banks and support their local services. It also supervises the collective of member banks on behalf of the Dutch Central Bank and further acts as a (international) wholesale bank and as a bankers’ bank to the group. Furthermore, it is the holding company of a large number of specialized subsidiaries (Annual Report 2003). The central organization tries to support the member banks by developing general solutions that can be implemented locally. For example, the central support organization develops information systems for sales and administrative processes. Additionally, the central support organization has set up a number of centralized support centers or shared service centers the member banks can participate in by subcontracting several of their back office activities.

The banks in the group employ a universal banking strategy, which means they deliver a wide range of financial services to both private persons and business clients. The banks not only offer savings and checking accounts, mortgages, personal loans and credit cards and so forth to individuals, but also private banking and insurance. For business clients, the banks offer solutions for, for instance, cash flow management, risk management and investment planning and finance. The group’s core target is to generate customer value by offering the best possible financial services to its clients, by providing continuity in its services, and by demonstrating its commitment to its clients and their circumstances. In addition, the banks in the group stress the following values in all their activities: *integrity*, in

acting according to the stated aims, *respect*, in dealing with customers respectfully, and *expertise*, in fulfilling every promise a bank makes. In addition, the group's policy is to be and to remain the undisputed bank-near-you in the Netherlands (Annual Report 2003). These objectives also apply to the banks in this study and are reflected in their competitive priorities, as is further explained in the next section on the three processes.

The group defined a strategic plan in which it expressed its ambition to become market leader across the financial services sector in the Netherlands. It wants to sell more and better services and products, with the best possible price/quality ratio, to more and more satisfied clients. Yet, this should be achieved in a way that is both socially responsible and distinguishes the group from its competitors. To that end, the group needs to strengthen its selling power and reduce costs. Hence, the focus for 2003 was on leveraging commercial opportunities and on the continuation of programs to enhance efficiency and effectiveness (Annual Report 2002). As we shall see, these group priorities have found their way into the strategic priorities of the banks in this study.

Process design at the group-level

In order to support the member banks, the central support organization of the cooperative banking group has developed process descriptions for the processes that take place in a bank. These process descriptions are aligned with the information systems. They contain brief descriptions of the process steps that need to be carried out in a particular process and references to the organizational roles (e.g. "assistant" or "advisor") the support organization suggests for performing the steps. Most banks use these process descriptions as the starting point for designing the service delivery processes in their organization. This does not mean, however, that the banks have limited design space and similar front office – back office configurations are to be expected. There are several reasons:

- The main purpose of the process descriptions provided by the central support organization is related to internal control. The process descriptions communicate a way of working that ensures compliance with rules and regulations for controlling risks. Most banks primarily use the process descriptions to check whether their way of working is compliant with these rules and regulations, but do not consider the process descriptions a valuable design tool.
- In terms of our front office – back office configurations, the process descriptions only provide advice on the decoupling decisions. The process descriptions do not address the definition of front office and back office activities, nor the organizational arrangements in the design of front office – back office configurations. This means the banks have to make additional design choices. Furthermore, the process descriptions refer to organizational roles, while banks deal with jobs. This also requires additional design choices, for a particular job can consist of more than one role.
- Because of the cooperative nature of the banking group, the process descriptions come as advice, not as instructions. The banks are not bound to adhere to the process descriptions, as long as they comply with the rules and regulations for risk control.

- The process descriptions are meant to be adjusted by the banks to fit their local situations. Consequently, the banks adapt the recommendations to their local situation or strategic plans.

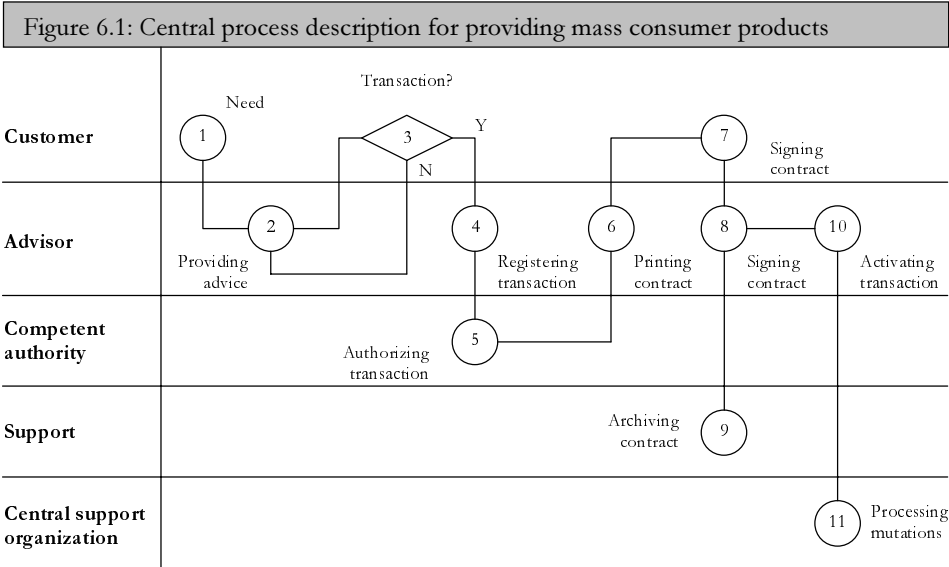
Hence, the process descriptions do not cover entire front office – back office configurations as we study them and leave room for additional design choices. Therefore, despite the existence of central process descriptions, we expect to find different front office – back office configurations in our five case studies that are based on local design considerations.

6.2 Three service delivery processes

In this section we introduce the services and the accompanying service delivery processes we studied in each bank: mass consumer products, mortgages and company loans. We characterize the services, describe the service delivery processes in general terms and display the process descriptions from the central support organization. In addition, we introduce the information systems. Furthermore, we present the competitive priorities (quality, speed, reliability, flexibility or price) that the banks reported for each product. Based on the company documents and the interview question regarding a bank's competitive priorities we posed every respondent, we concluded that the banks in this study showed a great consistency in their competitive priorities. In fact, they were virtually unanimous. Therefore, we treat them here rather than in each case description separately to avoid redundancies.

6.2.1 The process for providing mass consumer products

Providing mass consumer products regards many standard financial services, such as a savings account, credit card or electronic banking agreement. The service delivery process for these products involves little more than a conversation to identify the customer's needs and potential for additional sales, registration of the new products in the information system and signing the contract. The main competitive priorities (i.e. the external objectives, the way in which the banking group distinguishes itself from competitors) for these services were *quality* and *reliability*. These objectives were reported with great consistency by the respondents we interviewed in the case studies and agree with the group's strategic positioning as described in the previous section. Quality included several aspects, from flawless products until personalized service delivery. Although mass consumer products often cannot be tailored to individual customers, the banks tried to at least deliver the products in a personal way. Furthermore, the banks competed on reliability. Apart from being a trustworthy financial services provider, the banks greatly valued honesty and keeping their promises. For mass consumer products, this mainly regarded having products and services fully functional at the time they were promised to be



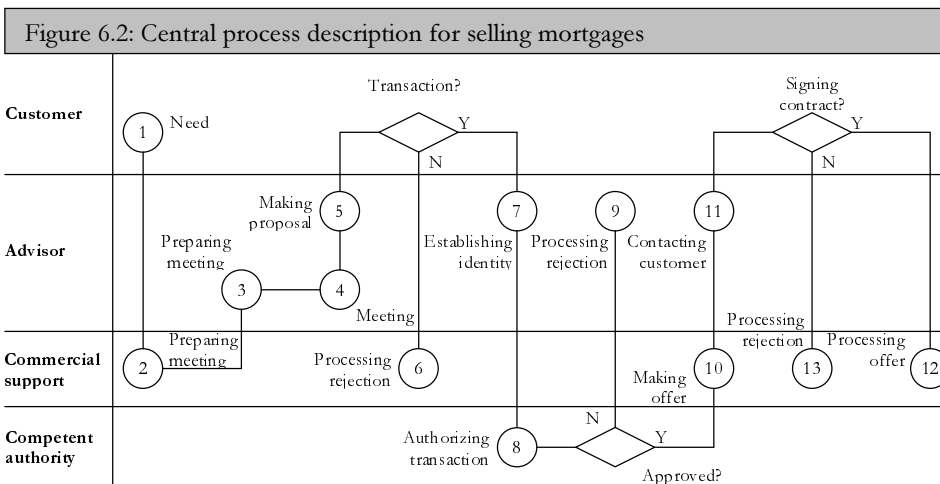
so. Speed of delivery, flexibility and price were not among the competitive priorities of the banks, although some basic level had to be achieved.

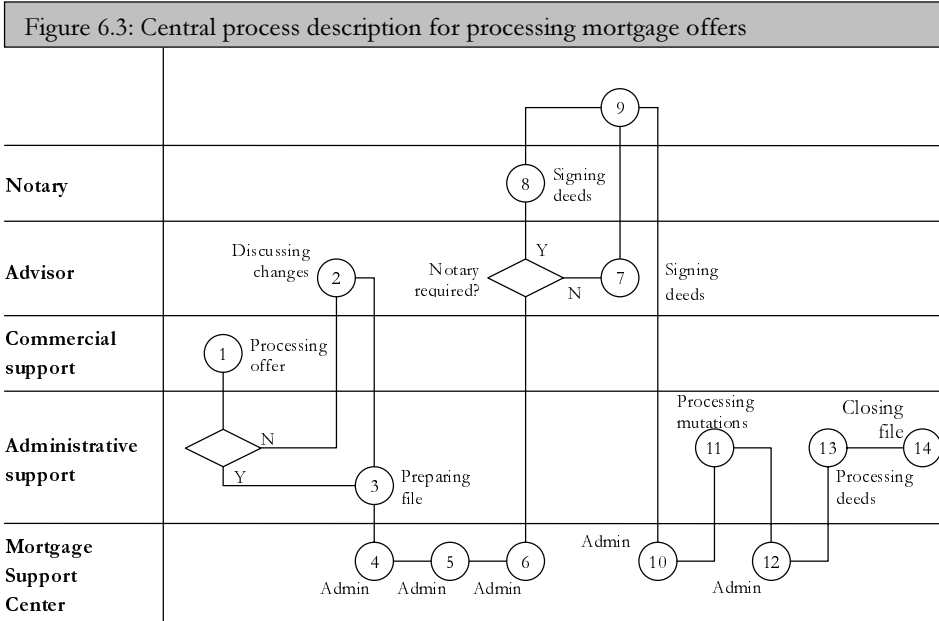
In more detail, the process runs as follows. A customer in demand of a financial product or service contacts a bank by phone or the Internet or walks into an office. Often a meeting is scheduled between the customer and a consumer advisor; only occasionally a customer can be attended to directly. The meeting is prepared for by scanning the customer's profile and product portfolio to identify sales opportunities. The aim of the meeting with the customer is to determine the customer's needs and to promote additional products. They are called "integral sales meetings". Generally, such meetings take forty-five minutes to one hour. All required modifications have to be entered in "SALES", the information system offering sales support for mass consumer products. Clear rules have been set to determine under which conditions credit products, such as checking accounts or credit cards, can be provided. SALES also runs checks on the customer's history and ID by accessing national databases. A general sales contract, including all products and services that have been sold or modified, can be printed and needs to be signed by the customer. The customer keeps a copy of the contract, together with information about the products as well as facilitating goods that might be required, such as a CD-ROM for electronic banking or a folder for storing bank statements. If SALES is used, the transaction will be practically completed when the customer leaves the bank. Apart from archiving the contract, there is no follow-up work left. The transactions are automatically processed overnight, so that the customer can utilize the new products or services the next day. Figure 6.1 shows the process description from the central support organization for this process. It contains the process steps and recommendations for the organizational roles that perform each step.

6.2.2 The process for providing mortgages

Providing a mortgage entails a fair number of process steps, including a scheduled meeting with the customer, preparing a proposal, turning the proposal into an offer and finally turning the offer in a mortgage deed. Although mortgages can be seen as customized products in the eyes of the customer, they basically are choices from a pre-defined set of options. Structures and rates are set in advance and generally require little adaptation. For selling mortgages, price is an important performance objective. Yet, according to both the banking group’s strategic priorities and the respondents in the five banks, the group did not engage in price competition. Instead, the banks competed on *quality*: a mortgage that is legally sound, comes with a good advice and thorough explanation, is tailored to the customer’s situation and is sold with the customer’s interest in mind. Like with mass consumer products, *reliability* was also considered important. The banks wanted to be reliable service providers, in terms of being a trustworthy partner and compliance with promised due dates. This means that mortgage proposals, offers, deeds and funds all need to be ready at the promised moments and should not contain surprises. Although speed, flexibility and price were not used to distinguish the group from its competitors, the banks had to be able to work fast, particularly in direct competition with other mortgage providers. This regarded the creation of proposals, offers and deeds and the final transfer of funds. In addition, the banks needed to be capable of processing rush orders (delivery flexibility) and rates should not exceed the competition by a too great extent.

The service delivery process for providing mortgages usually starts when a customer contacts a bank with the purpose of obtaining a mortgage or inquiring about what the bank can offer. Then a meeting with a mortgage advisor is scheduled and the customer is informed about the documents that should be brought to the meeting. To prepare for a meeting, customer data is gathered in a file. In the meeting the mortgage advisor tries to understand the customer’s needs, explains about mortgages and formulates his or her





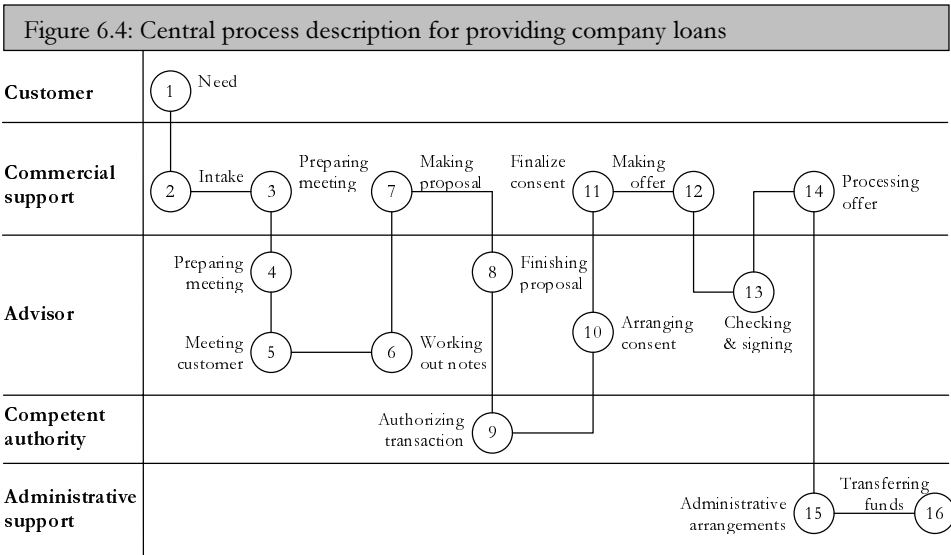
advice to the customer. The mortgage advisor can directly enter customer data into the information system in use for providing mortgages (“MORTGAGE”) to calculate monthly costs and the maximum amount for the mortgage. MORTGAGE also enables easy fine-tuning of calculations in consultation with the customer. Based on this information, a mortgage proposal including rates, costs and amounts is prepared. Note that this is a proposal, rather than an offer. The predecessor of MORTGAGE was less suitable for entering customer data and making calculations in the presence of the customer, so a proposal was prepared after the meeting and then sent to the customer. When the customer has considered the proposal and decides to obtain a mortgage from the bank, the proposal is finalized and consent needs to be arranged, according to group and bank regulations. Next, a mortgage offer is made using MORTGAGE and sent to the customer for approval. When the offer has been signed and returned, the mortgage deeds can be produced. In several banks, this is subcontracted to the Mortgage Support Center, a central back office organization that is part of the banking group and can be utilized by its banks. The Mortgage Support Center takes care of the deeds, notary contacts and finally the transfer of funds. The last step in the process involves the administrative arrangements for closing and archiving files. For providing mortgages, the central support organization has developed a process description for the sales part of the process (figure 6.2) and one for the administrative part (figure 6.3). They show the process steps involved and the recommended organizational roles to perform each step. For the administrative part, the central support organization provides two alternatives, as banks can chose whether they want to subcontract part of the process to the Mortgage Support Center. We portray the

process that includes the Mortgage Support Center, because that is most frequently chosen in the cooperative banking group and in our cases. The activities that are subcontracted to the Mortgage Support Center are hard to describe in layman’s terms, hence we refer to them as “admin”.

