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The impact of non-compliance of business processes on strategy implementation in a South African Commercial Bank

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DEPARTMENT OF QUALITY AND OPERATIONS MANAGEMENT

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ABSTRACT

This paper investigates the impact of the non-compliance of business processes with strategy implementation in a South African Commercial Bank. The focus of any company is to be a “great business leader” that stands out from the rest, and to thereby have a competitive advantage. However, it has been evident that Banks are incurring losses because of people, processes, systems and external factors, all of which negatively impact profit, growth and reputation. The aim of this study is to establish whether processes have a negative effect on the implementation of strategy in the organisation, as well as on the non-adherence of process.

Data analysis was performed by using the information obtained from crime Investigations, loss of data, auditing of data and process-maturity dashboards. Further insights were gained through a questionnaire that was administered to approximately 100 employees across all segments in the bank, in order to obtain their perspective.

The study reveals that processes are the foundation of any strategy. For every strategy employed we need to have defined objectives, the processes being a means of achieving those objectives; since they outline the activities that must be performed. The increase in global competitiveness highlights the fact that processes are the most important management tool in managing business operations. From the study, it is evident that non-compliance with the laid-down processes results in financial losses and reputational risk to the banking industry.

Processes that are not documented make it difficult for risk managers to proactively identify the risks and the necessary controls. The study concludes with several recommendations on how the Bank can improve the efficiency and effectiveness of processes, in order to reduce financial losses and gain the competitive advantage, i.e. recommendations to automate key processes and ongoing review and updating of processes by using technology to monitor, as well as to track processes.
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ABBREVIATIONS

- BPM – Business Process Management
- BUs – Business Units
- EXCOs – Executive Committees
- FY – Financial Year
- GL – General Ledger
- IC Fraud – Internal Customer Fraud
- IT- Information Technology
- NCA – National Credit Act
- OP – Open Pages
- SA – South Africa
- SARB – South African Reserve Bank
- TAT – Turnaround time
TERMS AND DEFINITIONS

Agility in business – An organisation’s ability to adopt and adapt at a rapid pace, without affecting its objectives.

Audit – An independent review of a business’s processes, financial statements, documents etc, to ensure that it is a true reflection of the business.

Business-Process Management – improving end-to-end business processes, through analysis, optimisation and modelling by using various scenarios and ongoing monitoring.

Customer – A party that consumes goods and services and has the ability to choose what the business has to offer.

Data – Facts and statistics collected for analytical and reference purposes

Employee – An individual who is contracted to work, either full time, or part time for an organisation.

Fraud – Criminal deception intended for personal gain

Operational risk Losses – Losses due to process failure, people, systems and external events.

Objectives – Activities required, in order to achieve strategic goals.

Organisation – An organised group of people with a common purpose or objective.

Strategy – An action required to achieve business goals.

Process automation – The use of technology to improve processes or workflows.

Process Effectiveness – To optimise business operations.

Process Efficiency – Optimising resources and business activities that should generate profits.

Processes – Sequence of interdependent and linked activities, which require the use of resources at every stage, and which convert inputs into outputs.
**Process Maturity** – Processes that are well-defined, managed, controlled and measured.

**Profits** – The surplus that remains after all costs have been deducted from the total revenue.

**Questionnaire** - A set of questions with answers used for a study or survey.

**Reputation** - The beliefs or opinion about someone or something.

**Risk management** – To identify, assess, prioritise, treat and monitor risks to avoid or mitigate risks from materialising.
CHAPTER 1
INTRODUCTION

1.1 BACKGROUND

According to Appian (2018), a business process connects activities that once completed will deliver products and services to clients. Furthermore, a business process can be defined as different job functions within a business unit to meet the organisation's goals. A process must clearly define inputs and a single output. The inputs comprise those factors, which contribute to the value added to the product or service. These factors can comprise management processes, operational processes and supporting processes.

The figure below visually explains the required linkages between strategy and operations by using a balanced scorecard-management system.

![Balanced Scorecard-Management System](image)

*Adapted from The Balanced Scorecard Management System (Kaplan & Norton)*

Figure: 1 Balanced scorecard-management system
Management oversight of business processes regulates the operations of the organisation; and the operational processes consist of the core business and the supporting processes, which consist of human resources, financial, IT processes etc. that support the core-business processes. A business process requires several actions, in order to achieve an objective. Processes can be documented at the lowest level; however, it must be considered that this may result in lengthy processes, which might increase dependency and additional documentation.

The focus for any company is to be a “great business” stand-out from the rest, and to have a competitive advantage. A successful business would deliver faster profit growth than any other company. South African Banks do very well in this regard. However, it has become evident that banks are losing much money due to people, processes, systems and external factors, which negatively impact profit growth, as well as reputation.

According to Gartner (n.d), Business-Process Management is “a discipline that improves enterprise performance by driving operational excellence and business agility.” All organisations have processes that occur frequently; and these are designed to meet objectives. In many instances, these processes are ineffective, inefficient, outdated and duplicative. Gartner further maintains that the “BPM draws attention to the highest-value processes, i.e. the processes that are aligned to business goals and strategy, as well as the processes with the best return on investment”.

Processes in most businesses are likely to be filled with waste due to hand-off processes not being defined, manual interventions and businesses not being able to monitor the inefficiencies within the processes. Constantly reviewing processes assists a business to identify and mitigate those inefficiencies that may impact the bottom line. Business can be more profitable and competitive when processes operate efficiently and effectively, and when they are aligned with business strategic objectives.

It has become increasingly critical for organisations to be more agile in today’s competitive business world. Organisations with processes that are not flexible to
change would be left behind. New opportunities may require change, both internal and external, to organisations. It is critical that business capitalises on these changes, in order to remain competitive.

For an organisation to improve its performance and gain a competitive advantage, it should become more focused on the efficient and effective business processes.

According to Ireland (2013), focusing on key business processes assists in executing the business strategy. Organisations that focus on efficiency deliver operational excellence, profit growth and competitive advantage. Inefficiency should not be allowed in any business; and there is no point in seeking the competitive advantage and profitability if one cannot deliver on the promises made to customers.

The researcher has worked in the banking industry for 21 years; and has had the opportunity of working for two major banks in South Africa. At first, the research was aimed at merely understanding why the staff do not adhere to business processes; as it was evident in most banking reports that financial losses are mainly due to process non-adherence. It became further evident, however, that it may not only be non-adherence to the business process that results in financial losses, but also the possibility of the non-existence of any business processes.

Having processes in an organisation has now become a mandatory requirement (Levi, 2002). The increase in global competitiveness highlights the fact that processes are the most important management tool needed to manage business operations. An organisation must be able to provide cross-functional views of how its information flows to achieve its overall objectives. As part of the research, we want to highlight the benefits of business processes.

The figure below depicts the benefits of business-process management within an organisation.
1.2 RESEARCH PROBLEM STATEMENT

Financial losses and reputational damage in the bank have a devastating impact on achieving the overall strategic objectives, which comprise growth in profits and gaining a competitive advantage.

Risk management in business has become increasingly important, in order to manage the risk of incurring financial losses. Organisations must have a view of where their key vulnerabilities and threats are, so that they can implement mitigating controls to prevent these threats from materializing. In addition, management should continue focusing on control testing and improvement, in order to ensure that risk exposure is limited both internally and externally.

According to Basel II (n.d), Operational Risk is “The risk of loss resulting from inadequate or failed internal processes, people, and systems or external events”.

Organisations must integrate risk assessments and mitigating approaches into the management of their processes. The risk assessment would not only assist in
identifying business risks and controls; but it would also provide an opportunity for process improvements; and it would move businesses closer to achieving their objectives in a well-managed risk environment.

Process-centricity in an organisation can assist in achieving the following:

- Establish what risks may occur in each process activity.
- A better understanding of how tasks or activities are performed end-to-end.
- An understanding of what processes are critical to the organisation.
- Identify process improvements and risk-mitigation opportunities.
- Assist with decision-making in terms of risk versus rewards.

The problem that the bank is facing is the fact that processes are either non-existent, or they are not documented, which makes the risk-identification process ineffective; as it is more difficult to identify threats to reduce or mitigate financial losses and to prevent reputational damage. A further problem identified is that where processes are in place, the staff are simply not adhering to them.

1.3 MAIN OBJECTIVE OF THE STUDY

The objective of this research was to establish whether processes exist in the organisation and to determine the impact that processes may or may not have on strategy implementation.

1.3.1 Sub-Objectives

- Determine the reason why employees do not adhere to processes.
- Determine the importance of processes for the identification of risks and controls.