6.2.3 The process for providing company loans

In the provision of company loans, the third service delivery process in this research study, the service is tailored to each individual customer. In general, this process requires several meetings with the customer, the development of a tailor-made financial solution and careful assessments with regard to rates and risks. Like with mass consumer products and mortgages, *quality* was the main competitive priority for the banking group. This was consistently confirmed in the interviews with the respondents in the case organizations. Quality meant that the banks provided solid financial solutions, but also that the employees were highly professional, particularly in the areas the banks specialized in. In addition, the banks valued close relations with their clients and showed a great deal of involvement with and dedication to them. Achieving reliability, as in being a trustworthy partner and keeping one’s promises, is essential for providing company loans, yet was not an area of competition. The same goes for the competitive priorities speed, flexibility and price.

The process for providing company loans shows the following course. A client in need of a loan contacts the business advisor, or the assistant, that deals with the client’s account. The client’s request is documented. Next, the client’s file is prepared by collecting as much (financial) information as possible. The business advisor meets with the client to discuss the client’s current position and future plans. When sufficient information is available, a



financial structure for the loan is worked out. This includes a financial appraisal of the client's position and an explanation going into, among others, the strengths and weaknesses of the company, the entrepreneur and the investment plans. The information system that is used to make the calculations and prepare the documents is called "FINANCE". When the proposal for a company loan is ready, it needs to be approved by the appropriate authority as laid down in bank regulations (e.g. the manager for business clients, the general manager of the bank or the central support organization, depending on the size and risks of the loan). Now the offer for the loan can be made and delivered to the client. The offer is drawn up in such a way that it also functions as the deeds that are required for the loan. Hence, it is no longer necessary to prepare, check and sign deeds that finalize the offer, except additional deeds when e.g. real estate is involved. On the agreed date, funds are transferred. The final step in the process regards archiving the file. The process description from the central support organization is displayed in figure 6.4. It shows the process steps and the recommended roles for performing the steps.

6.2.4 Comparison of the processes

Having introduced the three service delivery processes that are central to this study and their accompanying competitive priorities, we now provide a further characterization of the three processes. The basic process steps they consist of are displayed in figure 6.5. This shows some of the common elements in the three processes. Still, they have several distinct characteristics that can be used to tell them apart, in addition to variation in the degree of service customization. They are, for example, the volume of delivered services, the average length of a service encounter, the average length of the process from beginning to end, and the complexity and diversity of the work that is involved. This information, as summarized in table 6.1, can be helpful in interpreting the findings from the case studies.

The provision of mass consumer products involves standardized products that do not

Figure 6.5: Flowcharts for the three service delivery processes

Providing mass consumer products:



Providing mortgages:



Providing company loans:

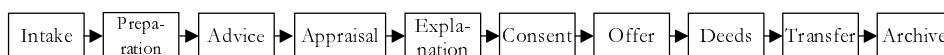


Table 6.1: Characteristics of the three service delivery processes			
	Providing mass consumer products	Providing mortgages	Providing company loans
Customization of service	Low	Medium	High
Volume of service	High	Medium	Low
Length of service encounter	Max. 1 hour	1,5 hour	Up to 3 hours
Length of process	< 1 day	At least one week	> 1 week
Complexity of work	Low	Medium	High
Diversity of work	Low	Medium	High
Competitive priorities	Quality and reliability	Quality and reliability	Quality

require tailoring to individual wishes. Generally, the volumes are much greater than the volumes of mortgages and company loans. Consequently, the length of the service encounter is shorter. The sales meetings for mass consumer products take at most 1 hour (without cross-selling, the length of the service encounter can be reduced considerably), whereas the service encounter for providing mortgages generally takes 1,5 hour and for company loans can take up to 3 hours. The processes for providing mortgages and company loans also continue after the meeting with the customer. For example, the process for providing company loans can extend over a month, depending on a client's time schedule. The process for providing mortgages generally takes at least a week, because of the role of the customers in accepting proposals and signing offers and the consent that needs to be arranged within the bank.

The three processes also differ with regard to the complexity of the work involved. According to Perrow (1970), work that is highly complex has high task variability and low task analyzability. The activities that are involved in providing company loans are more complex than the activities involved in providing mortgages and mass consumer products. Task variability is higher, because each company loan and each client are different and require a specialized approach. Yet, the analyzability of the activities is lower, as the rules for developing a financial structure or appraising a customer's financial situation are less clear. Furthermore, the work involved in delivering company loans is also more diverse than the work involved in delivering mortgages or mass consumer products. Providing company loans involves many different skills, such as customer relationship management, networking, acting as sparring partner for clients' investments plans including displaying knowledge of the business a client is in, critically evaluating investment plans and customers' conditions, developing financial structures, producing offers which requires a great deal of accuracy and carrying out more or less administrative activities, such as

producing additional deeds. Providing mass consumer products, on the contrary, requires mainly commercial skills to realize cross-selling of additional products and very little administrative or technical skills. The provision of mortgages is in between the other two processes with regard to the diversity of the work and the skills that are thus required.

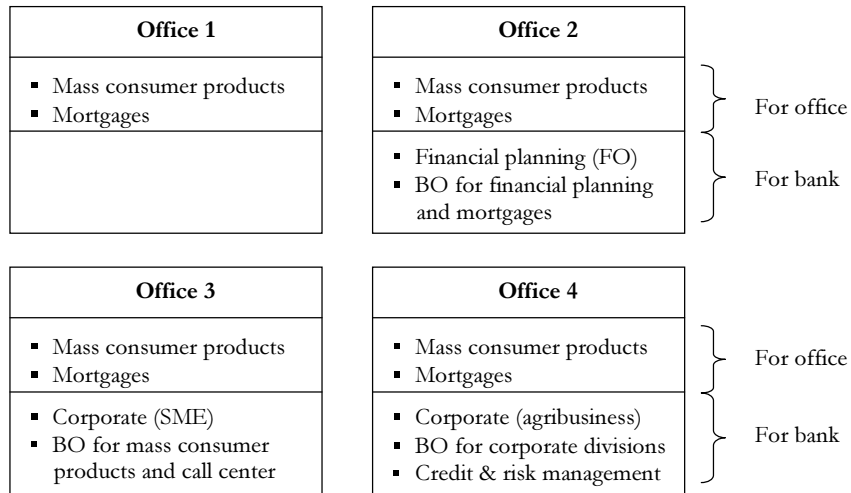
Despite the distinct characteristics of the service delivery processes we just described, the competitive priorities for the provision of mass consumer products, mortgages and company loans were quite similar. We concluded that for all three processes, quality was the main competitive priority. Reliability was considered a competitive priority for mass consumer products and mortgages. The banks did not compete on speed, flexibility or price.

6.3 Bank A

Bank A is one of the smaller banks in our sample. It employs approximately 90 full-time employees. The bank is located in a rural area, covering one small town and a number of villages. Its market share is about 40% in both consumer and business markets. The bank operates from four offices. Regarding the consumer markets, the offices are “full-dressed”. This means customers can acquire all financial services that are available for the (mass) consumer market at each office, including mortgages. The bank decided not to separate mass consumer products from mortgages, because they are products for the same market and should benefit from cross-selling opportunities. Furthermore, the bank argued that being close to the market would improve the sales of mortgages. An office is staffed with a receptionist, three consumer advisors and one or two mortgage advisors. The support departments for mass consumer products, mortgages and the call center are organized centrally within the bank. More specialized products for individual customers, such as financial planning, and products for business clients are offered from a central location. For business clients, bank A made a distinction between agribusiness and small and medium-sized enterprises (SMEs). This is displayed in figure 6.6.

Bank A formulated some strategic directions for the near future. It plans to increase its revenues while at the same time making the sales more efficient. The bank intends to do more work with less people. Therefore, it concentrated on ensuring that the right person is in the right position and that customers receive the amount of attention that is appropriate for them. From the interviews it became clear that bank employees perceived increasing sales as the most important objective for the moment. Nevertheless it should be noted that this emphasis on increasing sales was less than in, for instance, bank B. Yet, the focus on sales applied to the bank as a whole, so it regards mass consumer products, mortgages as well as company loans.

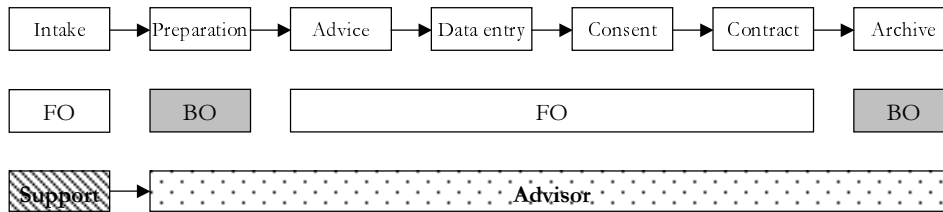
Figure 6.6: Overview of bank A



6.3.1 Providing mass consumer products

In bank A, mass consumer products were sold by consumer advisors in so-called integral sales meetings with customers. The consumer advisors carried out most activities in the process: they prepared the meetings, met with customers, entered customer data in the SALES information system, printed the sales contract and finally archived the contract. Only the intake of customers was taken care of by support employees that worked as receptionists or call center employees. Figure 6.7 shows the three design decisions for this front office – back office configuration. Firstly, this process mainly contained front office activities. All process steps but the preparation for a meeting and archiving the sales contract were performed as front office activities. Yet, the standardized nature of mass consumer products would have enabled efficient service delivery through back office activities. The main arguments of bank A for the definition of front office activities were that having front office activities would stimulate cross-selling and increase sales. These were the major strategic objectives of the bank. In order to remain efficient, the administrative activities were integrated in the sales part of the process, so that follow-up work was eliminated. This process design was enabled by the SALES information system. Secondly, the process showed little decoupling, as consumer advisors carried out the largest part of the process. The process was so little decoupled, because there was no need to involve more than one employee in the execution of it. In fact, it would be highly undesirable to split the front office activities between two employees, as the customers would then have to deal with two different employees and the process would take longer because of the handover of work. Thirdly, given that the process was coupled,

Figure 6.7: Design decisions for providing mass consumer products in bank A



Organizational arrangements: support employees and consumer advisors form different (functional) groups.

organizational arrangements were not that complicated. The call center employees of bank A formed one central department to achieve economies of scale, while consumer advisors were located in small teams at the offices.

Bank A did not experience problems related to the design of this front office – back office configuration. In fact, the main issue bank A had to deal with was related to the organizational context of this process. Despite the design of this front office – back office configuration in which consumer advisors were freed from follow-up work, they were not completely available for sales meetings with customers. This is because bank A no longer employed counter clerks, as it used to do and many banks still do. Counter clerks are usually set up to serve customers that walk into an office with simple questions or needs for only one, specific product. Bank A decided to have these customers be served by the receptionist of an office and the consumer advisors. The main reason for this decision was, firstly, that this category of customers is relatively small and will only decrease because of the use of internet and machines for depositing, changing or withdrawing money that were positioned in each office. Secondly, the bank argued that any simple question could hide a sales opportunity, so it would be worthwhile to have consumer advisors see every customer themselves. Therefore, consumer advisors not only spent time on integral sales meetings, but also on single sales, information requests and service meetings. In practice, however, this created a situation in which consumer advisors were carrying out activities that belonged to the domain of receptionists or the central support department. This diminished the capacity available for sales, although this was not related to the design of the front office – back office configuration for the provision of mass consumer products.

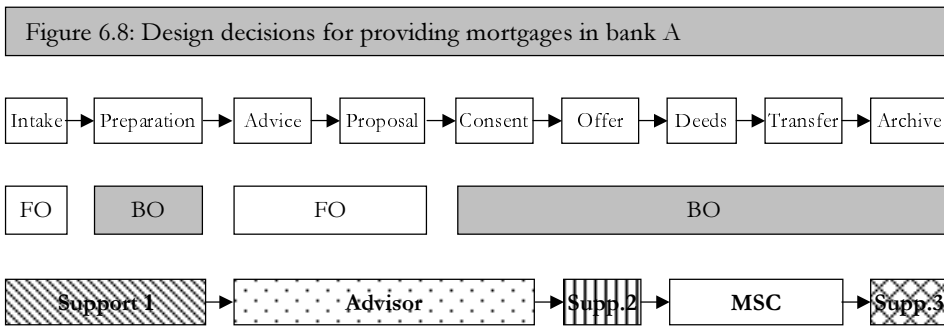
From the description above, we can conclude that company priorities were the most important variable from our conceptual model influencing the design of the front office – back office configuration for this process. Together with the coupled design and the information system, the definition of front office activities created a front office – back office configuration that was fully equipped for sales, while still fast and efficient. Apart from speed, competitive priorities did not seem to play a strong role in determining the design of the front office – back office configuration.

6.3.2 Providing mortgages

Bank A positioned mortgage advisors at each of its four offices (one or two mortgage advisors per office). However, mortgage advisors only performed part of the process steps involved in the process. They met with customers, created a mortgage proposal and arranged consent. Several other steps were carried out by a support department that was located centrally (see figure 6.8). The support department was divided in three groups: group 1 for answering phone calls, preparing appointments and approaching customers pro-actively, group 2 for preparing mortgage offers and group 3 for administrative and financial arrangements. Employees were partly cross-trained so that they could fill in for each other. Furthermore, bank A collaborated with the Mortgage Support Center, a central support organization of the banking group, to subcontract the creation of mortgage deeds and the transfer of funds.

Taking a closer look at the design of this front office – back office configuration, we can see that only a few process steps were performed front-office, namely the intake with group 1 from the support department and the meeting with the mortgage advisor in which an advice and a proposal were formulated. The largest part of the process consisted of back office activities, although the customer remained involved in the process to a certain extent by accepting the proposal, supplying documents, approving the offer and signing deeds at the notary’s office. Bank A designed front office activities when they were required to exchange information with the customer. In addition, the calculation of a mortgage proposal was defined as a front office activity, because that eliminated follow-up work for the mortgage advisors and meant customers could directly take a proposal home with them. Doing so, the efficiency and speed of the process were improved, although customer meetings now take a little bit longer. The transfer of this step from back office to front office was enabled by the information system, as MORTGAGE is suitable for use in the presence of the customer while its predecessor was not.

Regarding the decoupling decisions, we found that the process was very much decoupled, as there were many handovers involved. The process was highly decoupled to increase



Organizational arrangements: support employees form one (market) group; mortgage advisors and the Mortgage Support Center form different (functional) groups.

sales, because the mortgage advisors could now concentrate on sales and could be hired on the basis of commercial skills. Generally, mortgage advisors were not particularly fond of or good at administrative activities. Irrespective of the bank's company priorities, there are also regulations that determine that the transfer of funds should be decoupled from the commercial aspects of the process to create separation of duties. The support activities were also divided between three groups of employees. This was recently established to create more clarity in the way the support department worked. The positive effects were being able to benefit from employees' talents and the appearance of learning curves, as repetition of a task can lead to an increase in output. The handover of work that was the result of such decoupling did not cause problems, such as noise or time delays, even given the geographical distances, as mortgages are a relatively standard product whose coordination could be arranged through standardized work processes and was supported by the information system. In a discussion about the many handovers of work that follow from the decoupled situation and are potentially hindered by the geographical distance between mortgage advisors and the support department, a manager of bank A claimed:

"I don't want to take the mortgage advisors out of the office teams, because the passing on of sales opportunities has just started to pay off. I would rather organize the handover of work properly. Besides, the handover is almost completely online. In one or two years time we should be able to work without hard copy files. There are only a few legal issues to be solved."

In terms of the organizational arrangements, we found that the mortgage advisors and support employees were grouped separately, but that the three support groups were grouped together. The main reason for the market grouping of the support groups was that they were too small for separate departments. By grouping the employees together, they could fill in for each other, which contributed to the continuity of service delivery and so the reliability. Furthermore, the separation from mortgage advisors and the location at a central facility was done to generate scale economies and to provide better quality because a central department was more easy to supervise than support employees spread over four offices.

The description of the process leads to the conclusion that, like with the process for providing mass consumer products, company priorities played a dominant role in the design of the front office – back office configuration. Bank A's wish to increase sales led to the decision to decouple the process, together with efficiency motives. Competitive priorities quality, reliability and speed also influenced the design of the process. The process was partly determined by regulations calling for decoupling and the degree of customization of a mortgage calling for front office activities to exchange information with customers. The information system enabled the front office calculation of a mortgage proposal and facilitated the handing over of work. Finally, the skills of the staff were leading in the establishment of the three groups in the support department. Some people liked and were good at making phone calls and approaching customers pro-actively,

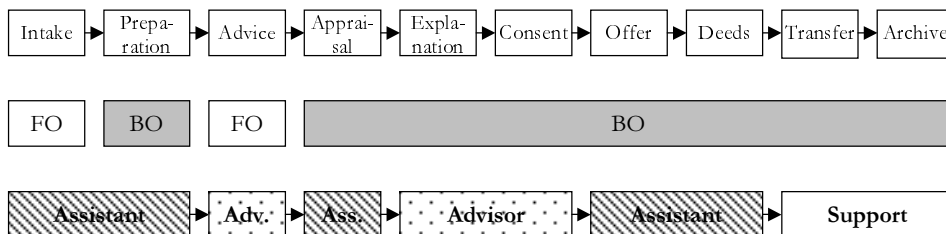
whereas others preferred or excelled in more technical or administrative work. In general, bank A designed a front office – back office configuration for the provision of mortgages that did not give rise to complaints or problems. Instead, it functioned satisfactorily.

6.3.3 Providing company loans

Bank A chose to deliver its corporate services from central locations (see figure 6.9). The bank made a distinction between corporate clients in agribusiness and corporate clients from small and medium-sized enterprises (SMEs). The two groups of clients were served by different teams from separate locations. The teams consisted of business advisors that had a personal client portfolio and assistants to the advisors. Advisors and assistants were one-on-one assigned to each other, forming a small sales team. In addition, there was an administrative support department that was set up to support both teams, but due to its location mainly supported the SME team.

The process for providing company loans did not differ much between the two teams. Business advisors met with their clients, taking care of the financial advice and relationship management involved. The meetings were prepared by assistants, who also worked out offers and, depending on their experience, parts of the financial structure. For agribusiness clients, assistants transferred funds, whereas for SME clients the support department transferred the funds. The process for providing company loans at bank A mainly contained back office activities. Only the intake and meeting with the client were front office activities. The front office activities were necessary to collect sufficient information regarding the client’s particular wishes and condition in terms of the risks involved. Most other activities in the process were not even suitable for being front office activities, because they were too complex or would take too long. The process showed a fair amount of decoupling, as the activities were divided between advisors, assistants and the support department. Apart from regulations determining separation of duties between the transfer of funds and sales activities, the main reason for this decoupling was the bank’s priority to

Figure 6.9: Design decisions for providing company loans in bank A



Organizational arrangements: business advisors and assistants form sales teams; administrative support employees form a different (functional) group.

increase sales. The advisor was freed from several activities to concentrate on sales and the relationship with the customer. He or she should be “on the road” visiting clients, so “office work” was carried out by some else as much as possible. Basically, all less complex activities were taken away from the advisor. Writing an explanation to the client’s loan request remained with the advisor, because it would be inefficient to hand over all the required knowledge. The following quotations illustrate this decoupling decision. A business advisor:

“Before the merger, we did not have sales teams. Now we have three for SMEs and two for agribusiness. This works much better, because I can spend more time outside the office while my assistant is looking after things at the office and can be my acting representative.”

An assistant:

“I have to make offers on my own, I have to ensure that my business advisor does not receive phone calls from clients and I should take care of all activities that can be done without the advisor, because he needs to be out of the office.”

The manager:

“I think a business advisor should be out of the office for 60% of his time. No, preferably 75%. Especially writing the appraisal of the customer’s situation takes a lot of time. A business advisor should perform complex activities himself, because it takes too much time to hand over those activities.”

In general, the handover of work in this process can be difficult, because of the complex and customized product. To facilitate communication and coordination between advisors and assistants, they were located close to each other in small sales teams. Furthermore, easy handovers were supported by having the assistants do revisions of customer accounts and handle first customer contact, so that they quickly gained customer knowledge. Hence, the employees involved in the process were grouped by market, except for the support department. That was organized at a central location to achieve scale economies. In general, the respondents of bank A did not report difficulties following from the design of this front office – back office configuration. In fact they seemed quite content with it. Yet, one drawback of the decoupling decision just started to become clear. By freeing the business advisors, several activities in the process for providing company loans were transferred to the assistants and increased their workload. Non-financing related activities were also allocated to the assistants to free the advisors. In this way, the assistants sometimes experienced problems focusing on their own core activities.

Reviewing the front office – back office configuration for providing company loans from the perspective of our conceptual model shows that primarily service characteristics, i.e. the degree of customization and the complexity of the work involved, determined the definition of front office and back office activities, not company priorities or competitive

priorities. Yet, company priorities played an important role in the decoupling decisions that were made. Bank A tried to free business advisors from non-sales related activities as much as possible to enable them to spend their time on visiting clients and working on complex financial structures. Yet, the degree of complexity and customization of a company loan would argue for a coupled design to prevent handing over the work. Bank A tried to overcome the drawbacks of handovers by organizing advisors and assistants in small sales teams. Unlike in the processes for providing mortgages and mass consumer products, information technology did not play an enabling role in the process. In fact, its primary role was decision support. The influence of competitive priorities was relatively low. Finally, the case description above shows little impact of staff characteristics on the design of the process. The decoupling decision was not about talents or skills. In fact, business advisors still need to have both commercial and technical skills, as they are dealing with customers and preparing the loans. The same applies to the job of assistants that requires commercial, technical and administrative skills.

6.3.4 Conclusion

Bank A designed three front office – back office configurations that seemed to work well and fitted their company and competitive priorities. The process for providing mass consumer products was fully aimed at sales and cross-selling, while still efficient. It included mainly front office activities, no follow-up work and was enabled by the information system. In the process for providing mortgages, mortgage proposals were

	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT. Very few BO activities.	Coupled process to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers and to eliminate follow-up work (speed and efficiency) enabled by IT. Rest is BO activities.	Decoupled process to free sales capacity, to make use of different skills, to stimulate learning curves and to comply with regulations. Handovers are supported by IT.	Functional grouping of advisors and support to realize scale economies and uniformity, market grouping of three support groups for continuity of service delivery.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities, because they are too complex or would take too long for FO.	Decoupled process to free sales capacity and to comply with regulations. Handovers are facilitated by organizational arrangements.	Market grouping of advisors and assistants to facilitate coordination. Functional grouping of admin.support to realize scale economies.

calculated as a front office activity to increase the speed and efficiency of the process and the support employees were divided in three groups to make maximum use of talents and skills. The process for providing company loans was decoupled to free sales capacity, but due to the organizational arrangements of sales teams, this worked well. Yet, the workload of the assistants to the advisors increased. In summary, bank A applied the arguments as displayed in table 6.2.

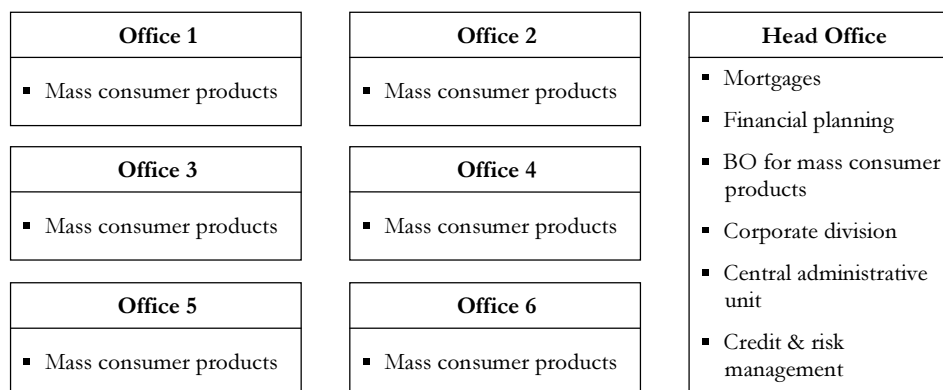
6.4 Bank B

Bank B is located in one of the large cities of the Netherlands and operates with around 120 full-time employees from seven local offices in and around the downtown area. The offices are equipped to deliver all mass consumer products to individual customers. They are staffed with consumer advisors, counter clerks and a receptionist. The mortgage and business divisions as well as the support departments are located at the head office. The bank has a market share of approximately 20%. This is illustrated in figure 6.10.

At the time of the case study, bank B participated in a pilot of the banking group for a reorganization project aimed at making the retail part of the bank more customer and sales oriented. One of the main changes regarded a strict separation of commercial and administrative activities to enable sales employees and sales support employees to focus on nothing but sales. As part of this process, bank B also set up a central administrative unit to handle the administrative activities from every division. Previously, each division took care of its own administration. In addition, the business division of the bank had recently been reorganized to improve the overall functioning of the division.

The strategic priorities of bank B were clearly aimed at improving sales, particularly for individual customers. For the business segment, the bank was focused internally. Its aim

Figure 6.10: Overview of bank B



was to become a professional sparring partner for business clients, while working efficiently with maximum attention for risks and revenues.

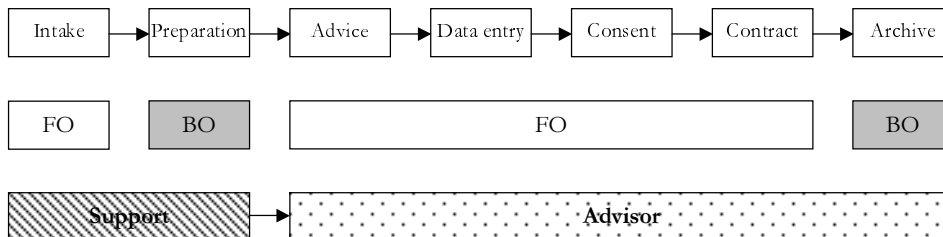
6.4.1 Providing mass consumer products

In bank B, mass consumer products were sold through pre-scheduled integral sales meetings. Consumer advisors met with customers for approximately one hour and tried cross-selling other products. During the meeting they also took care of the administrative activities, so there was no follow-up work. The integral sales meetings were scheduled by call center employees or the receptionist of an office. The support employees were supposed to prepare a meeting by collecting all relevant information and identifying sales opportunities, although in practice the advisors often did this themselves, as the support employees did not have enough time. The front office – back office configuration for the process for providing mass consumer products in bank B was similar to the one in bank A, see figure 6.11. For the definition of front office and back office activities, the decoupling decisions and the organizational arrangements, bank B applied the same reasoning as bank A. Thanks to the information system, most activities were carried out as front office activities to increase the cross-selling of additional products. The process was a little bit more decoupled, because support employees took care of the preparation of the sales meeting to relieve the consumer advisors. The main reason for this was the sales strategy of the bank. The consumer advisors needed to be maximally available for sales. One manager put it as follows:

“The consumer advisors are there to score the points. They should have the job handed to them on a plate. That is why we want the support department to prepare the customer meetings.”

Hence, the consumer advisors of bank B were only deployed for the integral sales meetings and managed to do six meetings per person per day. The counter clerks at the offices took care of information requests and service meetings. The administrative activities following

Figure 6.11: Design decisions for providing mass consumer products in bank B



Organizational arrangements: support employees and consumer advisors form different (functional) groups.

from these activities were dealt with by the support department for mass consumer products. That was set up at the head office to realize economies of scale. Bank B put a large emphasis on decoupling commercial activities from administrative activities. Not only would this lead to maximal sales capacity, the management also argued it would increase the measurability of performance of employees. They experienced that administrative activities were a thankful job to hide oneself behind when sales performance was below targets. By removing all administration from a job, no excuses are left and the sales performance becomes highly visible. This front office – back office configuration seemed to work well for bank B, as sales were increasing. Additionally, the consumer advisors valued the approach that gave them the opportunity to focus on sales, and nothing but sales. However, one advisor complained about the fact that her job was becoming quite narrow, particularly when the preparation of sales meeting was done by support employees. To conclude, bank B did not encounter problems related to the design of its front office – back office configuration for providing mass consumer products. Yet, a few problems arose from the understaffing regarding the support employees at the offices and at the central support department.

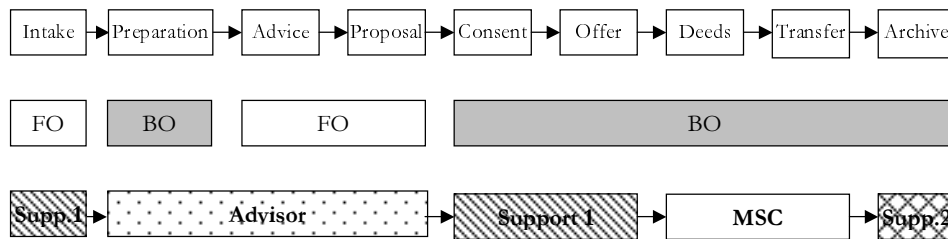
In terms of the conceptual model we formulated, increasing sales as a company priority led to the definition of front office activities and the decoupling decisions. Furthermore, efficiency and fast service delivery determined the design of the front office – back office configuration. The information system enabled the design, whereas staff characteristics hardly played a part.