1.4 RESEARCH QUESTIONS

- Why are employees in the bank not adhering to the business processes?
- Are the business processes documented?
• How do we use business-process management to assist in a more effective risk-identification management approach?

1.5 LIMITATIONS OF THE STUDY

The research will be conducted in one of the banks in South Africa. The focus of the study will be on all the business units within the bank, i.e. Business banking, Premier banking, Consumer banking and Support. The study will exclude International banking.

1.6 THE SIGNIFICANCE OF THE STUDY

The information obtained in the research will be used to implement risk identification and control assessment, which are linked to processes that are documented end-to-end. Furthermore, it will assist in the proactive identification of threats and vulnerabilities, to ensure that effective controls are implemented.

1.7 ORGANISATION OF THE DISSERTATION

This dissertation is organised into five chapters as follows:

Chapter 1 – Introduction and background to the research study, which includes the problem statement, the main objectives of the study and the significance of the study.

Chapter 2 – Presents a detailed view of the literature review, focusing on the development, reviewing and revamping of processes, as well as on the benefits of business-process management.

Chapter 3 – Presents the research methods, the data collection and the design of the questionnaire.

Chapter 4 – Presents the response obtained from the questionnaire and the analysis and validation of the results, as well the analysis of the data collected from the audit reports, lost-data reports, crime-investigation reports and risk reports.
Chapter 5 – This chapter is dedicated to the conclusion and recommendations of the dissertation.

1.8 SUMMARY

Processes govern the operations of a business. They improve business performance by driving operational excellence. Shedding fresh light on processes can assist the bank in recognising and eliminating inefficiencies, in order to benefit the bottom line. When processes are running efficiently, effectively and they are aligned to strategic business objectives, the bank can be more profitable and competitive.

The bank is incurring financial losses and suffering reputational damage, due to ineffective risk-management approaches; as it cannot proactively identify threats and vulnerabilities. Risk assessments are often conducted in siloes; and they do not take into consideration the strategic objectives of the organisation; and they are poorly constructed and do not include an end-to-end value creating of the organisation.

There is a significant opportunity to improve the risk-identification process by implementing a risk-management approach that is directly linked to the end-to-end processes within the bank. This study seeks to explore those opportunities that would move the bank towards its strategic goals, while operating in a reduced risk environment.
CHAPTER 2
THE LITERATURE REVIEW

2.1 INTRODUCTION

Dynamic capabilities allow organisations to integrate, develop, design and reconfigure internal and external competencies, in order to keep up with the constant changes in the business environment. (Teece and Shuen, 1997). This is the ability to execute innovative ideas to lead in a highly competitive environment (Wheeler, 2003). These options must be continuously reviewed and evaluated for an organisation to meet the criteria of being a “great business”; fundamental to this execution is a process within the organisation.

Business-process management includes analysing, implementing, executing and monitoring controls and ensuring continuous process improvements (Wiley, 2012). Business-process management improves businesses’ potential, even when awareness of the processes and their capabilities is non-existent. Processes in an organisation would have a positive and lasting impact on the business, if they are linked to the business strategy.

Inadequate processes directly impact customer service and customer satisfaction (Hostetler, 2010). This becomes particularly evident when there is an increase in customer complaints and queries.

Automated processes are required for the constant changes in an organisational environment. In the modern business environment, collaborative processes are driven by agility, adaptability and flexibility. The literature review for this dissertation will focus on the topics below which should provide the necessary insights into how businesses processes can impact the strategic objectives and literature, answering research questions, and thereby providing evidence of what is known about the research.

- Business processes and strategy
- Business processes and new ways of working (agility)
- The link between business processes and risk management
• The benefits of implementing business-process management within a business
• Business processes and operations management
• The impact of business processes on customer service

2.2 BUSINESS PROCESSES AND STRATEGY IMPLEMENTATION

According to (Cilliers, 2018), the vision of X is to be more than just a traditional bank, but also to be a financial-service company that facilitates a customer’s life. It aims to be a data-driven organisation, enabling hyper-segmentation (target market of one) and exponential relationship management (proactive advice). By using a holistic platform that enables a great customer experience through digital self-service and convenient banking. To provide innovative banking products delivering individualisation solutions, trusted money management, new digital-age products, some of which is co-created with external partners.

This is underpinned by flexible employees who are skilled as specialists, rather than administrators and a strong integrated governance capability that builds trust. Global competitiveness and customer-centricity are vital for an organisation to maintain a competitive advantage. Even though organisations are innovative, if the delivery of goods and services is not provided within required customer expectations, customers can be lost, thereby losing that competitive edge. Therefore, efficient and effective process is required to support the delivery of these products and services.

Processes are the only way to effectively link people, systems and the internal and external environment to produce the expected outcome; since without processes, a business cannot function efficiently and effectively and move toward achieving its objectives (Wei, 2014).

According to Burton (2015), the key role in managing business processes is to ensure that the developed processes are linked to the strategic objectives of the business. The continuous management of process changes must be aligned to the strategic objectives and not to the manager’s personal requirements. Resources must be made available to consistently ensure that value to customers is enhanced, within the stakeholder demands and the regulatory requirements.
An organisation should focus on managing business processes, in order to draw a clear distinction between themselves and their competitors.

Organisations that manage processes end-to-end and that vary from customer to customer can focus less on organisational structure and functional areas (Reijers, 2006). This can be achieved by constantly identifying improvement opportunities within processes; as customers' needs always change. Focusing on processes assists in managing processes that span across functional areas (Armistead and Machin, 1998). Processes that have articulated well are important for quality outcomes, regardless of the type of industry the business operates within; since process management includes discovery, design, deployment, as well as optimisations etc (Smith and Fingar, 2003).

Business processes have a positive impact on business performance. Continuous process improvements are important strategic drivers; and they add value to business operations (Wilshaw and Dale, 1996). Process improvements further sustain the improvement of existing processes (Bessant and Francis, 1999; Skrinjar and Trkman, 2013).

Focusing on processes concerns people and therefore culture (Hinterhuber, 1995). Corporate culture is an important factor in any organisation, yet it is regarded as a soft success factor for the survival of a process-orientated organisation and business-process management (Rosemann and von Brocke, 2010). People and processes combined produce an output (Armistead and Machin, 1997). Strategy and structure alone are not sufficient; traditions and morals also affect organisational activities. As a business changes, so there is a need to change the process designs. The ability of an organisation to change depends on its employees.

An organisation requires a culture that values teamwork and processes that cut across the business, in order for the customers' requirements to be met.

The ownership of processes also plays an important role in an organisation, when implementing processes. The process owner guides and controls end-to-end processes to ensure competitive edge and efficiency across all the process activities (Skrinjar and Trkman, 2013). It is the responsibility of the process owner to design and maintain processes, including monitoring, optimisation and innovation. Process ownership is a permanent role – and not only when there is a crisis; since process-
management is an ongoing function (Mendelssohn and Howell, 2010). Process owners must make resources available that are able to advise management when changes need to be made to processes, according to the changes in customers’ needs (Hammer, 2007). Process owners must have the authority to make changes to processes, in order to improve business-process efficiency (Hinterhuber, 1995).

Well-performing processes can only be designed and rolled across the organisation when they are fully supported by senior management and all the other functional areas (Hammer, 2007). The idea of process management cannot reach its potential without top management’s commitment and buy-in (Hinterhuber, 1995). Management must have a common understanding of process initiatives, in order to secure benefit (Edwards, Braganza, and Lambert, 2000); and they must be actively involved (Skrinjar and Trkman, 2013).

Executives buy into processes and their commitment to improving processes is essential; as they control the organisation’s resources (Ahire, Golhar, and Waller, 1996).

By focusing on process measurement rather than functions, focus across business units can be aligned (Hammer, 2007; Hemaus et al., 2012). It is important not only to focus on the measurement of processes (Braganza and Lambert, 2000), but an indicator must be designed using process objectives based on the business objectives, as well as the customer processes. This is required to ensure that processes and strategy are consistently aligned (Kiraka and Manning, 2005).

Everyone in the organisation, regardless of the position held, must be aware of the organisation’s processes and their importance. This includes relationships, inputs and outputs. Adequate process knowledge is essential for the staff to see their activities in the overall process, in order to meet their requirements in terms of process-oriented structures (Hammer, 1997). Knowledge can be transferred across the organisation by ensuring that all the processes are documented and modelled, based on the internal and external environments (Hinterhuber, 1995).

Strategic planning must begin with a view of the outlook on the future; and it must be part of the organisation’s vision statement. Anticipated change depends on the current state of the business; and it can be incorporated into the mission statement of the organisation. As part of developing an organisational strategy, business processes
must be designed, considering the value chain of the various functional areas, thereby supporting the management processes that add value to the organisation (Prahalad and Hamel, 1990).