6.4.2 Providing mortgages

Bank B provided mortgages from the head office location. This involved mortgage advisors, commercial support employees and administrative support employees. The commercial support employees attended to customers that contacted the bank by phone, took care of the intake and scheduled meetings with mortgage advisors. The mortgage advisors prepared and held the meetings. In bank B, the advisors calculated mortgage proposals during a meeting with the use of MORTGAGE. The main reasons were, just as in bank A, that this eliminated follow-up work and increased the speed of the process. Furthermore, the mortgage advisors felt that customers appreciated the visibility of the calculation process, as an illustration of the bank's honesty and integrity, although they had to watch out for paying more attention to the computer than to the customer. The commercial support employees arranged consent for the advisors (they were sufficiently trained to do so) and prepared mortgage offers. The deeds and funds transfer were subcontracted to the Mortgage Support Center. The administrative support department took care of the closing and archiving of files. The definition of front office and back office activities and the decoupling decisions in this front office – back office configuration are displayed in figure 6.12. We can conclude that bank B designed front office activities to enable information exchange between customer and service provider, but also to increase

Design Decisions in the Front Office – Back Office Issue

Figure 6.12: Design decisions for providing mortgages in bank B



Organizational arrangements: commercial support employees, mortgage advisors, the Mortgage Support Center and administrative support employees form different (functional) groups.

the speed and efficiency of the process (calculation of the proposal). The decoupling in this process was inspired by the sales strategy of the bank, as the bank wanted to free mortgage advisors and commercial support employees from non-sales related activities. Doing so, they could devote all their time and effort to sales. Furthermore, the bank explicitly decoupled the process to build in counterchecks. In the decoupled process, the commercial support employees checked the work of the advisor for mistakes and compliance with regulations, and the administrative support employees performed a final check in the process. This improved risk control. With regard to organizational arrangements, bank B decided to group employees by function. Hence, mortgage advisors, commercial support employees and administrative support employees formed separate groups. The administrative support was part of the recently established central administrative unit and was located quite far from the commercial support department. Although bank-wide scale economies could be realized, commercial support employees complained about the distance between them and the administrative support employees:

“I think it is a pity that, when we are busy, the administrative support employees can no longer assist us, for example by taking over the phone. It also annoys me that I cannot directly answer questions from customers by quickly discussing something with the administrative support. Now I have to write the question down and call them back. It also works the other way around, that the administrative support can no longer ask quick questions to us.”

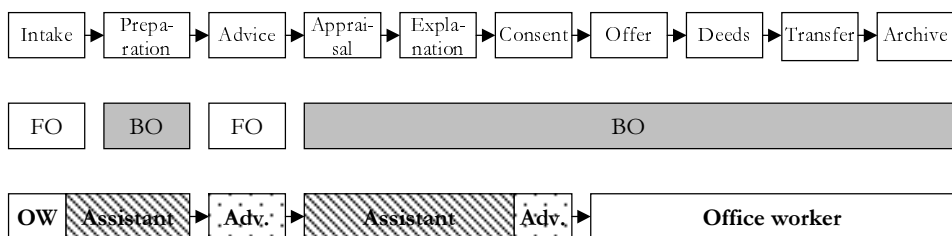
However, although this complaint is understandable, it is expected to disappear when the employees have adjusted to the new situation. In fact, the degree of customization of mortgages does not warrant market grouping of consecutive employees. The handover of work largely takes place electronically through the information system and requires little additional explanations. Apart from the distance between commercial support and administrative support, bank B did not encounter other problems related to the design of its front office – back office configuration.

Finally, we conclude that the bank’s sales strategy had a strong influence on the design of the front office – back office configuration for the provision of mortgages in determining the decoupling decisions. The process was also decoupled to control risks through counterchecks and to comply with regulations. The definition of front office and back office activities and the organizational arrangements were mainly influenced by efficiency and speed.

6.4.3 Providing company loans

Bank B recently reorganized its business division to improve its overall functioning. The bank aimed at becoming a professional sparring partner for its clients, operating efficiently with adequate attention for risks and revenues. In the new situation, business advisors, assistants and office workers were assigned to small sales teams to serve a particular client portfolio. The members of the sales teams were also physically grouped together, as they shared an office. With regard to the process for providing company loans, the activities were divided as follows (see also figure 6.13): Incoming phone calls were dealt with by the office worker who transferred financing-related requests to the assistant. The assistant took care of the intake, scheduled a meeting with a business advisor and prepared the meeting. It was the job of the advisor to meet with clients. After the meeting, the advisor handed over all required information to the assistant in order to make a financial appraisal of the customer’s situation, write the explanation about the investment plans and construct a loan. The advisor’s main role was to check the appraisal, explanation and loan proposal and fill in missing information. When the loan proposal was approved, the office worker made the offer and additional deeds, transferred the funds and archived the file. The main reasons for this division of labor, i.e. strongly decoupled process, were quality, increasing sales and efficiency. Business advisors were freed from as many activities as possible to visit existing clients, attract new clients and work on complex financial structures. This contributed to the quality of the services provided, as most clients valued a close relationship with their advisor, and to the amount of sales. Furthermore, in this way employees could focus on particular activities and did not carry out activities they were overqualified for, which

Figure 6.13: Design decisions for providing company loans in bank B



Organizational arrangements: office workers, assistants and business advisors form sales teams.

improved the efficiency of the process. In fact, office workers took over work from the assistants who in their turn took over work from the advisors. An often-heard expression in the business segment of bank B was the following:

“The business advisor should be a sparring partner for our clients. He should be out of the office all the time, except for handing over work to his assistant.”

However, decoupling a process for such customized products as company loans could create severe problems because of the information exchange required. Yet, by organizing the consecutive employees together in sales teams, the coordination between them was greatly facilitated. As they shared an office, employees could easily keep up with each other's work and a customer's situation. A drawback of this market grouping was the potential lack of contact between business advisors, as their direct colleagues were the assistants and office workers. Such contact was valued to stimulate cross-fertilization between colleagues, as this would improve the quality of their work. Bank B solved this by grouping the sales teams close to each other, so that cross-fertilization could easily take place. The definition of front office and back office activities did not differ from bank A. Only the activities that required information exchange with customers were defined as front office activities. The other activities were too complex or would take too long to be front office activities.

To return to the model we developed for the design of front office – back office configurations, we can conclude that the high degree of customization of company loans mainly determined the definition of front office and back office activities, as well as the need for market grouping of the employees involved in the process. The decoupling decisions were influenced by company and competitive priorities. The combination of the decoupled process with appropriate organizational arrangements enabled bank B to develop a front office – back office configuration for the provision of company loans that fitted its strategic priorities quite well. Bank B did not experience difficulties stemming from this design. Yet, at the time of the study, the employees were still adjusting to the new situation. They needed to receive the required education, gain experience and grow in their new roles.

6.4.4 Conclusion

Bank B designed front office – back office configurations for the provision of mass consumer products, mortgages and company loans that seemed to work well, although the bank was still dealing with the implementation of the reorganization projects for its retail and business parts. Compared to bank A, the emphasis on increasing sales was a lot greater. For the provision of mass consumer products, the consumer advisors only engaged in integral sales meetings. They were freed from all other activities. In the integral sales meetings, the consumer advisors tried cross-selling of other products and completed the sales transactions by directly printing and signing contracts, so that there was no follow-up

Table 6.3: Summary of arguments for the design decisions in bank B			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT. Very few BO activities.	Slightly decoupled process to free sales capacity and measure sales performance. Coupling to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers and to eliminate follow-up work (speed and efficiency) enabled by IT. Rest is BO activities.	Decoupled process to free sales capacity, to build in counterchecks and to comply with regulations. Handovers are supported by IT.	Functional grouping of advisors, commercial support and administrative support to realize scale economies.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities, because they are too complex or would take too long for FO.	Decoupled process to free sales capacity, to deliver quality and to prevent over-qualification. Handovers are facilitated by organizational arrangements.	Market grouping of advisors, assistants and office workers to facilitate coordination. Groups located close to each other for cross-fertilization.

work involved. This was enabled by the information system in use. In the process for providing mortgages, mortgage advisors were mainly involved in customer meetings and calculated mortgage proposals during these meetings, again to eliminate follow-up work. The administrative support was decoupled and separated from the commercial support. With regard to the process for providing company loans, bank B decided to free the business advisors as much as possible so that they could become sparring partners for their clients and focus on acquisition and complex cases. To enable this degree of decoupling, it established sales teams of advisors, assistants and office workers. A summary of the arguments bank B applied for the design of its front office – back office configurations is displayed in table 6.3.

6.5 Bank C

Bank C, like bank A, can be characterized as a relatively small bank operating in a rural area. It employs approximately 115 full-time employees. However, the area the bank is covering, is fairly large in terms of distances. It contains one small town and several small villages. Bank C has a high market share: 60% in both consumer and business markets. The bank employees work from a large number of offices to cover most of the regional area (see figure 6.14). Bank C has thirteen offices, which is more than any of the other banks in this study. The main reason for the large number of offices is that the bank wants to preserve its “roots” and visibility in the local markets. According to the bank, this is the

Figure 6.14: Overview of bank C

Office 1	Office 6	Office 11
<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning
Office 2	Office 7	Office 12
<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning
Office 3	Office 8	Office 13
<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Investment advice
Office 4	Office 9	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning
<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Corporate division ▪ BO corporate division ▪ Credit & risk management
Office 5	Office 10	
<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	<ul style="list-style-type: none"> ▪ Mass consumer products ▪ Mortgages ▪ Financial planning 	

best way to realize sales. As long as the bank can afford to operate from thirteen offices, the offices will remain open. Yet, each office is responsible for generating sufficient income to justify its own right to exist. However, this large number of offices requires an operating strategy that is different from the other banks in this study. Instead of having central departments to carry out administrative activities to realize scale economies, bank C decided to place as many activities as possible at the offices to fill the idle time of employees, as customers do not arrive regularly. The general manager of the bank explained this as follows:

“We have to deal with the tension between sequential and parallel arrival of customers. With sequential arrivals, customers arrive one-by-one in accordance with a neat schedule. However, in practice we have to deal with parallel arrivals. They all come in at the same time. Therefore, we need to have enough people for the primary processes. [...] I don’t want narrow jobs, because the employees need to be occupied. I believe that the employees need to do all the work that emerges at an office. If there isn’t enough work, we will bring

work to the offices. In this respect, people have to do the work that pays off the most first. Then they should choose work down the hierarchy, anything to keep them busy.”

In addition, the bank tried to avoid decoupling processes by leaving as much process steps as possible with one employee. Basically, the bank had a philosophy to avoid decoupling at all times, because handing over work takes time and might create noise. This strategy led to small, yet full-dressed, offices. Each office provides all products and services for individual customers, including mass consumer products, mortgages and financial planning. To that end, offices are staffed with at least one counter clerk, one consumer advisor and one mortgage advisor. Together, they carry out all activities that are required for serving individual customers, including commercial and administrative support. A drawback of this decision can be the vulnerability of the offices, as the smaller offices only are staffed with one mortgage advisor and one consumer advisor. In case of absence, there is no one to cover. Bank C has solved this problem by clustering offices two-by-two. When one office is short of staff, the twin-office provides assistance. Furthermore, this way of working promotes cross-fertilization between colleagues and uniformity. Unlike individual customers, business clients are served from a central location, because the regional area does not require business advisors at each office. The market is characterized by little growth and a low level of complexity. The corporate division consists of business advisors and a support department. Finally, bank C established a central department to take care of credit and risk management.

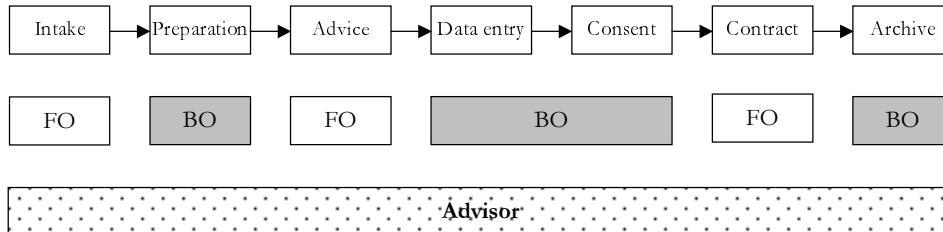
The strategy of bank C for the near future as laid down in its strategic plan was aimed at growth. Although the bank already served 60% of the market, it formulated a wish to expand and become market leader in its regional area for all financial products. However, a closer examination of bank C's strategy based on the interviews with bank employees and bank managers revealed that the strategy was not so much about enlarging market share. It was basically about strengthening the bank's financial position. For example, only customers that would contribute to the profitability of the bank and entailed minimum risks were accepted. Additionally, bank C was even more strict than required by the group in providing credit facilities to customers and in the checks that are part of a service delivery process. In fact, the strategy as we found it was aimed at operating as efficiently as possible with minimum risks involved.

6.5.1 Providing mass consumer products

Bank C designed a front office – back office configuration for the provision of mass consumer products that was somewhat different from the front office – back office configurations in the other banks in this study. Although the process steps were equal, the definition of front office and back office activities differed. Bank C decided to define a few activities as back office activities to control the risks involved in providing financial products (see figure 6.15). When new customers approached the bank or when existing

Design Decisions in the Front Office – Back Office Issue

Figure 6.15: Design decisions for providing mass consumer products in bank C



Organizational arrangements: only consumer advisors are involved.

customers asked for credit facilities, a consumer advisor first needed to get permission from the office manager before the services could be provided. Therefore, the consumer advisors finished the integral sales meetings without data entry in the systems and without directly signing sales contracts. After a customer had left, the consumer advisors discussed the request with their office manager and got back to the customers by phone (often the same day). They either made an appointment for signing the sales contracts or told them the services could not be provided. Hence, data entry in the information systems and arranging consent were back office activities and created follow-up work. Due to the definition of additional back office activities, SALES was of less use for bank C, as the bank deliberately did not want to sell products and services in one stop. The consumer advisors of bank C often worked with the information systems that were in use before SALES was developed. They switched to SALES when a customer required several products simultaneously.

The remainder of the process closely resembled the processes in the other banks, except that consumer advisors instead of support employees scheduled appointments with customers. The consumer advisors briefly prepared for a sales meeting and tried to sell additional products. Products that do not regard credit facilities and are delivered to existing customers could be sold directly, as in the other banks, so that there was no follow-up work. The process was coupled, like in the other banks, as it would be undesirable to split it between several employees to prevent delays following from handing over work and customers having to deal with two different employees. The process does not show functional grouping, nor market grouping of employees, as only consumer advisors were involved in the process.

Following the decision to leave as much work at the offices as possible to fill idle time, the consumer advisors of bank C were not maximally available for sales. In fact, they not only took care of their own follow-up work and the administrative activities other banks allocated to central support departments, but also assisted the mortgage advisors. In their turn, counter clerks assisted the consumer advisors. In this way, the offices had several opportunities to spread their workload on an ad-hoc basis. The bank managers and bank

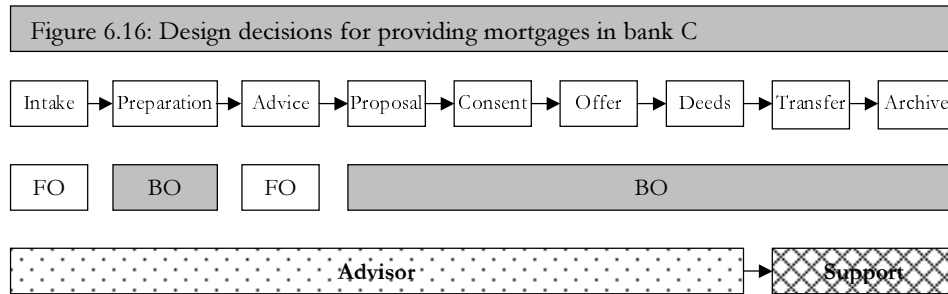
employees clearly valued the variation in activities that results from these decisions. Both felt that consumer advisors should have only a limited number of integral sales meetings per day to maintain the quality and results of such meetings. In general, the design of this front office – back office configuration did not give rise to problems, as reported by the respondents of bank C. They all appreciated this way of working, mainly because the values of efficiency and risk control were deeply rooted in the employees' minds.

Reviewing the design of the front office – back office configuration for the provision of mass consumer products from the perspective of our model, we can conclude that bank C's company priority to control risks determined the definition of some back office activities, whereas other activities were front office activities to try selling additional products. Yet, this lowered the speed of service delivery. The decoupling decisions were mainly influenced by efficiency motives. This was amplified by the office structure of bank C consisting of thirteen small offices in a large geographical area and the bank's belief that handing over work should be avoided at all times.

6.5.2 Providing mortgages

The process for providing mortgages in bank C consisted of the same process steps that were executed in the same order as in the other banks. This was mainly because bank C used the same information system, i.e. MORTGAGE. Yet, the design of the front office – back office configuration was quite different from the front office – back office configurations in the other banks, see figure 6.16. The most prominent difference regarded the degree of decoupling. Bank C decided to allocate as many activities as possible to the mortgage advisors to carry out themselves, resulting in a highly coupled process. Only the transfer of funds and the archiving of files were carried out by support employees, who fell under the central department for credit and risk management. In bank C, mortgage advisors at each of the thirteen offices took care of the customer intake, prepared for an appointment and met with customers to sell mortgages. Unlike in bank A and B, the mortgage proposal was not calculated as a front office activity during customer meetings, but was sent to the customer afterwards. This was mainly because the mortgage advisors of bank C wanted to prevent their proposals being copied by competitors with slightly lower rates. When a customer had accepted a proposal, the mortgage advisor made the offer him- or herself. However, it needed to be checked by the support department and approved by the appropriate authority (bank C had tighter authority regulations than the other banks) before it could be sent to the customer. This meant the file went back and forth between the advisor's office and the central department. When the customer had accepted the offer, it was the mortgage advisor's task to prepare the deeds. Bank C did not subcontract this job to the Mortgage Support Center, because it had calculated it was more efficient to do it themselves. The deeds were also checked by the support department. After the deeds had been signed by the customer and all relevant documents were present, the support

Design Decisions in the Front Office – Back Office Issue



Organizational arrangements: mortgage advisors and support employees form different (functional) groups.

department transferred the funds. Finally, the support department received the signed deeds and archived the file. The mortgage advisors reported they greatly appreciated MORTGAGE, because they had to work with only one system in order to carry out all process steps to deliver a mortgage.

In this front office – back office configuration, only activities that required direct interaction with customers to exchange information were defined as front office activities. All other activities were back office activities. We already concluded the process could be characterized as a coupled process, as most activities were carried out by one employee. The transfer of funds had to be done by someone else than the advisor because of regulations regarding separation of duties. Bank C decided to design a coupled process for the remaining process steps, because of its belief that in general handing over work should be avoided, as this takes time and may create noise. Also, in the office structure of bank C it was more efficient to fill the idle time of mortgage advisors with administrative activities than to allocate these activities to central support departments. Additionally, the bank reasoned that making offers and deeds takes only little time, compared to the customer meetings and calculation of proposals. Mortgage advisors may just as well do this themselves in the time it would otherwise take them to explain support employees what the offer and deeds should contain. The manager for providing mortgages put it like this:

“Making an offer for a mortgage involves some customization, as the offer needs to be exactly right for that customer’s situation. The mortgage advisor has all information in his head. Then it is little trouble to make the offer too.”

Furthermore, in a coupled process a mortgage advisor keeps all relevant information regarding a customer’s request and the stage of work in progress. According to the bank, this contributes to delivering customer value. The managers and mortgage advisors in bank C did not complain about the combination of commercial and administrative activities in one job. Yet, they were given the opportunity to delegate some activities to the consumer advisors working at the same office. One of the mortgage advisors explained how the coupled design worked for her:

“I really don’t mind to receive all phone calls from customers myself. That does not disturb my work, because they are not that many and now I can directly provide answers to customers’ questions or arrange whatever needs to be arranged. It is the same when the phone rings at the front desk. I can directly jump in.”

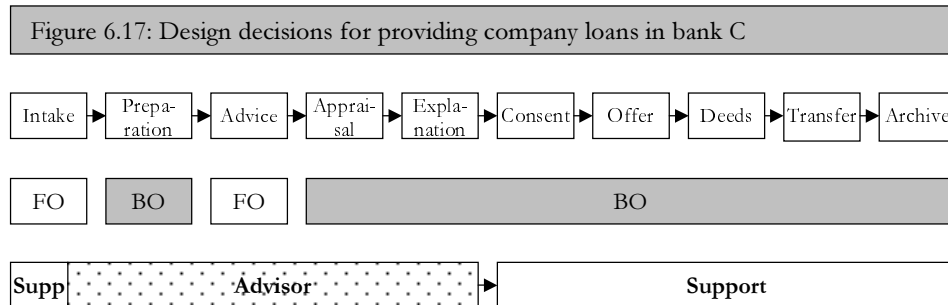
However, by keeping the process coupled, there were no built-in counterchecks. Considering the bank’s focus on risk control, checks had to be performed in another way. That is why the customer’s file needed to be sent to the central department and back to the advisor for approval of the offer. This negatively affected the speed of the process, although coupling was partly chosen to improve the speed. In addition, this transfer of files took place physically rather than electronically. The organizational arrangements for the mortgage advisors and support employees were not that complicated. The advisors were located at the offices to serve particular markets, whereas the support employees were grouped functionally as part of the central department for credit and risk management to achieve economies of scale and enable close supervision and uniformity to control the risks involved in providing credit facilities to customers. As a final remark, apart from the sending of files back and forth despite the coupled process, the employees of bank C did not report other problems related to the design of the front office – back office configuration for providing mortgages.

Viewing this front office – back office configuration in terms of our model, we can conclude that service characteristics (i.e. the need for information exchange) determined the definition of front office activities. In addition to regulations regarding separation of duties, efficiency as a company priority and quality as a competitive priority influenced the decoupling decisions. Basically, the decoupling decision can be explained by the bank’s strong conviction that handing over work should be avoided. To accomplish risk control in this coupled process, additional checks were required, although they negatively affected the speed of the process.

6.5.3 Providing company loans

The provision of company loans in bank C occurred in the same way as in the other banks, except for the degree of decoupling and the organizational arrangements. Business advisors carried out quite a few activities themselves. They were somewhat relieved by support employees, but they fell under the department for credit and risk management and also needed to check the advisors’ work. The business advisors had a personal client portfolio and worked from a central location. A company loan was provided as follows (see figure 6.17). Support employees answered phone calls from customers and transferred customers with loan requests to the advisors. The advisors took care of the intake and preparation and met with their customers to collect the required information and provide advice. After meeting with a customer, advisors made a financial appraisal of the customer’s situation, wrote an explanation and worked out a financial structure. The support employees checked

Design Decisions in the Front Office – Back Office Issue



Organizational arrangements: support employees and business advisors form different (functional) groups.

the loan proposal for completeness, compliance with regulations and mistakes. Next, the proposal needed to be approved by the appropriate authority. When consent had been arranged, the support employees made the offer. The advisor took the offer to the customer, but the remainder of the process was carried out by the support employees.

The definition of front office and back office activities was the same as in the other banks in this study. Only activities that required information exchange between customer and service provider were defined as front office activities. Bank C designed a fairly coupled process, as there were not many handovers of work involved. Due to the low levels of growth and complexity in the market, bank C did not feel the need to free business advisors from as many activities as possible to enable them to concentrate on visiting customers and complex financial structures. In fact, with the current number of advisors there was sufficient capacity available to allocate additional activities to the advisors. Yet, regulations on separation of duties called for decoupling the transfer of funds from the commercial part of the process. In addition, despite bank C's preference for coupled processes, it did not want to bother its business advisors with the paperwork involved in providing company loans. Thus, bank C decoupled the paperwork from the commercial and technical aspects of providing company loans. Regarding the organizational arrangements, bank C grouped the business advisors and support employees by function to facilitate cross-fertilization for the advisors and continuity of service delivery for the support employees. Support employees now could easily take over each other's work. Furthermore, the two groups were placed under separate supervisions to stress the fact that the support department needed to check the work of the advisors. To facilitate the handover of work between the support employees and the business advisors, bank C assigned the support employees to the advisors to act as contact persons. Yet, there was not enough work to justify sales teams or one-on-one coupling of advisors and assistants. One of the business advisors summarized the role of the support department as follows:

“The support department provides administrative support, they are not commercial. I don’t think they have to be, given the regional area we serve. They critically watch the advisors, but mostly they are involved in processing and executing work.”

To conclude, bank C’s focus on efficiency (company priority) influenced the decoupling decisions in the front office – back office configuration for the provision of company loans, together with regulations on separation of duties. The bank reasoned it was most efficient to free the business advisors from paperwork, but not from the other activities. Quality and reliability as competitive priorities, accompanied by efficiency and risk control, influenced the organizational arrangements. The definition of front office activities was required to enable the exchange of information between customer and service provider, resulting from the high degree of customization of the service to be delivered. Overall, this way of working did not give rise to problems. Bank C seemed to have found a combination of on the one hand freeing advisors and on the other hand avoiding handovers that was suitable for its market and strategic priorities.

6.5.4 Conclusion

Bank C made quite a few choices that were different from the other banks in this study. This was mainly due to the bank’s belief that handing over work should be avoided at all times, because that takes time and may cause noise, and to the bank’s office structure of thirteen small offices in a large rural area. Bank C had to prevent idle time at the offices, hence there were no central departments to take care of e.g. administrative activities. Although the bank formulated a strategy of increasing market share, even more than it

Table 6.4: Summary of arguments for the design decisions in bank C

	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling. BO activities to control risks.	Coupled process to avoid handovers which take time and can create noise, and to create broad tasks.	Only consumer advisors are involved.
Providing mortgages	Few FO activities to exchange information with customers. Rest is BO activities.	Coupled process to avoid handovers, to fill idle time and to deliver quality. Yet, additional checks lower speed. Decoupling to comply with regulations.	Functional grouping of support to realize scale economies and uniformity.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities.	Coupled process to avoid handovers and to fill idle time. Decoupling to comply with regulations and prevent over-qualification.	Functional grouping of advisors for cross-fertilization and of support for continuity of service delivery and to stress the counterchecks. Yet, contact persons to facilitate coordination.

already had, the actual strategy was aimed at operating as efficiently as possible and at controlling risks. The front office – back office configuration for providing mass consumer products contained a few back office activities to arrange consent from the office manager before credit facilities could be provided. The process for providing mortgages was largely coupled to avoid handing over work and to provide quality service. The provision of company loans was also largely a coupled process, because there was no need to free the advisors as much as possible, given the number of advisors available and the low levels of complexity and growth in the market. We summarize the arguments bank C applied for the design decisions in table 6.4.

6.6 Bank D

Bank D is by far the largest bank in this study. It is a city bank in one of the major cities in the Netherlands, employing 375 full-time employees. Bank D operates from nine offices and one head office that are spread across the city, as illustrated in figure 6.18. Bank D has a market share of approximately 30% in the individual customers and the business segment. Mass consumer products can be obtained from the local offices, whereas mortgages and financial planning are provided from the head office. The head office also accommodates the business division, a support department for mass consumer products and the department for credit and risk management.

At the time of the study, bank D had just formulated a new strategy. The bank wanted to be a committed and leading bank that delivers quality and exceeds customers' expectations

Figure 6.18: Overview of bank D

Office 1	Office 5	Office 9
▪ Mass consumer products	▪ Mass consumer products	▪ Mass consumer products
Office 2	Office 6	Head Office
▪ Mass consumer products	▪ Mass consumer products	
Office 3	Office 7	
▪ Mass consumer products	▪ Mass consumer products	
Office 4	Office 8	▪ Mortgages
▪ Mass consumer products	▪ Mass consumer products	▪ Financial planning
		▪ BO for mass consumer products
		▪ Corporate division
		▪ Credit & risk management

in all its actions and activities. Additionally, it expressed the ambition to become market leader in the city. The growth should not only come from extending existing customers, but also from attracting new customers, particularly customers at the upper end of consumer and business markets. Thus, the bank was aimed at increasing sales and delivering quality service.

6.6.1 Providing mass consumer products

Consumers of bank D could buy mass consumer products from nine offices located throughout the city. Each office was staffed with consumer advisors, counter clerks and sometimes a receptionist. The consumer advisors were expected to have integral sales meetings with customers, whereas the counter clerks dealt with questions, small transactions and service meetings. The process of providing mass consumer products was similar to the processes in the other banks, see figure 6.19. Customers made an appointment with consumer advisors through the counter clerks or call center employees. The consumer advisors briefly prepared for a meeting and discussed the required and additional products with the customers. During the meeting, they could directly enter the data in SALES and finalize the contract. However, SALES was not used very often. Due to start-up problems, several consumer advisors had developed an aversion to the program and still used the old programs, although SALES already worked fine. In that case, there was follow-up work involved, because information needed to be sent to a central support department for finalization of the deal. One of the consumer advisors commented as follows on the use of SALES:

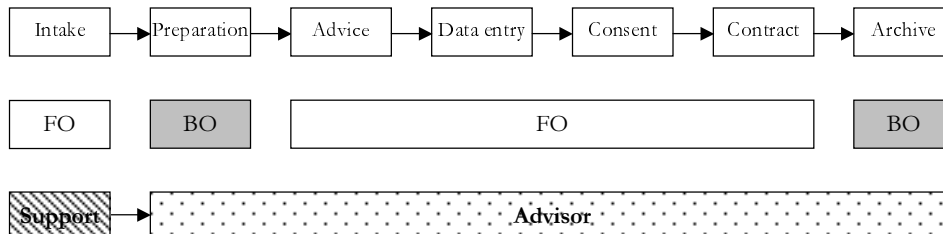
“In a meeting, I explain about the products, show how they work and run checks on the customer’s history and ID. Then I make the alterations in the information systems and try to sell other products. I should do all this with SALES, but in the beginning it did not work well. Since a few weeks, it has been agreed that we are supposed to use SALES. Yet, I only use it when I feel like it. I don’t like that certain fields are obligatory before you can move to another field. Still, the program is more practical than the old programs.”

Yet, SALES was defined as the company-standard and the bank had started a project to promote its use. Therefore, we portray the way of working according to SALES. Compared to city bank B that was also focused on increasing sales, the consumer advisors of bank D were less busy. Where consumer advisors of bank B had six integral sales meetings per day, the advisors of bank D had one or two. This partly explains why the consumer advisors did not mind having follow-up work.

The definition of front office and back office activities in the front office – back office configuration for the provision of mass consumer products did not differ from bank A and B. A large part of the process was defined as front office activities to facilitate cross-selling of other mass consumer products. The use of SALES guaranteed the efficiency and speed

Design Decisions in the Front Office – Back Office Issue

Figure 6.19: Design decisions for providing mass consumer products in bank D



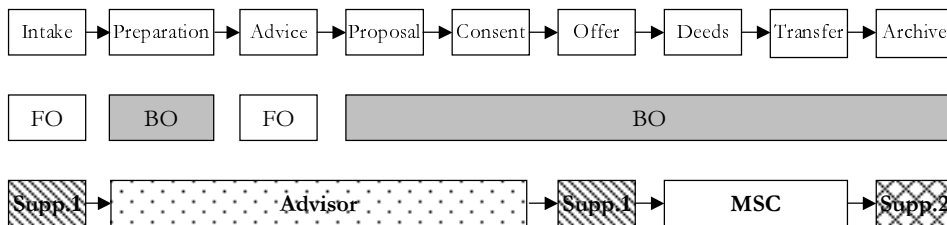
Organizational arrangements: support employees and consumer advisors form different (functional) groups.

of the process, as administrative activities were integrated in the sales activities. In addition, the process was largely coupled to avoid that work needed to be handed over and that customers had to deal with more than one employee. The organizational arrangements mainly included functional grouping of consumer advisors at the offices to be close to the local market and support employees at the head office to realize economies of scale. The front office – back office configuration designed as such did not lead to problems, as reported by bank D's employees. The bank was mainly concerned with promoting SALES. In terms of the input variables in our model, bank D's company priority to increase sales guided the definition of front office and back office activities. Yet, thanks to the information system (provided it is being used) and the decoupling decisions, the process still was efficient and enabled fast service delivery, as there did not need to be follow-up work.