Processes that are not effective hamper customer service; and they will ultimately affect business profits. Lean six sigma approaches applied to processes can help with the identification of waste within the process, and thereby drive process improvements. Efficiency can be measured by using metrics that understand both internal and external customer requirements and the steps that a business can take that would add value and use lead-and-cycle time more efficiently. The lean six sigma approach includes identifying internal and external customers' needs and ensuring that business processes support them, increased workflow by identifying and eliminating steps that are of no value, and that leave room for error. Work teams and groups participate in ongoing analysis and ensure continuous improvements and defining, measuring, analysing improving and controlling processes (Hostetler, 2010).

The table below depicts four factors to consider for a successful business. The factors combined can assist in sustaining operational excellence.
2.3 BUSINESS-PROCESS MANAGEMENT AND RISK MANAGEMENT

Business processes are important for risk managers, managers and auditors, in order to assess the effectiveness of a business’s internal financial controls. (International Auditing and Assurance Standards (IAASB) 2006, ISA 315, paras. 30-34). To maintain business value, a flexible governance structure must be established that will protect both business and performance goals within group policies, processes and controls.

Business processes linked to risk-management processes are of great interest to managers. A study by a research group highlighted the following:
• Management understanding of risk in processes, such as operational risk, IT risk, financial risk etc. varies amongst business units within the organisation. And this impacts on the management of these processes.

• There is no method or modelling tool that can consistently define risk across the distinct levels of process architecture. How to map and describe risks must be integrated into the process-modelling tool.

• How risk is evaluated and managed in business is changing, due to constant changes in how businesses operate locally and internationally. Understanding these changes is important, as they may impact on business processes.

• Risk materialisation and the resulting effect costs money, and so do risk management and controls. It is important that an organisation measures risk versus reward. The cost of mitigating risks in a business process must be assessed against the cost of allowing the risk to materialise and the cost spent to fix the controls (Ifac.org, 2019).

Business processes in an organisation is where risk can materialise, data is generated, and controls are applied. There is a close link between business processes and risk. Risk management must be considered when redesigning processes. Risk management is also a business process that must be managed by business units. Although processes and risks are linked, they must be managed separately in an organisation (Muehlen and Rosemann 2005).

Risk management assists with mitigating or reducing risk exposure; but it can also create performance growth opportunities (Ward and Chapman 1994). The risk-management process consists of three levels. These are mainly to identify, analyse and control the risks (Kliem, 2000). Risk can be defined as the effect of uncertainty on objectives. Therefore, it is not easy to frame risk in an exact way. Risks can be characterised by determining the impact, likelihood, time-frame and the associated risks. As risks are generally linked with negative outcomes, the difference between risks and issues is not always clearly articulated. The risk may not always be a problem; but it can become a problem when making incorrect decisions.

Yu et al. (1999) also discussed various models, which are forward-looking and assess the impact and the criticality. The prioritisation of risk and the cost of risk can be used to identify risks within a process. Using manual procedures, a human error criticality-
analysis technique is used to determine the possible human error in a set process; however, the technique only provides an error rate with probabilities; and it does not integrate with other modelling techniques.

According to COBIT framework, there is a link between managing risk and managing processes and controls (COBIT 4.0 in ITGI 2005). The COBIT framework takes into consideration the monitoring of business and the application controls.

Based on the above, there is a need for more guidance with regard to risk awareness-management principles. Risk management should be integrated into business architecture and business-modelling tools and techniques.

Risk management is about the identification and the implementation of effective controls, in order to prevent a risk from materialising.

Business operations, reporting and compliance must be linked to an organisation’s strategic objectives. The figure below is indicative of how risk management and internal controls take place within business processes and the information system environment:

![Diagram showing risk management and controls](image_url)

Figure 4: Risk, regulatory risk and controls integrated into business processes
Most risk-management failure is not because of available risk tools, models, approaches, processes and methodologies but because of a lack of weakness in execution, a collaboration between key management and integration among monitoring disciplines, as well as a bridge in oversight (Bojan, 2010).

Organisations have invested in infrastructure, risk tools, management and monitoring and reporting models as a foundation for risk management. However, these conventional approaches are not able to address the complexities of today’s ever-changing environments.

Financial managers require better guidance in terms of how to risk-manage the “how-to” within the organisation. Co-ordination, collaboration and integration must be integrated into an organisation’s business processes, which would also improve corporate governance.

The figure below illustrates collaboration, co-ordination and integration into business processes.

![Risk-operating model](image)

Figure 5: Risk-operating model
By focusing on integrating co-ordination, collaboration and integration into business processes, stakeholder engagement would improve, collaboration amongst teams would improve and risk-management would have a platform whereby it could provide a holistic view of the organisation's risks and how these risks could be mitigated, avoided or minimised.

Operational activities occur within processes, and so do risks, controls and monitoring processes. Process improvements allow proactive risk identification and appropriate controls that can be designed to respond to the identified risks, without impacting growth and opportunity.

It is important for the business to proactively identify risks and to design appropriate controls, and to ensure the implementation of mitigating controls. To achieve this, there is a need for transparency across the organisation, open and effective communication (do away with silos) and assign accountability and responsibility.

Organisations must contextualise the level at which risks, compliance and goal achievements can develop or materialise. The more defined the assessment is, the more accurate the result would be and the more mature the risk culture would be. Context is more around sub-processes, customers, projects etc. of the organisation.

Many organisations use business-process management systems to manage their businesses (Dixon, 2011; Dixon and Jones, 2011); Vollmer et al., (2018). Business-process management assists in reducing costs; and it improves the quality of the processes (Searle, 2011). The benefits of business-process management are achieved by understanding the end-to-end processes.

2.4 BUSINESS PROCESSES AND AGILITY

Business process agility has become a key focus area for most organisations; as processes need to be able to change, as business changes; and it must evolve, as well as changes according to customers' expectations. For a business to be agile, it requires the ability to affect changes within the process activities, people, job functions etc, as soon as there are changes in the business and stakeholder requirements (Alexopoulou et al., 2008). Organisations that focus on applying the agile approach to processes has increased; because process automation, as well as process-
information systems, have improved the efficiency and accuracy of process execution (Dumas et al., 2005).

As organisations operate in a highly competitive market and change is constant in the business environment, business process agility aids in business success; and it redefines value creation in competitive markets (Sambamurthy et al., 2004).

The idea of process agility is to entrust the control of processes to people that are dealing with it daily and who understand it best. Companies create complex solutions that require subject matter experts to modify and maintain them. Because a process is critical or confusing does not mean that the solution should be the same. Processes cannot be agile, if people don’t understand the system; and if they are difficult or complicated to maintain (Allanson, 2011).

To improve efficiency, organisations are automating a significant amount of customer processes and thus business processes are performed automatically with the support of information systems that are built on business-process management technology. Although processes are automated, there is still a gap in that organisation’s lack agility (John, 2005). This is as a result of organisations operating in highly competitive and changing environments that are influenced by improved technology and globalisation (Oosterhout and Hillegersberg, 2006). Improved stability within the business environment requires processes to be efficient, cost-effective and reviewed timeously.

Maximising revenue is the key objective of any company seeking to make a profit. Business-process management plays a significant role in modelling and simulating business processes; and it provides support in terms of making decisions regarding resource allocation and optimisation workflows. The Gartner CIO report of 2009 states that improving business processes must be an organisation’s number one priority. The optimisation of economically efficient and effective processes maximises profits. From an economic point of view, the reduction of execution times, efficient process activities structures and resource allocation are examples of how to improve and execute business processes.

Fishman (2009) states that initiatives based on technology enable organisations to coordinate activities within their business. However, even though efficiency can be
extracted from co-ordinated activities, the processes cannot identify and respond to possible events. Business networks can assist in performance by predicting the environment; however, this is not always easy under rapidly changing conditions.

Another business enabler is Agility, which requires the optimisation of processes across the organisation; and it drives a shift towards real-time business operations. These networks require five key enablers, namely:

- Customer needs must be identified and assessed, so that they can be adequately catered for across the business operations.
- Information must be filtered, aggregated and distributed in areas where it is required. Processes must be documented in a way that information across the organisation is shared and an agile environment is created. This would require effective decision making and governance standards.
- Being agile requires organisations to initiate, build and reconfigure relationships with other areas, as customer needs and business requirements change all the time.
- The distribution of products and services must be visible to resources, capacity and service levels where the activities would be completed.

The outcome and approach must be clearly defined, as measuring criteria for action plans, as well as ongoing improvements. Contracts and service-level agreements must be aligned to definite business outcomes.