6.6.2 Providing mortgages

The provision of mortgages in bank D took place at the head office. Here, mortgage advisors met with customers and calculated mortgage proposals. Furthermore, there were two support departments. Commercial support employees answered phone calls from customers, made appointments with advisors and produced the mortgage offers. The creation of deeds and the transfer of funds were subcontracted to the Mortgage Support Center of the banking group. When funds had been transferred, the administrative support department closed and archived the files (see figure 6.20). The production of offers by support employees was established recently. Before that, mortgage advisors produced their own offers. However, in order to increase the time they are available for sales, the production of offers was transferred to the commercial support department. Furthermore, in this way bank D fulfilled the support department's request for more demanding work. To facilitate the information exchange regarding the contents of an offer, the bank created special forms and a list of codes, identifying additions to or deletions from a standard offer.

Figure 6.20: Design decisions for providing mortgages in bank D



Organizational arrangements: commercial support employees, mortgage advisors, the Mortgage Support Center and administrative support employees form different (functional) groups.

Unlike bank A and B, the mortgage advisors of bank D generally did not calculate mortgage proposals during the meeting with customers. They would like to, though, but the information system (MORTGAGE) did not function properly. The mortgage advisors felt the program failed too often and operated too slowly to be used in the presence of customers. The program's malfunctioning was due to the size of bank D and both bank D and the central support organization were working on it to solve the problems. Recently the advisors and commercial support employees had been assigned to small teams to facilitate the coordination between them. Now teams of three support employees with varying degrees of experience worked for teams of five advisors, also with varying degrees of experience. Most employees valued the introduction of teams, as illustrated by this commercial support employee:

“I like the teams, because now I feel more responsible and the work is easier to organize and oversee. Also, I can answer questions from the administrative support department more easily.”

Per day, each team of commercial support employees needed to bring in one employee for the “telephone shift”. The teams determined for themselves who would be handling incoming phone calls and who would make offers. Generally, answering phone calls was the less preferred job, because that involved being on the phone continuously for a couple of hours.

Reviewing the three elements of this front office – back office configuration, we can conclude that front office activities were defined when interaction with customers was required to exchange information. All other activities were defined as back office activities for efficiency reasons, although the calculation of mortgage proposals had to be performed back office due to the malfunctioning of the information system. Bank D decided to decouple the process to free the advisors from administrative activities, such as making offers. This fits the bank's strategy to increase sales. In addition, this led to broader tasks for commercial support employees. Moreover, the mortgage advisors were happy to give

up this element of their work. On the decoupling between administrative support and commercial support, the process engineer commented as follows:

“We have deliberately separated the group of people for administrative support from the group for commercial support, because it regards two different kinds of people with different kinds of knowledge.”

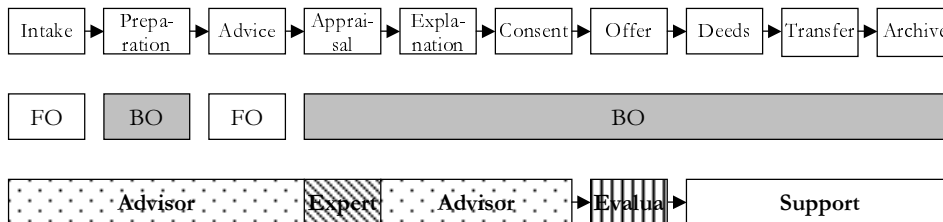
Finally, the organizational arrangements included functional grouping of advisors, commercial support employees and administrative support employees, to realize economies of scale and continuity of service delivery as work could be shared. Yet, the introduction of the teams decreased the continuity of service delivery, because work was not shared between teams. In fact, one team that was short one support employee suffered from a high workload and the mortgage advisors were producing their own offers again.

Characterizing the design of the front office – back office configuration for the provision of mortgages in bank D in terms of our model, we can conclude that the company priority to increase sales determined the decoupling decision, together with job enlargement for support employees and the employment of different kinds of employees. The latter two were expected to improve the quality and efficiency of the delivered services. However, the handovers of work that resulted from a decoupled process had to be facilitated by additional forms. The organizational arrangements were put in place to provide efficient and reliable service, although the additional arrangements (i.e. the teams) negatively affected the continuity of service delivery. Front office activities were defined to enable customization of the service. The information system did not function properly, which hampered the front office calculation of mortgage proposals. This could have increased the speed and efficiency of the process by eliminating follow-up work.

6.6.3 Providing company loans

The corporate division of bank D showed the largest differences with the other banks in this study, as the bank made quite a few deviating choices (see figure 6.21). The most prominent difference was that bank D decided to design a largely coupled process, because the bank reasoned that business advisors that did most of the work themselves would provide better quality services, as they had all relevant information regarding a client's file. According to bank D, business clients greatly value an advisor that is well informed. Therefore, the business advisors of bank D did not have assistants, but could be called directly by customers, prepared their own meetings, took care of the financial appraisal, wrote the explanation to the loan request and arranged consent. In order to relieve the advisors to some extent, bank D had established a team of financial experts that could be called in by the advisors for large or complex clients. The experts could take over the financial appraisal of a customer's situation. However, particularly for complex clients this was difficult, because the experts did not have relevant customer knowledge. Therefore, the business advisors did not make regular use of these experts. Another difference between

Figure 6.21: Design decisions for providing company loans in bank D



Organizational arrangements: business advisors, experts, evaluators and support employees form different (functional) groups.

bank D and the other banks regarded the fact that offers for company loans were not produced by the advisors or assistants, but by the person who evaluated the loan request for acceptance. As this person exactly knows under which conditions a particular loan could be given, bank D reasoned that it would only be a small effort to produce the offer as well. That would be more efficient than handing the work back to the advisor. Subsequently, it was the business advisor's task to take the offer to the client and check whether the client had complied with all conditions. Furthermore, the advisor had to take the offer to a separate support department to take care of the production of additional deeds, the transfer of funds and the closing of files. This was to comply with regulations on separation of duties and to free the advisors from paperwork. Hence, although the business advisors did not perform all activities themselves, they were closely involved in the process from beginning to end. This decision was mainly guided by the bank's objective to provide quality service, instead of by the bank's wish to expand, as that would have advocated a decoupled process so that advisors can concentrate on visiting new and existing clients. One of the business advisors illustrated the advantages and disadvantages of a coupled process:

"I have to do most of the work myself. In the beginning I liked it a lot. Now my work starts to get more and more complicated and the board is issuing more and more rules I have to comply with and the bank is growing, so that I have more clients in my portfolio, and we are slightly understaffed. That makes me feel really busy. Now I would prefer not having to do everything myself. Of course, I can delegate some of my work, but it remains my responsibility. I don't want to lose my face in front of customers. You should be able to count on other people that they do their jobs, but that is not always the case. This basically applies to everything that takes place back-office. And then it's my job to deal with customer complaints again."

The definition of front office and back office activities was the same as in the other banks. Only the intake and the meeting with customers were defined as front office activities to enable the exchange of the information that was required for a customized service such as

a company loan. The other activities were back office activities. With regard to organizational arrangements, bank D chose functional grouping to promote cross-fertilization among advisors and experts and to realize scale economies in the support department. As advisors carried out a large part of the process themselves, there was no need for market grouping.

To conclude, the degree of customization of the service to be delivered determined the definition of front office activities. Quality as a competitive priority influenced the decoupling decisions, together with regulations on separation of duties and efficiency to avoid unnecessary handovers of work and over-qualification. In addition, quality and efficiency influenced the organizational arrangements. In general, this front office – back office configuration seemed to work well for bank D, although it appears less suitable for the growth strategy of bank D, because the business advisors were not freed for acquisition or acting as sparring partners.

6.6.4 Conclusion

Bank D is the largest bank in this study and one of the largest of the cooperative banking group as a whole. It made a few choices that were different from the other banks in this study. In the front office – back office configuration for the provision of mass consumer products, there were not many differences with the other banks. Yet, the consumer advisors sometimes refrained from using SALES, so they still had follow-up work in that

Table 6.5: Summary of arguments for the design decisions in bank D

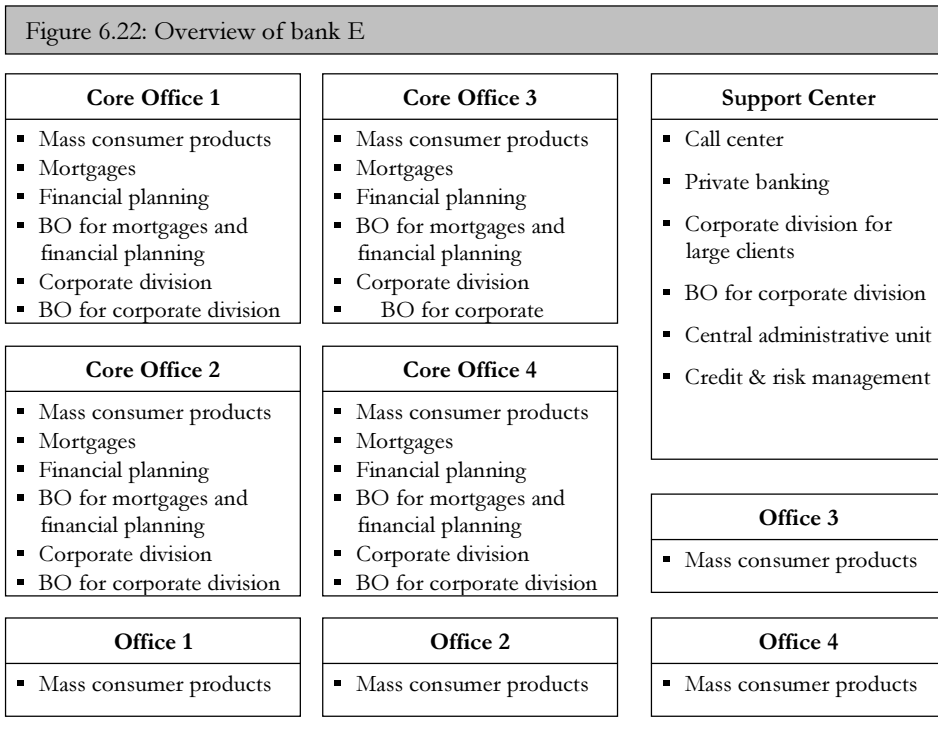
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT. Very few BO activities.	Coupled process to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers and to eliminate follow-up work, if the information system works properly. Rest is BO activities.	Decoupled process to free sales capacity, to benefit from skills, to create demanding support activities and to comply with regulations. Handovers are facilitated by forms and organizational arrangements.	Functional grouping of advisors, commercial support and administrative support to realize scale economies and continuity of service delivery. Support assigned to advisors to facilitate coordination, but it hurts continuity.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities.	Coupled process to deliver quality, as information is concentrated, and to avoid handovers. Decoupling to prevent over-qualification and adhere to regulations.	Functional grouping of advisors for cross-fertilization and of support to realize scale economies.

case. In the front office – back office configuration for the provision of mortgages, small teams of commercial support employees worked for small teams of mortgage advisors. This was meant to improve the coordination between the two, but harmed the continuity of service delivery. Only recently the commercial support employees started to produce offers instead of the advisors. To the bank's displeasure, mortgage proposals were not calculated during meetings with customers, as the information system did not function properly. In the front office – back office configuration for the provision of company loans business advisors did not cooperate with assistants but did most of the work themselves to increase the quality of the services delivered. The bank's company priority to increase sales clearly influenced the designs of the front office – back office configurations for providing mass consumer products and mortgages. The design of the front office – back office configuration for providing company loans was mainly influenced by the desire to deliver quality service, not by the desire to increase sales. In particular, we found the arguments for the design of front office – back office configurations as summarized in table 6.5.

6.7 Bank E

Bank E is the result of a recent merger between four small town banks in a mainly rural area. The banks decided to merge as a response to increasing customer demands for professional services and to realize benefits of scale. The new bank, operating for 18 months at the time of the study, employs 225 full-time employees divided between four core offices, four smaller offices and one support center. It has a market share of no less than 70% in both consumer and business markets. Due to the geographical situation and the explicit choice to remain close to the customers, bank E operates from four core offices, rather than one head office. Each core office is staffed to deliver a full range of financial consumer products, mortgage products and business products to the local market. An exception is made for the largest consumer and business clients of the bank: they are served from a central location to ensure quality service. In addition, each core office has its own commercial support departments. Like bank B, bank E set up a central administrative unit to handle purely administrative activities from the core offices. The bank's motto was: "small-scale at the front-end, large-scale at the back-end". In addition to the four core offices, bank E operates four smaller offices as well. Here, only mass consumer products are provided. The office structure of bank E is illustrated in figure 6.22.

Due to the merger, bank E was still focused internally rather than externally. The bank explicitly focused on developing an appropriate internal organization in terms of procedures and attitudes, in particular to comply with regulations. When the internal organization works fine, the bank will spend the time that is saved on better serving customers and approaching customers pro-actively. Yet, for now the strategy was aimed at improving the internal organization. For the provision of mass consumer products the



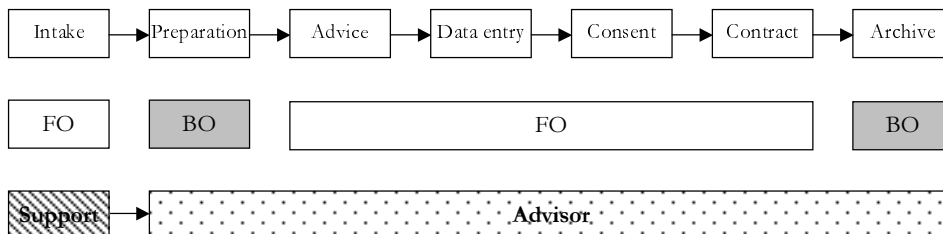
internal focus also included a project to improve the efficiency and uniformity of the processes.

6.7.1 Providing mass consumer products

The customers of bank E could obtain mass consumer products from one of the core offices or from one of the smaller offices. The offices were staffed with consumer advisors and counter clerks. The core offices also had receptionists. At each core office, one consumer advisor was available for attending to customers that entered the bank without an appointment. The other advisors only met with customers by appointment. The counter clerks took care of service requests and brief transactions. Bank E had decided that each advisor should take care of his or her own follow-up work. Yet, if the advisors used SALES, the amount of follow-up work was limited.

The design of the front office – back office configuration for the provision of mass consumer products was similar to the one in the other banks in this study (see figure 6.23). Counter clerks, receptionists or call center employees took care of the intake with customers. Consumer advisors briefly prepared for an appointment and had integral sales meetings in which they tried to sell additional products. When they used SALES, they could directly enter the required data in the system and print the sales contract. Then there

Figure 6.23: Design decisions for providing mass consumer products in bank E



Organizational arrangements: support employees and consumer advisors form different (functional) groups.

was no follow-up work involved. However, SALES did not always work properly. Due to an unknown cause, the system was down a lot or operated slowly. In that case, the advisors switched to the old systems and had follow-up work after the customer had left. Yet, SALES was the official standard in bank E and its use was being promoted, because some advisors were avoiding it.

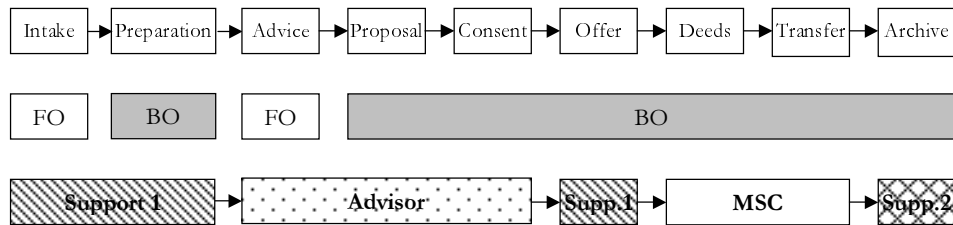
The design of the front office – back office configuration was mainly aimed at freeing consumer advisors for integral sales meetings, although increasing sales was not (yet) among bank E's company priorities. By carrying out most activities as front office activities, supported by SALES, the advisors could do cross-selling of additional products while the process still remained efficient and fast, as there was no follow-up work. Efficiency was explicitly part of bank E's company priorities. The process was largely coupled to prevent handing over work. The organizational arrangements were fairly simple, as the process was coupled. Consumer advisors were located at the offices, whereas administrative support was part of the central administrative unit at the Support Center to realize scale economies. We can conclude that the design of this front office – back office configuration was mainly influenced by increasing sales and efficiency as company priorities and speed as a competitive priority. Apart from the difficulties with SALES, bank E did not encounter other problems related to the design of this front office – back office configuration.

6.7.2 Providing mortgages

In bank E, mortgage advisors and commercial support employees were located at each of the four core offices. They were located close together to facilitate the coordination between them. The administrative support employees were part of the central administrative unit at the bank's Support Center to realize economies of scale. The commercial support employees answered incoming phone calls, scheduled appointments between customers and mortgage advisors and prepared the meetings by gathering all

Design Decisions in the Front Office – Back Office Issue

Figure 6.24: Design decisions for providing mortgages in bank E



Organizational arrangements: commercial support employees and mortgage advisors form a market group; the Mortgage Support Center and administrative support employees form different (functional) groups.

relevant information and indicating the sales opportunities. In this way, the advisors were maximally available and equipped for sales. The advisors met with customers, calculated mortgage proposals and arranged consent. In most cases, mortgage proposals were not calculated during the meetings, because the advisors felt that would take too much time. At the time of the study, the mortgage advisors were quite busy and the amount of meetings did not allow for the calculation of proposals. Hence, proposals were calculated afterwards, leading to work piling up and long delivery times. The commercial support employees also produced offers, to free the mortgage advisors. Like bank A, B and D, bank E had subcontracted the production of deeds and the transfer of funds to the Mortgage Support Center of the banking group. When the funds had been transferred, the administrative support department closed and archived the files. The design decisions are displayed in figure 6.24.

The definition of front office and back office activities in this front office – back office configuration did not differ much from the other banks. Only the intake and customer meeting were front office activities to enable the information exchange between customer and service provider. The calculation of mortgage proposals was a back office activity to limit the duration of the sales meetings, although the delivery times increased. This decision was not so much about increasing the speed of the process, but about freeing sales capacity. Bank E decided to decouple the process to maximize sales capacity. The support employees not only did customer intakes and the production of offers, but also the preparation of sales meetings. Finally, for organizational arrangements bank E chose market grouping of mortgage advisors and commercial support employees to facilitate the coordination between them and functional grouping of administrative support to achieve economies of scale. A drawback of the grouping of commercial support employees with advisors at core offices, compared to functional grouping at a central location, was the lack of cross-fertilization between support employees and the vulnerability of the core offices. As most commercial support employees were relatively new on the job, they still needed to learn. Yet, this was hard, because only one or two colleagues were nearby. Furthermore, the

small number of support employees at the offices made the offices vulnerable in case of absence due to leave or illness. At one core office, the workload rapidly increased and could not be divided among other employees, which damaged the continuity of service delivery. The manager for the provision of mortgages stated:

“I would rather be short an advisor or a manager, than a commercial support employee, because that obstructs the whole process.”

To conclude, the front office – back office configuration for the provision of mortgages was largely set up to maximize sales capacity, although this was not (yet) among the bank’s priorities. However, bank E came across problems with continuity and cross-fertilization among commercial support employees that were located at the offices. Furthermore, the mortgage advisors had a high workload, because of the amount of work available and the postponement of the calculation of mortgage proposals.

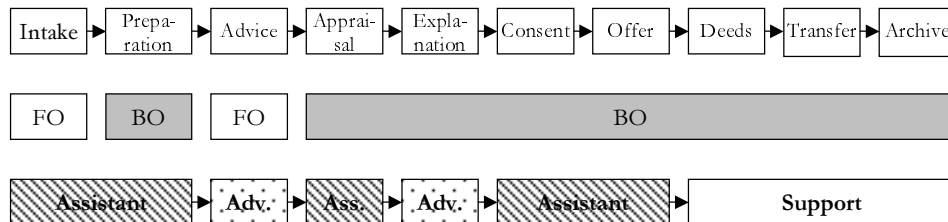
6.7.3 Providing company loans

In bank E, business clients were served from the core offices and from a central location. Yet, as only a few clients were served from the central location, we investigate the provision of company loans from the core offices. Each office was staffed with business advisors and assistants. The administrative support was organized as part of the central administrative unit at the bank’s Support Center. The advisors and assistants worked closely together. When a client had a need for a loan, the assistant took care of the intake and prepared the meeting between the advisor and the client. The advisor met with the client to discuss the loan and the client’s situation. After the meeting, the advisor handed the file over to the assistant to make the financial appraisal. The advisor wrote the explanation to the loan proposal. When an assistant was busy or not yet capable of making appraisals, the advisor made the appraisal himself. Next, the assistant arranged consent for the proposal and produced the offer. Finally, the assistant handed an accepted offer over to the administrative support department for the preparation of additional deeds, the transfer of funds and the archiving of files (see also figure 6.25).

Like bank A and B, bank E designed a fairly decoupled process to accomplish that business advisors were freed from as many activities as possible, so that they could concentrate on visiting clients and complex loan requests. Yet, the high degree of customization of company loans requires a severe amount of information exchange when the work is handed over. Therefore, bank E assigned assistants to the advisors to facilitate the coordination. Both advisors and assistants were well informed on the portfolio of clients and the stages of work in progress. The administrative support was decoupled from the commercial parts of the process to comply with regulations on separation of duties and to realize economies of scale. Although the market grouping of advisors and assistants worked well for the coordination between them, there were also drawbacks involved. In fact, due to the small number of advisors and assistants at each office, the offices were

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Figure 6.25: Design decisions for providing company loans in bank E



Organizational arrangements: business advisors and assistants form sales teams; administrative support employees form a different (functional) group.

quite vulnerable in case of absence. The manager for the provision of company loans explained how they tried to deal with this:

“The employees of a core office can temporarily take over each other’s work, but I wouldn’t call it practical. When the assistants are busy, the incoming phone calls are transferred to the commercial support employees for mortgages and the other way around. Yet, they don’t have knowledge on each other’s work and each department has enough work of its own.”

Furthermore, there was a lack of cross-fertilization between colleagues. Particularly the business advisors in bank E complained about a lack of contact with their colleagues, making it hard for them to learn from each other. At the time of the study, bank E was considering to take the business divisions out of the core offices and move them to a central location.

To conclude, the design of the front office – back office configuration for the provision of company loans in bank E was mainly influenced by the desire to free the business advisors for the activities that required their attention most: visiting clients and complex financial structures. Although bank E did not (yet) have a strategy aimed at increasing sales, commercial objectives were leading in this design. The organizational arrangements were put in place to facilitate the handovers of work following from the decoupling decisions to protect the speed and quality of the process, and for efficiency reasons. Yet, the bank encountered problems related to cross-fertilization and continuity of service delivery. The definition of front office and back office was the same as in the other banks. Only the intake and customer meetings were front office activities to enable the exchange of information that is required for the delivery of customized company loans.

6.7.4 Conclusion

Being the result of a recent merger, bank E’s focus was mainly internal to get the bank operating to satisfaction again. Although the bank did not yet have a sales focus and already had a market share of 70%, the front office – back office configurations we

Table 6.6: Summary of arguments for the design decisions in bank E			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT, provided it works fine. Very few BO activities.	Coupled process to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers. Rest is BO activities.	Decoupled process to free sales capacity.	Market grouping of advisors and commercial support to facilitate coordination. Yet, continuity of service delivery and cross-fertilization are problematic. Functional grouping of admin.support to realize scale economies.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities.	Decoupled process to free sales capacity and to comply with regulations. Handovers are facilitated by organizational arrangements.	Market grouping of advisors and assistants to facilitate coordination. No additional measures for cross-fertilization or continuity of service delivery. Functional grouping of admin.support to realize scale economies.

investigated were mainly designed for commercial objectives. The process for providing mass consumer products primarily contained front office activities to realize cross-selling. The decoupling decisions and the use of SALES ensured the efficiency and speed of the process. However, SALES did not work properly. The process for providing mortgages was decoupled to free sales capacity. The commercial support employees took over quite a few activities from the mortgage advisors. Due to the market grouping of mortgage advisors and commercial support employees at the core offices, bank E suffered from problems with cross-fertilization and continuity of service delivery. Finally, the process for providing company loans was also decoupled to free the business advisors for commercial activities. They worked closely together with assistants to ensure the quality, efficiency and speed of the process. Yet, the location at the core offices caused a lack of cross-fertilization and continuity problems among advisors and assistants. A summary of the arguments is provided in table 6.6.

6.8 Summary of case data

To facilitate across-case conclusions and further analysis of the data, we summarize the main findings from the five case studies in a number of tables and figures. Table 6.7 summarizes some of the descriptive characteristics of the five banks, table 6.8 their company priorities. The problems or bottlenecks that were associated with the design of a particular front office – back office configuration are captured by table 6.9. The flowcharts we composed for each of the three front office – back office configurations in a case are reproduced on the next pages (figure 6.26, 6.27 and 6.28). They show the definition of front office and back office activities, the decoupling decisions and organizational arrangements for each of the three processes in each of the five banks. We have also copied the arguments the banks put forward for the designs of their front office – back office configurations in table 6.10. Based on these summaries, we finally address some differences and similarities between the design decisions in the five banks in detail.

Table 6.7: Summary of case characteristics

	Bank A	Bank B	Bank C	Bank D	Bank E
Relative size	Small	Medium	Medium	Very large	Large
Market share	40%	20%	60%	30%	70%
Regional area	Rural	City	Rural	City	Rural

Table 6.8: Summary of company priorities of each bank for each process

	Providing mass consumer products	Providing mortgages	Providing company loans
Bank A	Increasing sales	Increasing sales	Increasing sales
Bank B	Increasing sales (very much)	Increasing sales (very much)	Mainly internal focus on efficiency, revenues and risks, and being a professional sparring partner
Bank C	Strengthening financial position through expansion with minimal risks and high efficiency	Strengthening financial position through expansion with minimal risks and high efficiency	Strengthening financial position through expansion with minimal risks and high efficiency
Bank D	Increasing sales, particularly at the upper ends of the market	Increasing sales, particularly at the upper ends of the market	Increasing sales, particularly at the upper ends of the market
Bank E	Internal focus on procedures, attitudes and regulations; also efficiency and uniformity	Internal focus on procedures, attitudes and regulations	Internal focus on procedures, attitudes and regulations

Table 6.9: Summary of problems associated with the design decisions			
	Providing mass consumer products	Providing mortgages	Providing company loans
Bank A	None, except advisors not really free	None	None, except high workload of assistants through decoupling
Bank B	None, except narrow tasks and understaffing of support employees	None, except (temporarily) perceived distance between commercial and administrative support	None, except for implementation of new design
Bank C	None	None, except lack of built-in counterchecks, so still sending files back and forth	None
Bank D	None, except information system not being used	Information system is not working properly, handovers are difficult and continuity is problem	High workload of advisors (+ design not suitable for expansion strategy)
Bank E	None, except information system is not working well	High workload of advisors through postponement and low continuity and cross-fertilization for commercial support employees	Low continuity and cross-fertilization for advisors and assistants

Table 6.10a: Summary of arguments for the design decisions in bank A			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT. Very few BO activities.	Coupled process to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers and to eliminate follow-up work (speed and efficiency) enabled by IT. Rest is BO activities.	Decoupled process to free sales capacity, to make use of different skills, to stimulate learning curves and to comply with regulations. Handovers are supported by IT.	Functional grouping of advisors and support to realize scale economies and uniformity, market grouping of three support groups for continuity of service delivery.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities, because they are too complex or would take too long for FO.	Decoupled process to free sales capacity and to comply with regulations. Handovers are facilitated by organizational arrangements.	Market grouping of advisors and assistants to facilitate coordination. Functional grouping of admin.support to realize scale economies.

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Table 6.10b: Summary of arguments for the design decisions in bank B			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT. Very few BO activities.	Slightly decoupled process to free sales capacity and measure sales performance. Coupling to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers and to eliminate follow-up work (speed and efficiency) enabled by IT. Rest is BO activities.	Decoupled process to free sales capacity, to build in counterchecks and to comply with regulations. Handovers are supported by IT.	Functional grouping of advisors, commercial support and administrative support to realize scale economies.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities, because they are too complex or would take too long for FO.	Decoupled process to free sales capacity, to deliver quality and to prevent over-qualification. Handovers are facilitated by organizational arrangements.	Market grouping of advisors, assistants and office workers to facilitate coordination. Groups located close to each other for cross-fertilization.
Table 6.10c: Summary of arguments for the design decisions in bank C			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling. BO activities to control risks.	Coupled process to avoid handovers which take time and can create noise, and to create broad activities.	Only consumer advisors are involved.
Providing mortgages	Few FO activities to exchange information with customers. Rest is BO activities.	Coupled process to avoid handovers, to fill idle time and to deliver quality. Yet, additional checks lower speed. Decoupling to comply with regulations.	Functional grouping of support to realize scale economies and uniformity.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities.	Coupled process to avoid handovers and to fill idle time. Decoupling to comply with regulations and prevent over-qualification.	Functional grouping of advisors for cross-fertilization and of support for continuity of service delivery and to stress the counterchecks. Yet, contact persons to facilitate coordination.