According to Lamersdorf and Timm (2016), there are several traditional business process management and agile processes on which an organisation must focus, namely:

Level of repetition – The level of repetition in a process reflects how many times a process is repeated in a business. Repetitive processes are normally allowed to have a large budget for designing; since development expenses are shared amongst various business areas. Development processes and the process for designing processes are on the other end of the scale. These processes can ideally only be used once; and they cannot be changed. Processes with less repetition allow for collaboration between various areas. As these processes can only be used once
before they can be adopted and adapted, development cost is lower; since it forms part of a single-cycle budget business process.

Structuring of processes - There is a high degree of structuring in a business process if tasks and execution activities are described in an elevated level of detail. There is a low level of decision-making required; since there is adequate information to provide guidelines and standards for a definitive business decision, based on the data available, i.e. the processes for dealing with the issuing of credit facilities. This process contains adequate information and rules to make decisions about granting credit. Although there is the potential for human error, the results are definitive; and no independent review is required. Structuring is a key component for process management; as it reduces the possibility of human error and impulsive decision-making.

Business processes that are entrenched in the organisation's objectives would result in the successful achievement of these goals. However, not all processes can be structured. In many instances, the business is reliant on the clear thinking and knowledge of employees to achieve its objectives. This is particularly the case for processes that are creative; and where processes, which are too flexible, may impact the main objective of the process.

Value to the business – Value to the business is representative of their business processes. High-value processes are essential for the success of any business; and in some instances, they even determine the continued existence. High-value processes are core to the business strategy; and they are a direct contributing factor to the value that the organisations bring to their customers. Business processes for offering loans to customers, for example, are a key process to the bank; as offering loans is one of the key functions of the bank. Processes that have a low value do not directly impact on the organisational success; but they enable key processes that do, such as support processes, e.g. HR, Finance, IT and such processes.

Ad-hoc Business Processes – have a low level of repetition and low business value. These processes are only used when required; and they are ideally used for administrative functions, such as the review and approval of transactions. The
processes are not normally structured; and they can differ from task to task. An example of such a process is those processes that are intended for information purposes only. There is no advanced planning of these processes; and they are executed several times. The value of the process is low; as it does not contribute directly to the core of the business.

Administrative processes – These processes are typically administrative tasks, which the organisation is required to perform. An example of such a process would be ordered approvals; while the ordering of products may be key to the business, the approval part of the process does not directly contribute to the core of the business; and consequently, this has a low business value. This does not mean that the process is not important; but that they are repetitive in nature.

Production processes – are high in value to business and high in repetition. The processes govern the external output of the organisation. In an organisation that is driven by service delivery, it involves tasks, such as dealing with claims and the handling of customer queries. Production processes are the core of the organisation; as they contribute directly to the business purpose. Producing digital products for a business that is digitally oriented, and printing books for a printing company are examples of the production process in a business.

Collaborative processes – include strategic and long-term planning with regard to the future of the business. For example, the banking industry must constantly evaluate new products and services entering the market. Failing to keep up with constant changes in the market may result in the loss of market share. These processes are however long term, with the execution thereof ranging from months to years. Collaborative processes require human intervention and interaction to achieve the organisation's goals. Collaborative processes require creativity; and they are often loosely organised, as with ad-hoc processes. Collaborative processes are low in structure and repetition.

The figure below describes the long-term autonomous processes that are particularly challenging to business-process management, due to the varying requirements from production to administrative processes.
2.5 BUSINESS-PROCESS BENEFITS

According to Yu-Yuan Hung (2011), Business-process management is the best management practice to assist business in maintaining a competitive advantage. Constant changes in the markets and increased competition create new challenges for organisations all the time. For organisations to survive in this ever-changing time, they need to constantly improve and optimise their performance. Business processes that are well managed increase performance and efficiency across the organisation. Processes that are successfully implemented bring significant benefits to any organisation, such as improved understanding of processes and controls, as well as improved business performance (Stumberger and Vuksic, 2009).

Business-process management can be successful if the goals thereof are predetermined and continuously met, both from a single- and long-term project-scope.
perspective (Bandara et al., 2009). There are considerable benefits to be obtained, when adopting a business-process management approach. One benefit is changing from a functional to a process-oriented organisation, focusing on the customer. Process ownership must be established and key performance indicators (KPIs) must be established, in order to measure the efficiency and effectiveness of processes across the business. Furthermore, core and support processes must be connected to identify process-improvement opportunities; and these can be achieved through continuous collaboration between process mappers and process owners.

Business-process management is important, in order to ensure that processes are run optimally and provide clear visibility on how effective they are. For this reason, it is important for process workflows to be well managed. There are three main reasons why organisations should invest in business-process management, according to Education blog by ECA (2017):

- Business-process management improves processes by eliminating human intervention; it decreases manual efforts and it drives standardisation in the overall performance of the organisations. By having a full view of all processes, it is easier to identify any inefficiencies and to reduce them.

- Automated processes are more effective than manual processes. With a business-process management system, better decisions can be made; and they can be made faster. The execution thereof would be more consistent; and exceptions can be dealt with more speedily. This is important when seeking to create a positive customer experience. Processes that are managed well and aligned with an organisation's strategic objectives can increase profits; and they maintain the competitive advantage.

- Companies that are agile survive in a highly competitive environment. Processes that are flexible and adaptable to market changes, regulations, stakeholders' demand and customer expectations outperform their competitors. Being flexible and adapting to change quickly is an essential ability for any organisation, regardless of the size and the type of industry within which it operates. Business processes produce operational and competitive excellence.
Figure 7: Business-process optimisation and automation

Why should organisations implement business-process management?

Processes are implemented by organisations for various reasons, according to Uwem (2016):

- To improve efficiency and productivity by automating repeatable workflows, which remove the bottlenecks.
- They improve agility, by adapting to change quickly, making progress and staying ahead, thereby implementing business-process management.
- Cost reduction can be accomplished by streamlining the processes and reducing the cost of the operations.
- They can improve the bottom line by spending more time on productive activities that translate into higher profits and reduced waste.
- Better visibility allows the business to monitor and control its processes better, thereby making it easier to identify and remove the bottlenecks.
- Automated activities, simplified processes and easier access to information should lead to a happier workforce.
- Enhanced designs, execution and monitoring reduce the risk of fraud.

The success of business-process management is dependent on the level of commitment and the drive executed by management (Jeston and Nelis, 2014). These authors go on to say that people determine the success of any business process activity. Even if a business has the most efficient and effectively designed processes
– unless it has the buy-in of people, it has nothing. People must be included throughout the development phase of processes. People must be listened too, communicated with on a regular basis and trained. If people do not understand the processes they cannot be expected to take ownership and the responsibility for the processes.

In the current working environment, organisations do not only require top performance; but they must be able to adapt to new market conditions (Becker and Kugeler, n.d.). Organisations that are flexible will survive in a continuously changing environment. Processes that are not structured will not adapt to the fast-changing environment. Processes that are structured show the handoff points to other processes, without losing their overall context. Structured processes are detailed at a functional level; and they make the links between steps more transparent, which enables employees to understand processes better. Furthermore, they make it easier to identify any improvement opportunities.

According to Blueprint OneWorld (2018), there are 6 benefits to be obtained from process management:

- **Agility in business can be improved** – Organisations must be able to respond to constant changes in a competitive environment. These changes can be brought about because of changes in technology, new market entrants, new and changed regulatory-compliance requirements, changing the way business is conducted. Whatever the changes, organisations must be able to adapt quickly, in order to compete in competitive markets. By adopting the process-management approach, organisations should be able to adopt these changes at the required speed. This approach would also allow the business to update and change its processes, as and when required. Business process management designs are flexible; and they allow the business to redefine the processes, according to its immediate needs. As the process’s changes, the documentation thereof allows managers to determine the impact that changes may have on the overall objectives of the business.

- **Efficiency is improved** – The biggest challenge faced by organisations is the ability to ensure that their processes operate efficiently and effectively. Those processes that are not efficient increase unnecessary spending; and they consume more time. However, these processes are generally more difficult to identify and change.
Business-process management allows for these processes to be identified; and it assists in more readily eradicating the inefficiencies it creates. It gives managers and employees the opportunity to understand the steps within the process better; and this may result in more effective process solutions; and it should also eliminate any bottlenecks. Process management assists in better optimisation of the processes, which allows for changes to be made with the organisation's end goal in mind. Business-process management further assists in automating manual intensive tasks, which would improve productivity and eliminate or reduce any human errors.