Table 6.10d: Summary of arguments for the design decisions in bank D			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT. Very few BO activities.	Coupled process to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers and to eliminate follow-up work, if the information system works properly. Rest is BO activities.	Decoupled process to free sales capacity, to benefit from skills, to create demanding support activities and to comply with regulations. Handovers are facilitated by forms and organizational arrangements.	Functional grouping of advisors, commercial support and administrative support to realize scale economies and continuity of service delivery. Support assigned to advisors to facilitate coordination, but it hurts continuity.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities.	Coupled process to deliver quality, as information is concentrated, and to avoid handovers. Decoupling to prevent over-qualification and adhere to regulations.	Functional grouping of advisors for cross-fertilization and of support to realize scale economies.
Table 6.10e: Summary of arguments for the design decisions in bank E			
	Definition of FO and BO activities	Decoupling decisions	Organizational arrangements
Providing mass consumer products	FO activities to promote cross-selling and to eliminate follow-up work (speed and efficiency) enabled by IT, provided it works fine. Very few BO activities.	Coupled process to avoid handovers.	Functional grouping of support employees to realize economies of scale.
Providing mortgages	Few FO activities to exchange information with customers. Rest is BO activities.	Decoupled process to free sales capacity.	Market grouping of advisors and commercial support to facilitate coordination. Yet, continuity of service delivery and cross-fertilization are problematic. Functional grouping of admin.support to realize scale economies.
Providing company loans	Few FO activities to exchange information with customers. Rest is BO activities.	Decoupled process to free sales capacity and to comply with regulations. Handovers are facilitated by organizational arrangements.	Market grouping of advisors and assistants to facilitate coordination. No additional measures for cross-fertilization or continuity of service delivery. Functional grouping of admin.support to realize scale economies.

Figure 6.26: Front office – back office configurations for providing mass consumer products

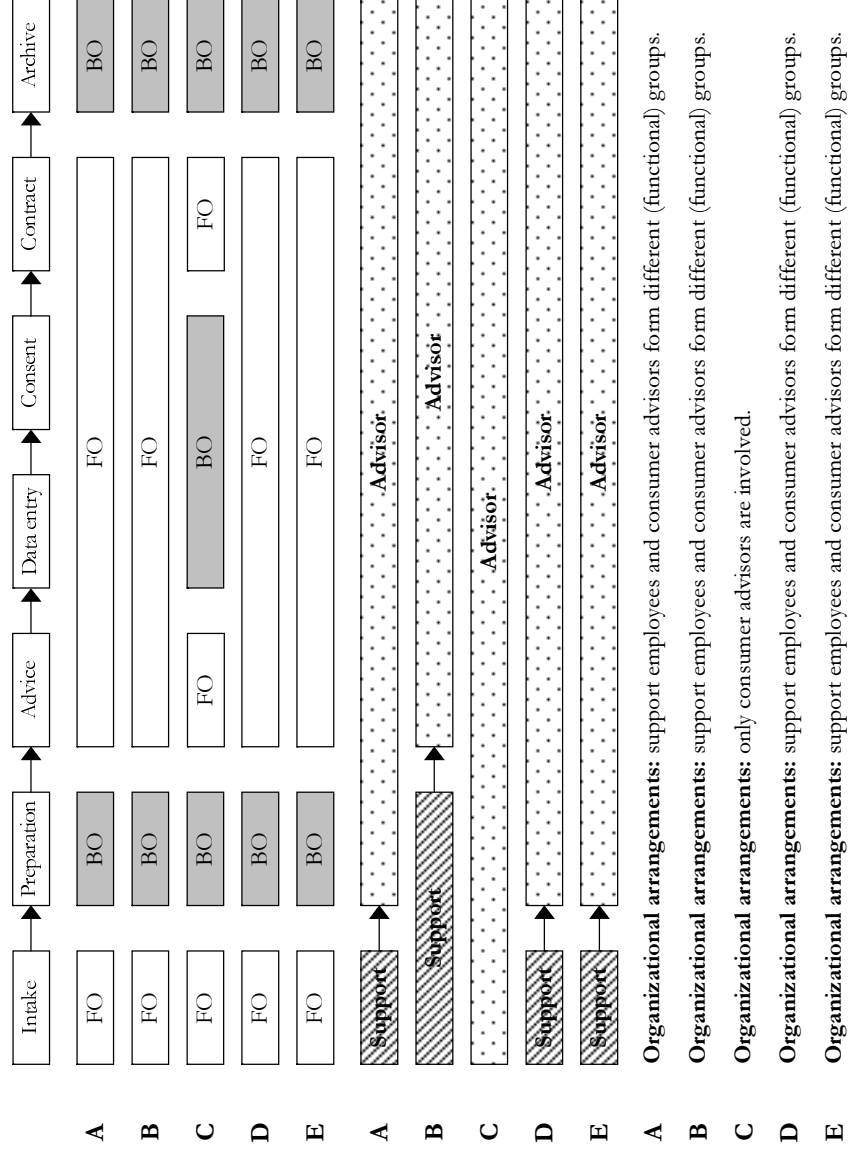
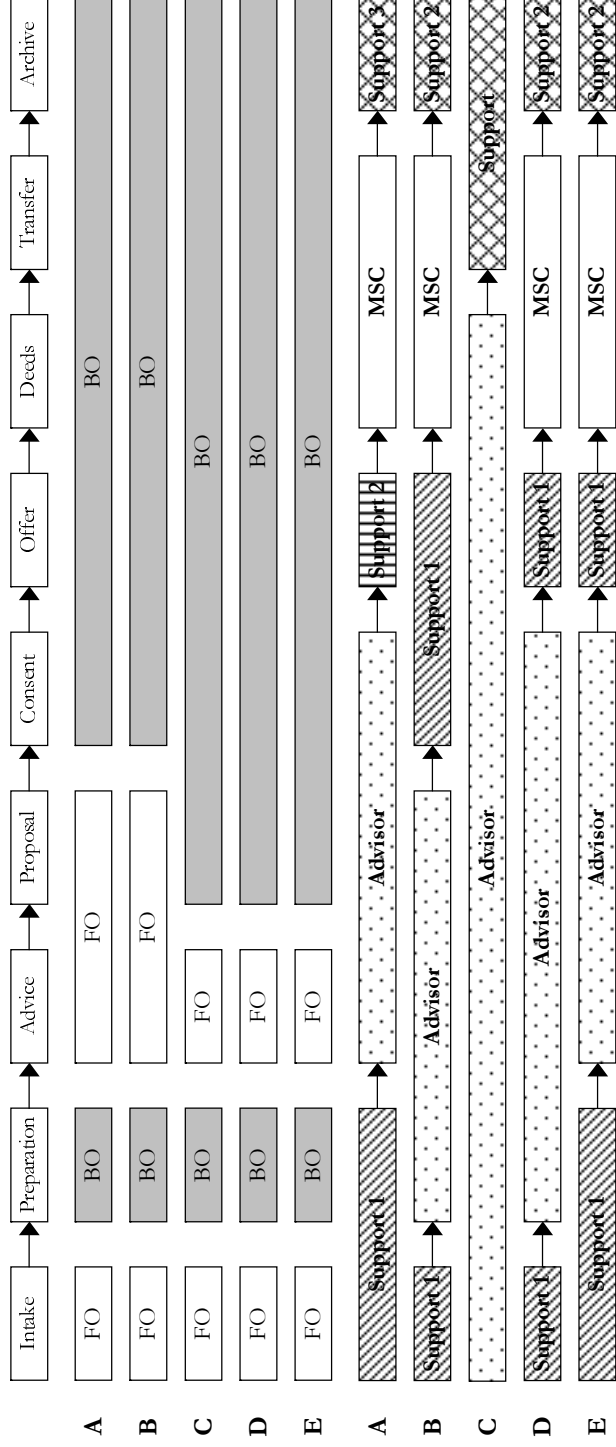


Figure 6.27: Front office – back office configurations for providing mortgages



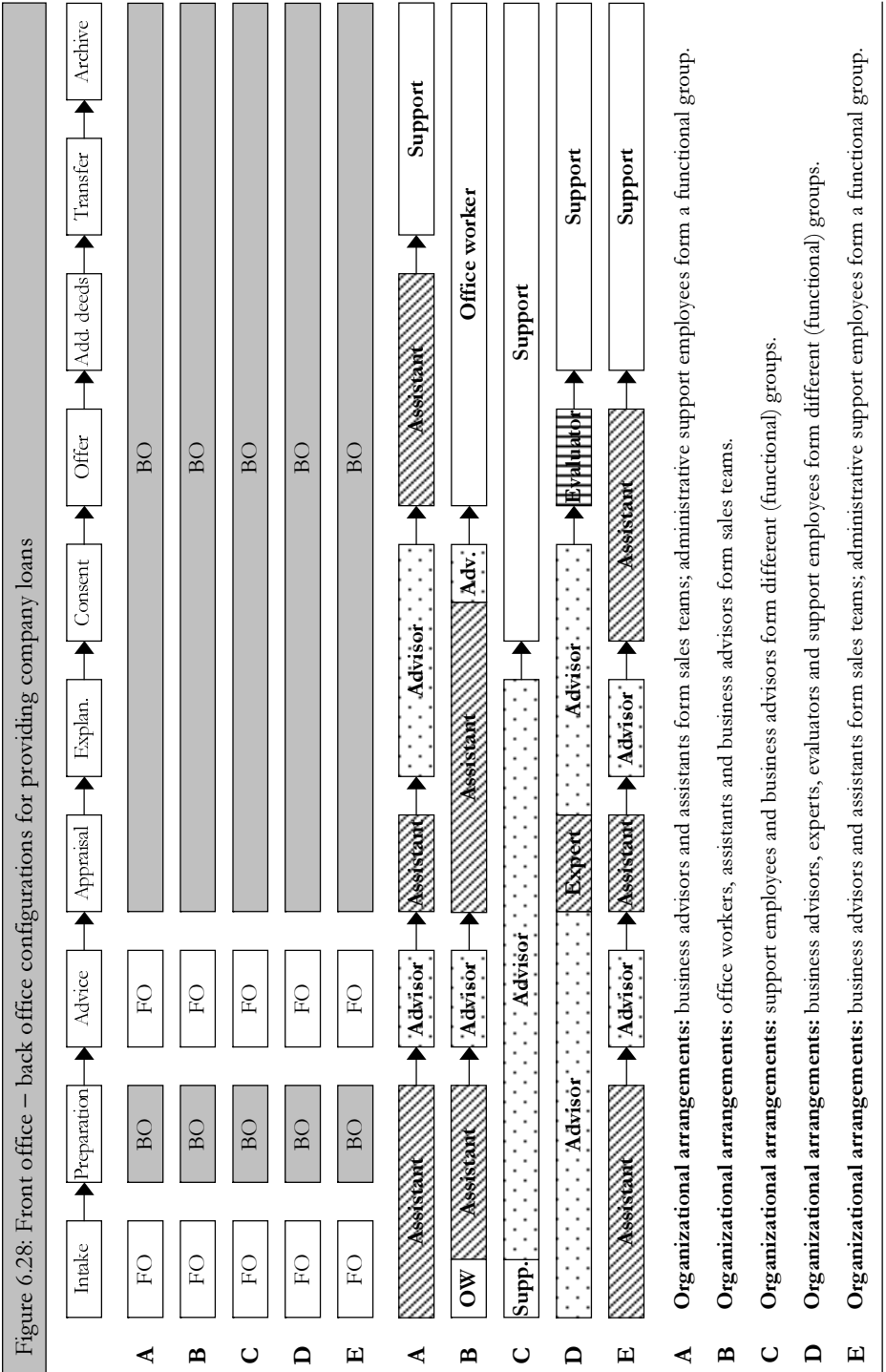
A Organizational arrangements: support employees form one (market) group; mortgage advisors and the MSC form different (functional) groups.

B Organizational arrangements: all employees form different (functional) groups.

C Organizational arrangements: mortgage advisors and support employees form different (functional) groups.

D Organizational arrangements: all employees form different (functional) groups.

E Organizational arrangements: commercial support employees and mortgage advisors form a market group; the MSC and administrative support employees form different (functional) groups.



Providing mass consumer products

Reviewing the designs of the front office – back office configurations for the provision of mass consumer products in each of the five banks we can conclude that there are not many differences between them. Despite the differences in terms of size, market share and regional area, the banks roughly made the same design decisions and showed similar reasoning (except bank C). In bank A, B, D and E, the process for providing mass consumer products mainly contained front office activities to enable cross-selling of additional products. Administrative activities were integrated in the sales part of the process to eliminate follow-up work, which increased the speed and efficiency of the process. This was enabled by the SALES information system, although the consumer advisors in bank D sometimes refrained from using it and bank E was confronted with technical problems with the system. The processes were largely coupled to avoid handing over work. In fact, decoupling this process was not evident, because most activities took place during the integral sales meetings with customers. With regard to the organizational arrangements, the banks grouped the support employees together in a functional group to realize scale economies. Hence, the main considerations underlying the design decisions were increasing sales, efficiency and speed of service delivery. Yet, bank C made some different choices. The bank defined a few back office activities where the other banks chose for front office activities, to control the risks involved in providing credit facilities. In addition, the consumer advisors carried out every activity in the process themselves to avoid handovers and create broad tasks.

Providing mortgages

With regard to the front office – back office configurations for the provision of mortgages in the five banks we can conclude that several similarities can be identified, although they are not as large as in the processes for providing mass consumer products. The processes mainly consisted of back office activities. The banks defined a few front office activities to exchange information with the customers. Yet, bank A and B also defined the calculation of mortgage proposals as front office activities to eliminate follow-up work, while the other banks did not. Bank D would like to, but could not due to problems with the information system. Bank C and E deliberately waited with handing out proposals because of respectively competitive considerations and the desire to limit the duration of the sales meeting. For the decoupling decisions, we can identify two general strategies. On the one hand, bank A, B, D and E decided to decouple the process in advisory activities, commercial support activities and administrative support activities. These banks also subcontracted part of the process to the Mortgage Support Center of the banking group. The main reason for the decoupling was to free sales capacity. Bank C, on the other hand, chose a different strategy. It designed a coupled process in which the mortgage advisors carried out most of the activities themselves to avoid handovers and to deliver quality service. Finally, with regard to the organizational arrangements we can see that most banks applied functional grouping of the employees that were consecutively involved in the

process of providing mortgages to realize economies of scale and ensure continuity of service delivery. To conclude, the main considerations for the design decisions were increasing sales, efficiency, speed and quality of service delivery.

Providing company loans

With regard to the front office – back office configurations for the provision of company loans we can conclude that the definition of front office and back office activities did not differ for the five banks. They made exactly the same choices. Most activities were back office activities, because the work involved in delivering company loans is either too complex for front office execution or would take too long. However, there was quite some variation between the decoupling decisions in the five banks. Yet, this variation can be reduced to two general strategies. On the one hand, bank A, B and E designed a decoupled process to free sales capacity. In this strategy, business advisors worked closely together with assistants that carried out quite a few activities in the process of providing company loans, so that the business advisors could concentrate on visiting existing customers, approaching new customers and working out complex cases. Bank B also assigned office workers to the couples of business advisors and assistants to relieve the assistants. To facilitate the handovers of work that result from these decoupled processes, the banks established sales teams (market grouping). As company loans are highly customized products, a great deal of coordination is required. In fact, without the sales teams, a decoupled process would probably not have been feasible. Bank C and D, on the other hand, chose for a coupled process. Bank C generally preferred coupled processes to avoid handovers of work between consecutive employees in a process and reasoned that with the low levels of growth and complexity in its market and the number of business advisors available, coupled processes would be more efficient than assistants. Yet, the business advisors were freed from paperwork to prevent over-qualification. Bank D designed a coupled process for a different reason. It argued that a coupled process in which the business advisors carried out most of the work themselves would contribute to the quality of the services delivered, because the advisors have all relevant customer knowledge and deal with all customer-related matters. Still, advisors could call upon a team of financial experts to carry out the financial appraisal of a customer's situation and were freed from the paperwork, such as making offers and deeds. With regard to the organizational arrangements, bank C and D chose functional grouping of employees to facilitate cross-fertilization among business advisors and continuity of service delivery and scale economies regarding the support employees. Despite the differences between the banks, the main considerations underlying their design decisions were increasing sales, efficiency and quality of service delivery.