- It creates better visibility – Business-process management uses upgraded software that monitors, and tracks processes end-to-end. It tracks processes that have been automated, as well as the effectiveness of each activity in real time. The tracking of processes that are automated highlights how the processes are performing – without being dependent on human interventions and manual activities. By tracking the performance of activities, one creates a better understanding of each activity in the process; and this assists in adopting and adapting the process flow more easily within the required time.

- It ensures regulatory compliance and security – Regulations affect the productivity of a business; and they may result in fines and penalties. Business-process management creates an environment that is compliant with regulatory and security requirements; and it reduces the risk of theft and fraud. Processes that are mapped with an end-to-end workflow allow managers and employees to ensure that all the relevant documentation is in place to meet the regulatory obligations. In addition, the detailed workflows also assist with security requirements, which protect business assets, information assets and resources from possible theft and fraud (internal & external).

- Transfer of business knowledge: As an organisation grows and expands, so does the need to transfer reliable business knowledge. Organisations place significant reliance on individuals to understand their key processes. However, the large volumes in staff turnover make this an inefficient and costly exercise. As people leave the organisation, they also take with them their knowledge, leaving the organisation with a huge gap. Business-process management assists in eliminating this problem. Because it requires end-to-end mapped process flows,
knowledge can be recorded, stored and communicated with other employees. These recordings can be used as training, to transfer knowledge and to reduce the disruption that can be caused when people leave the organisation.

- Opportunity for continuous improvement – Ongoing improvement initiatives operate on the premise that business can make small incremental changes to processes, rather than once off the top-to-bottom changes. The information received by business process management allows organisations to adopt and to adapt to various business processes. Managing processes determines the decisions made to these small changes, ensuring that they are substantiated with artefacts and the information needed to ensure success.

The figure below highlights the 8 key benefits of documenting business processes.

![Diagram showing the 8 key benefits of documenting business processes](image-url)

Figure 8: The eight benefits of documenting business processes
2.6 BUSINESS PROCESSES AND OPERATIONAL MANAGEMENT
Operational management is the management of people, processes, technology and external factors that a business requires to produce products and services through the transformation of inputs and outputs.

As mentioned earlier, processes are interrelated activities that cross all functional areas in business with inputs and outputs. Most organisations adopt the business-process approach; because it allows flexibility to meet any changing external demands; the speed to market new products and services are faster; the cost is reduced; delivery is more reliable; and it helps to assess the quality of products and services in terms of consistency and capability.

Alignment between business objectives and a business's focus on its customers is required, in order to achieve a mature process-management culture. In Deming's "strive for consistency of purpose", he reiterates that it is important to focus on driving quality that is based on the organisation's purpose. Effective communication methods of the organisation's goals and objective are required in any successful business. The
implementation of strategy fails when the incorrect communication methods are used. Additionally, what was implemented is not always what was planned for (Zari, 1995; Easton, 1993). The activities that are performed in a business comprise the processes that are applied across all the various functions. However, these approaches become problematic, when delivering a service to customers; since handoff points are subjected to territorial and ineffective communication methods (Edson and Shannahan, 1991). Customer satisfaction is improved, when process management is applied in business, and when the managing of vertical functions is limited (McAdam, 1996). There is a need for organisations to move away from traditional functional approaches to more clearly defined customer-centric processes.

For a more mature business process management culture, processes must be designed, prioritised, managed, controlled and monitored in a systematic manner that would give an organisation the competitive edge. The performance of a business in a competitive environment is dependent on how dynamic it is, as well as its capabilities. To improve the process culture in an organisation, the following can be adopted, according to Zairi, (n.d.):

- Key process activities must be managed and continuously improved, to ensure the ability to deliver high-quality standard products and services.
- Organisations must strive for operational excellence and encourage innovative ideas, in order to improve and optimise processes.
- Process performance must be measured by setting targets for improvement and measuring products and services, processes and supplier capabilities, as well as efficiency and effectiveness in terms of cycle time, quality standards and cost reduction.
- Continuous measurement and improvement of business processes will determine the design effectiveness of the process. It will ensure the best practice through the benchmarking of information and valuable input from the customers.
- Process management strengthens activities through best practice; and it ensures that internal standards and performance meet the competitive requirements.
- Systematic process methodologies supported by the problem-solving methodologies strengthen newly designed processes; and they create a link between functions, as well as ensuring maximum performance.
Executive management must take ownership of business-process management in an organisation; as it is responsible for determining the purpose, vision and strategy of the organisations, as well as ensuring that the correct processes are designed and manage performance, in order to optimise contributions (Harrington, 1995). This author further states that employees must operate within the process; and management must work on the process. Process-improvement efforts and supporting systems must be aimed at the process, and not at individuals, which means that functions must work together to improve efficiency, effectiveness and the adaptability of the total process.

To respond to changes in market conditions, learning processes are required to build flexibility to reconfigure and transform processes. Organisations must constantly be aware of changes in their environment and regulatory changes; and they must adopt an agile approach to compete with a constantly changing environment (Teece et al., 1997). Furthermore, organisations are constantly required to operate more efficiently and to ensure that operational processes are effective (Slack et al., 2004; Hill, 2005). There is a need to deliver products that add value to customers and that are of exceptional quality, on time and at the right price. Organisational effectiveness is the primary driver of business performance (Wheelwright and Bowen 1996; Slack et al., 2004). Operational effectiveness is the ability to establish processes based on core capabilities that work well together; and on process performance that is improved by controlling and measuring the processes. Better use of resources enables organisations to eliminate waste, reduce cost and adopt appropriate systems, in order to outperform competitors (Porter, 1996).

For an organisation to be operationally effective, it needs to be flexible, to reduce costs, to focus on quality improvement, to be reliable and to deliver goods and services timeously, when needed (Hill, 2005). In order to decrease the cost of operating, process inefficiency must be eliminated. Improved quality breaches the gap between what the organisation offers and what the customers demand. Flexibility is the ability of the organisation to respond to changes in customer demands (Slack, 1991). Delivering more speedily shortens the time between service and delivery request (Hill, 2005). Reliability is when an organisation's processes perform consistently over time; and when the customers are satisfied with what has been delivered (Porter, 1996).
When implementing innovative technologies, there is a need for management to identify specific sets of organisational capabilities, in order to transform core managerial competencies (Hammer and Champy, 1993). A radical rethinking of a business process achieves dramatic improvements in the critical areas of cost, quality, service and speed. Business process re-engineering changes the way work is done, the structure, the culture and the behaviour of workers across the organisation (Davenport, 2000). Organisations cannot compete across all activities. They need to select appropriate performance objectives, in order to create a competitive advantage (Russel and Taylor 2005).

According to Alzoubi and Khafajy (2015), there are various process-measurement approaches that can be taken to improve the performance of an organisation. It is important to choose an approach that meets the following performance requirements:

- It must be able to identify organisational rules and criteria that are critical and that can contribute to the success of the business.
- To establish a supply change starting with the organisation's customers, the internal process must change, as well as what the external service provides.
- Identify the hand-off points that must be controlled for each process activity.
- Begin with customer processes and identify the key failure points within each activity.
- Design and implement structural processes that would be able to measure the performance of the supply chain through the vertical structures.
- Identify any performance mismatches, which might affect the operational-supply chain and the business goals.
- Encourage process improvements and changes for operational processes that should achieve an elevated level of performance.
- Ensure improvements that consider the external benchmarking and the organisational goals.
- When designing measurement systems, ensure that the "who" is identified and ensure that the relevant actions are taken.
- All process measures must be validated to ensure that there is no adverse impact on performance that would be associated with incorrect rules, inconsistencies and differences.
Business process re-engineering projects fail because of initiatives being done in isolation; and when not considering the necessary quality improvements and ongoing monitoring to ensure that those performance standards are sustainable.

The figure below shows the relationship between various process-management approaches, such as business-process re-engineering (BPR), business-process management (BPM) and Workforce management (WFM).

![Diagram](image)

Figure 10: The relationship between various business-process management approaches

### 2.7 The impact of business processes on customer service

Managing customer relationships positively contributes to achieving overall strategic objectives, such as increased customer satisfaction, more loyal customers, better cross-selling opportunities, as well as more exposure through word-of-mouth advertising. Better customer management does not only improve business performance; but it also assists with creating a better customer experience strategy to improve customer satisfaction. (Krasnikov and Kumar, 2009).
Providing superior service to customers in a competitive market is essential. The need to be the market leader in the banking industry forces banks to focus on retaining customers, and on retaining loyal customers through exceptional customer experience. The customer-experience framework, according to Botha and De Vries (2018), can assist businesses to improve customer satisfaction through processes that are focused on customer-centricity.
Figure 11: Enhanced Customer experience framework (Botha and De Vries, 2018)
Stage 1: Development of framework objectives:

The objective of the framework focuses on improved customer service through efficient and effective business processes. It is important to determine where the gaps are from a customer-experiential point of view. Based on the gaps identified, the business should determine, as part of its strategy, which market to penetrate first.

Stage 2: Identification of key business processes and definition of key performance indicators for each process

Botha et al. advise that it is important to know which business processes have a direct impact on customer experience, and to ensure that they are documented accordingly. Business can map out the value chain that links business activities to customer value and business profit. The value chain can also assist with the identification of key business processes, as well as the identification of hand-off points.

Stage 3: Collecting customers’ data

Customer data must be gathered to determine customer requirements in conjunction with priority ratings for the internal business processes identified. The business may use face-to-face interviews, surveys, telephonic conversations etc. to determine customers’ needs.

Stage 4: Linking business processes to customer requirements

Business processes must be linked to customer requirements, and businesses can use the quality-functional deployment tool to link processes to any requirements. The tool can further assist in determining whether the requirements are adequate to meet customers’ expectations.

Stage 5: Prioritising business processes, based on impact and performance
According to Gustafsson and Johnson (2009), processes must be prioritised, based on how they perform and how important they are. To assist with this process, businesses can make use of their strategic satisfaction matrix, which divides processes into four stages, based on their impact on customer experience and business performance.

Stage 6: Estimating the performance level of the business process

It is important that the required performance levels, based on customer requirements are determined, prior to initiating any process improvements. Performance levels can be determined by understanding which services in the market satisfy the same customer needs. This can be determined through a benchmark exercise; to compare the performance of the organisation against that of similar organisations in the industry.

Stage 7: Specifying improvement initiatives and testing the impact on customers' experiences

What if scenarios can be utilised to improve the performance of processes against key performance indicators identified for each process? The scenarios can be identified and tested to determine those initiatives needed to improve processes. The initiatives can also be used to determine the cost of each initiative, and to assist in selecting the most suitable solution.

Based on the above, there are several advantages to using the customer experience framework and it can assist with the following issues:

- Defining products that meet customers' requirements and at the same time focus on what competitors are doing.
- Assist in determining the relationship between the quality of output of each phase and the quality of goods and services delivered to the customers.
- Ensuring consistency between customer requirements and products and service attributes.
• Minimising errors when interpreting priorities and objectives.

Business processes create a competitive advantage; and they may even be an asset for business, if they are applied in the correct manner. Processes can make a business stand out in comparison to its competitors. Customer relationships can also be improved if the business co-creates processes with customers. This also gives a better understanding of what the customer needs by creating more value for the customer (Warsinske, 2018).

Building and maintaining enduring relationships with customers can be achieved when customers find it easy to do business with an organisation. This enables the business to stay close to customers' needs and to focus on cost, convenience and effective communication, rather than on the pricing of products etc. Process effectiveness can be achieved when employees are able to assist customers directly using their own instincts. Adopting data-driven process improvement, and using different tools and techniques to ensure those customer transactions that does not have any errors would improve the customer’s experience. Customer-centricity should be the focal point of any strategy. Every time a customer encounters anyone in the business, they should feel as if they are talking to the same person. This can be achieved when processes are consistently applied across the organisation. Dealing with customer-service complaints timeously is essential to managing excellent customer service (Cdn.ttgtmedia.com, 2018).

Improving processes can result in direct savings for any businesses-support processes. But the best benefit comes from how the customer perceives the organisation in terms of customer experience. Improved customer experience and a credible reputation can bring about significant savings and an improved market share.

A study conducted by Trkman et al. (2015) shows that business-process management and customer-service process design are not always considered as part of understanding customer requirements when developing and designing internal and external processes and the interaction between the two.
By expanding the service-process design to include internal customer processes and business-process improvements, the customer processes allow the organisation to close the gap and to focus on what the customer needs.

It is difficult to balance standardisation and flexibility. To improve customer experience, service must be customised to a certain extent. To deal with these complexities, organisations must consider which processes should be customised, and where flexibility should be permitted, and where not (Hall and Johnson, 2009). Success will be determined based on the ability to balance between the standardised internal and external processes.

Furthermore, according to Flint (2005), insights can be derived from customers with regard to what they need. Through understanding the end-to-end internal and external processes, an organisation can improve and link processes from either side. Understanding processes that impact customers may result in identifying interaction points earlier, between customer processes and service-delivery processes, thereby allowing more time to intervene and to implement process-improvement strategies.

According to Gersch (2011), Managing business processes improves the value proposition to customers. In many instances, even though customers are a business's most important asset, most processes, new and improved do not consider the customers' needs and the impact they may have on the customer. It is important to integrate customer requirements into business-process management. By integrating the two, one can optimise the service delivery to the customer, and this would assist in increasing the organisation's profitability.

Focusing on what the customer wants is not always sufficient; without documented processes, organisations would not always know what a customer needs. Expanding customer requirements into customer-focused processes has several advantages and risks, such as:

- The ability to create and sustain a competitive advantage. A process cannot create a sustainable competitive advantage in isolation. Process optimisation and managing processes can create a competitive advantage because, being a customer-oriented organisation, it is difficult to mirror; and this creates complexity in influencing the processes' performance (Ray and Barney, 2005).
- The integration of the processes reverses the cost to the customer.
• As there is a better knowledge of what the other is doing, there is also an increased risk of copyrights and cross-functional integration.

• Focusing on customer needs and requirements and committing to solving their problems can create, a risk for the organisation providing the services. However, they would be able to reap the benefits in the future.

There is a clear indication that organisations must ensure that customer processes, and the way products and services impact these processes, are considered. Organisations must develop their service offerings by having a clear understanding of what their customer needs, and developing and designing processes in a way that would add customer value.

Sarkar (2017) identified 10 reasons why people do not adhere to business processes. One of the research questions, is to establish why employees in the bank do not adhere to these processes. He goes on to explain the following:

• People may not believe in the business processes. Conflict is often created, when there is a misalignment between what people are taught to do, in contrast to how the process works. Effective communication is the key to convincing people what needs to be done, when it needs to be done, and how it must be done.

• Employees are often not aware of how their work impacts on the customers, especially when they do not work directly with the customers.

• When employees are not part of the process design, it is difficult for them to take ownership of the process. Collaboration when designing processes is important, especially with those people that are directly involved with the processes.

• When there is no consequence management in place for when processes are not adhered to, the employees would feel that they can get away with this lack.

• Process non-adherence can also occur, when employees try to do processes differently, in order to be more efficient and effective; and they forget that they need to follow a formal process if they want to change the way things are done.

• Training on new and changed processes is important, in order to avoid unnecessary errors.
• Employees need to see the bigger picture of where the organisation is going, and how their work fits into the bigger picture. When people feel that they do not add value in the organisation, they may become disinterested in what they do; and they then become careless with process adherence.

• Employees must be engaged in the organisation. This should make them excited about adhering to established processes.

• Employees take short cuts when processes are too difficult to follow.

• To provide superior customer service, employees may deviate from the standard processes.

2.8 SUMMARY

The strategic objective of the bank is to be the leading financial-service organisation in, for and across Africa, delivering exceptional client experience and superior value. According to Wei (2014), customer service is playing an extremely important role in gaining the competitive advantage. If the delivery of products and services cannot be done on time, and the responses to customers are slow, the customer would be lost; and the competitive advantage would deteriorate. Efficient and effective management processes are required to support product and service activities, in order to the achieve competitive advantage. In any organisation, processes are the only effective link between business divisions, people and resources, in order to produce an expected outcome.

From the literature reviewed, it is evident that there is a tight relationship between processes and risk management. The business processes of the organisation are also where risk can materialise, where information is generated, and where control activities are carried out. The purpose of risk management is to reduce, or mitigate, any potential risks; while at the same time offering opportunities for positive improvement and performance (Ward and Chapman 1994). In the absence of documented business processes, it is difficult to identify effectively and proactively, to assess, prioritise and reduce the risks in the organisation. And this could result in financial losses.

It is beneficial for an organisation to have documented processes; but it is also important for the organisation to have the ability to effect changes in the processes in
a timely manner, in response to any changes in the business environment and in stakeholders’ needs (Alexopoulou et al., 2008). This is referred to as process agility, which has been a matter of interest for numerous researchers (Milanovic et al., 2011; Van der Aalst et al., 2009; Snowdon et al., 2007; Pesic et al., 2007; Daoudi and Nurcan, 2007; Reijers, 2006; ShuiGuang et al., 2004; Rinderle et al., 2004; Mangan and Sadiq, 2002; Millie and Balasubramanian, 1997). The key to process agility is placing the control of the process in the hands of the people close to it (Allanson, 2011). According to an Education blog by ECA (2017), there are at least three reasons why companies should invest in business process management: It improves processes by eliminating the influence of the human factor, reducing manual effort; and it drives standardisation in the overall performance of the business; since when processes are automated, they become more effective; and only agile companies survive in a highly competitive business world.

When the processes are flexible, it is easier for the organisation to adapt to changes in the market situation, regulations, stakeholder demand and customers’ expectations.

Business processes improve operational efficiency; as they increase the flexibility in the organisation to meet external demands. They address the speed to market products and services, as well as the response to customers’ demands. They facilitate the reduction of cost; they increase the delivery of reliability; and they help to assess the quality of products and services in terms of consistency and capability. For any organisation to meet the objectives, it needs to pay attention to its operational effectiveness; as this is the primary driver of business performance (Wheelwright and Bowen 1996; Slack et al., 2004).

Operational effectiveness refers to the ability to establish processes, based on the core capabilities within the organisation that work well (Porter, 1996).

Research shows that there are several reasons why employees do not adhere to processes i.e. difficult processes, process deviation to meet customers’ needs, employees that are not engaged, lack of training, employees not seeing the bigger picture etc.
CHAPTER 3
THE RESEARCH METHODOLOGY

3.1 INTRODUCTION

The methodology used is qualitative, based on an exploratory research design, which assisted in gaining an understanding of the current situation in the bank with regard to processes, as well as assisting in identifying solutions to close the gaps. Primary and secondary data sources were used to inform the research. The primary source data included a survey that was administered; while the secondary source data included the interrogation of internal audit reports, fraud investigation reports, internal loss data, customer complaints data and process maturity dashboards.

3.2 THE RESEARCH METHOD

In-depth insights for the study were obtained by using a representative sample of individuals from business units, as well as reports, which inform matters relating to processes within the bank.

3.3 THE RESEARCH APPROACH

As the research is qualitative, the approach was inductive. The approach to data collection and analysis was methodical; but it allows for flexibility. The information was collected in stages, instead of all at once. Processes were adapted mid-way to address any additional issues that were identified.

3.4 THE RESEARCH COLLECTION

The researcher made use of a questionnaire to obtain insights from various employees regarding the state of processes within their respective business units. Bank reports were analysed to obtain feedback; and recommendations were collected from auditors and investigators on where the process gaps are, and how they need to be addressed. Loss reports were analysed to establish the root cause of process non-adherence. The complaints data were analysed to establish the customers view of processes; and process-maturity dashboards were assessed.
3.4.1 The Primary Data

Questionnaire
The purpose of the questionnaire was to obtain a view of how the staff, in various offices, perceive the processes. The questionnaire is divided into 3 sections: (1) background information, perceptions and attitudes, as well as recent experiences with the processes. The questionnaire was tested with several staff members first, in order to ensure that the questions posed adequately address the problem being investigated. Once the questionnaire had been tested for relevance and validity, the final survey was distributed to a representative sample of individuals from various business units.

3.4.2 The Secondary Data

3.4.2.1 Internal Audit reports

Audit reports provide assurance to senior management pertaining to the effectiveness and the efficiency of operations, the reliability of financial reports and compliance with the regulatory requirements. The reports were analysed, in order to identify common findings and trends related to process non-adherence. Furthermore, the recommendations made by the auditors were considered for implementation.

3.4.2.2 Internal Operational Loss data

Operational risk losses pertaining to fraud and process losses were considered for the study. The data were extracted from the bank's risk-management tool storage. Operational risk loss data for the research were extracted for the period July 2017 to June 2018, which is aligned with the research schedule. The loss data were analysed to determine the root cause of the losses; and only losses relating to processes were considered.
3.4.2.3 Crime-Investigation reports

The crime and security area in the bank investigated all the criminal-related activities reported in the bank. The reports that had been issued by the investigators were analysed for the identification of process breakdowns. Only those reports highlighting process non-adherence were considered.

3.4.2.4 Customer complaints

Customer complaints are tracked and monitored centrally. Complaints data were analysed, in order to establish the root cause of customer complaints that have already been logged. Only those complaints relating to process failures were considered.

3.4.2.5 Personal observation

The researcher observed process maturity across all the segments by using the process-maturity dashboard.

3.5 QUESTIONNAIRE DESIGN

The purpose of the study was to establish why employees do not adhere to the processes and the proposed solutions to management to resolve their problems. A questionnaire was administered to establish the employees' views of processes in their respective business units. The questionnaire was simple, short, clearly worded; and it used yes/no and multiple-choice questions.

The questions were structured and grouped together, as follows:
3.5.1 Demographic questions:

For this study, the demographic questions included the job role, the business unit, the employment status and age.

The survey questions included both closed-ended and open-ended questions. The closed-ended questions included a list of predetermined responses, from which the respondent could choose their answers. Open-ended questions were limited for ease of use; and the respondents were able to answer the questions in their own words.

The survey questions focused on gaining insights into whether businesses processes are documented, easily accessible, whether they meet business/customer needs; and where the processes were not documented, it was established whether such documentation was required.

3.6 THE POPULATION

The research population included the bank’s internal audit reports, investigation reports, operational loss reports and process-maturity dashboards for the current financial year 2017/2018, focusing only on information relating to the processes. The study focused on the impact of not having documented processes on strategy implementation in a South African Commercial Bank; and it recommended workable solutions to close the potential gap.

3.6.1 Sample Size

The survey was distributed among a representative sample of individuals from business units and segments. A sample size of approximately one hundred (100) respondents across the bank was identified. The respondents were identified on the basis of their involvement with the processes within their respective business units.
3.7 SUMMARY

This chapter has covered the research methods used to gain insights into the problem identified, which is the impact of no processes on a South African Commercial Bank's strategy. It highlights the various sources used as inputs into understanding the problem better; and it recommends suitable solutions to solve the potential problems.
CHAPTER 4
RESULTS AND DISCUSSION

4.1 RESPONSES TO THE QUESTIONNAIRE

A questionnaire was sent out to 100 employees across the bank. A total of thirty-three (33) employees respondent across several BUs within the bank. Although the response was low, some good insights were gained from the employees, who did respond. The poor response could also be attributed to the fact that the employees were very busy; and they might have blocked their emails from receiving surveys. Further insights into the research were obtained via other forms of data sources, such as audit reports, crime-investigation reports and loss reports.

The questionnaire included only one background question relating to the business area they represent; as other background questions were not relevant to the research. Other questions included behaviour and experience (closed-ended), and thoughts on adherence to processes (open-ended) questions.

4.1.1 Responses to closed-ended questions

Question 1

To what extent are processes aligned with the business-unit strategy?
A total of 39% (13) of the employees believed that processes are aligned to a large extent; while 36% (12) of the employees believed that the processes are aligned to a moderate extent; and 9% (3) believed that the processes are completely aligned; and only 6% (2) believed that the processes are aligned to a small extent; while 3% (1) of the employees believed that the processes are aligned to a known extent and 6% (2) of the employees responded with the answer 'not applicable'. Another employee responded that they were not sure; but he did not seem to agree.

**Question 2**

To what extent do the staff in your business unit adhere to the laid-down processes?
As many as 57% (19) of the employees believed that the staff adhere to processes to a large extent; 36% (12) believed that the staff do adhere to a moderate extent; 3% (1) employee believed that the staff completely adhere to processes; and 3% (1) believed that the staff adhere only to a small extent. One employee responded and specified that the processes are not always documented, in a manner that can be easily operationalised.

**Question 3**

To what extent are the processes in your business unit efficient?
A total of 45% (15) of the employees believed that the processes are efficient to a moderate extent; while 39% (13) said that the processes are efficient to a large extent; and only 15% (5) believed that they are efficient to a small extent.

**Question 4**

To what extent are the processes effective?
As many as 45% (15) of the employees believed that the processes are effective to a large extent; while 15% (5) said they are effective to a small extent; and only 3% (1) believed that processes are completely effective.

**Question 5**

To what extent do processes assist you in doing your job?

![Pie chart showing the distribution of responses to the question about the extent to which processes assist in doing the job. The majority (54%) believe processes assist to a large extent.](chart.jpg)

A total of 54% (18) maintained that the processes assist them to a large extent to do their job; while 21% (7) said to a small extent; 12% (4) answered a moderate extent; 3% (1) answered to a definite extent; and 9% (3) said that the processes assist them completely in doing their jobs. One employee specified that his area is relatively new; and these processes have not yet been established.
Question 6

Do the documented processes make it easier to identify risk and controls in your business?

As many as 39% (13) agreed that the processes make it easier to identify risks and controls; while 36% (12) fully agreed that the processes make it easier; and 12% (4) were undecided with 9% (3) who disagreed that the processes make it easier and 3% (1) fully disagreed that the processes make it easier to identify risk and controls. Only one employee specified that the application of risk control should not be attached or dependent on a written process.

Question 7

Is it necessary to have processes, in order to identify the risks and the controls?
Only 45% (15) disagreed that it is not necessary to have processes; while 21% (7) agreed that it is not necessary to have processes and 18% (6) fully disagreed that it is not necessary to have processes; and 9% (3) fully agreed that it is not necessary to have processes; and 6% (2) were undecided whether processes are necessary, in order to identify any risks and controls. Only one employee specified that; although it may not be necessary to have processes to identify risks and controls, it may be helpful for the process; and it could ensure that a consistent approach is taken.

4.1.2 Open-ended question responses

Question 1

How can the level of process adherence be improved?

- Awareness and monitoring
- Awareness around mapped processes and the reasons for processes would ensure buy-in. Processes can decrease the number of customer complaints and increase the number of customer compliments.
- The proposal was suggested to build metrics, based on SMART principles to measure process adherence, and to link it to the individual key-performance indicators (KPI).
- Zero tolerance for process non-adherence in the organisation.
• Continuous training and communications should be enforced.
• Processes must be reviewed and updated regularly, due to the high rate of staff turnover, and ongoing changes.
• Processes must be easily accessible.
• Process changes must be implemented through the correct forums.
• Quality assurance monitoring and inclusion into the bank's code of conduct policy, which is signed off annually by each employee, was questioned.
• Regular training sessions, in which processes are linked to strategy and re-articulated, to ensure to ensure consistent adherence was discussed.
• Exposure to systems (process guidelines).
• The key to process efficiency is automation – to the full extent possible.
• Processes must be designed with the people using them.
• Employees must start taking accountability for their work; it is not the processes that are lacking.
• Employees need to understand how process breakdowns can adversely affect them in their role and income.
• Employees must read through all the process maps for their areas annually; since the staff tend to learn the process requirements from other team members, instead of referring directly to the source.
• A change in culture, maturity and the current way of working is required, in order to improve process adherence.

Question 2

In your view, why do the employees not adhere to processes?

• There is no consequence management; or there is a lack thereof.
• Staff do not adhere to processes, unless they have been adequately trained.
• Errors are made due to frequent process changes.
• Processes are not practical; and they are not aligned to reality.
• Processes are sometimes unclear; or they are set to a high level, with no, or little, associated procedural guidance documents.
• It is easier to take shortcuts than to adhere to the processes.
• People are generally just lazy.
• It is easy to bypass manual processes.
- Processes that require multiple participants at a time make staff ignore such processes; as people's dependency becomes time-consuming.
- More managerial interaction with staff is necessary.
- Processes must be up-to-date with better and more efficient ways of doing things.
- Poor design leads to ineffective adherence to methods.
- Lack of monitoring and oversight.
- Processes are inefficient; and therefore, steps are bypassed.
- Processes are manual; so the risk of human errors increases dramatically.
- Processes are too high level; and they are not updated regularly.
- The resources to update processes are limited.
- Processes are too rigid; and they do not allow for adaptation.
- Processes are not efficient; and this can prevent tasks from being completed.
- Processes are too cumbersome, which may result in employees taking shortcuts and not following the full process.
- The pressure of work deliverables often results in employees bypassing processes.

**Question 3**

Are processes important to achieve business objectives, why or why not?

Out of the thirty-three (33) respondents, thirty-two (32) respondents agreed that yes processes are important in achieving business objectives; (1) respondent was partial and stated the following:

- Processes are beneficial when aligned to business objectives; and focuses on delivering superior customer experience.

Respondents who answered yes stated the following:

- Processes are designed with a certain outcome in mind. If they are not followed, the desired outcome would not be achieved.
- Documented processes ensure that all the employees are aware of what needs to be done, and how to do it, in order to ensure consistency in the completion of work, which would ultimately influence the achievement of the business objectives.
• Processes are important; as they provide a guide or standard; and they allow an understanding of what is required within the business, in order to achieve the business objectives.

• Processes keep business honest; and they assist in providing the way to get to the goal.

• Processes are the building blocks of any business; and they are imperative for a business to achieve its strategic objectives.

• Processes are created to ensure risk is mitigated, and that businesses achieve their objectives.

• Process provides the guidelines that are required to achieve the business objectives.

• Processes must be in place, in order to mitigate the several types of risks to which the business is exposed.

• Processes provide a guideline; and they show what is expected; and where the business is headed.

• Without process maps, you cannot identify risks and controls; neither can you optimize or automate processes.

• Considering the fast pace of change, processes would allow for consistency; as processes show versions and improvements of processes from past to present. Thus, they provide guidance to new employees on how things are meant to be done in a large organisation. Having processes in place ensures good governance. Documented processes allow for the identification of successes and failures, and how to correct and enhance the process for seamless business interaction.

• A business cannot implement a strategy; and business objectives cannot be reached, without knowing HOW they are going to do it. (The process).

• The process provides structure to do tasks and in understanding the relevance of why there is a need to execute tasks. Once you understand a process because of execution, it helps to identify new risks, or potential opportunities to improve.

• Processes ensure that the staff are doing things the correct way; and this provides assurance that the controls are effective.
• If there is no process, everyone would do their own thing; and that could result in large loses/reputational damage etc.

• Key processes are important to achieve business objectives, provided they are updated continuously.

• Processes are important; as they drive the overall business objective. If the staff are unaware of the business objective, they would be unsure of how to align their day-to-day activities with the strategy of the bank. Where processes are clearly defined, objectives would become more achievable.

• Processes are important. They prescribe the correct processes to be followed, in order to limit potential fraud incidents and to achieve business objectives.

• Processes bring about a structured environment. Once adhered to effectively and efficiently, business objectives are then achievable.

• Processes are important; as they can point to process inefficiencies and drive business continuity.

• Processes are the foundation for strategy.

• Time is valuable; and when core functions are documented, which provide clear guidance, this enhances "getting it right the first time around"; and this minimizes unnecessary risks, which are easily avoidable.

• Processes drive the operational execution of objectives.

4.2 DESCRIPTIVE ANALYSIS

The data analysis was conducted by using the data obtained from internal reports i.e. investigation reports, audit reports and lost-data reports. An analysis was also conducted on the current process maturity in the bank. The analysis is descriptive when using frequency tables. Below is a brief explanation of how the various reports were used in the analysis:

Crime-Investigation reports: Investigations are conducted on where losses have been reported, or where fraud and criminal activity are suspected. Reports for a period of six months were analysed. The reports were analysed, in order to identify common process breaches. Only incidents relating to process breaches were considered, as well as the process improvement recommendations suggested by the investigators.

Lost-data reports: All operational losses relating to fraud, process breakdowns, systems and people are captured onto the Bank's risk-management tool. The losses
for the research were extracted from the risk system for the period July 2017 to June 2018. The losses were analysed, to determine the root cause; and only those losses relating to process breaches were considered.

Audit reports: the objective of internal audits conducted is to provide reasonable assurance to management with regard to the efficiency and the effectiveness of business operations, the reliability of financial reporting, and to ensure that regulatory requirements are met. Internal audit reports were analysed for the period July 2017 to June 2018. Audit findings relating to process breaches were considered, as well as process-improvement recommendations suggested by the auditors.

Current process maturity: The bank utilises a system called nimbus, in order to map all the business-related processes. A centralised team monitors the overall maturity of the processes across the bank. A quarterly dashboard is provided by the first map team to executives in terms of all business units' progress made to improve their level of process maturity. The dashboard view was also used as input into the analysis of determining the extent of the problem; and the results of the dashboard would be compared to the results of the survey conducted and the reports that were analysed.

The figure below shows the total number of investigations conducted for the period January 2018 to June 2018. The investigations were conducted to provide management with a root cause of incidents that have occurred, as well as to suggest recommendations for management to implement. The results revealed that of the 310 investigations that were conducted, 182 (59%) were related to process breaches.
Figure 12: Total number of investigations conducted

The percentage of 59% is a very high figure; and explanations for the high number of process breaches were attributed to the following:

- Staff members opened accounts for family members without their consent.
- Staff members processing transactions on their own accounts.
- Cloned cheques cashed where validation procedures were not adhered to by supervisors.
- Account taken over, because of the customer-verification process not being followed.
- Incorrect recording of figures, due to staff negligence and processes not being properly followed.
- Maintenance changes on one's own accounts and pricing reversals on one's own accounts.
- Staff accessing customer accounts without a valid reason.
- Validation processes not being followed, when changes are made to business accounts.
- Personal customer information divulged to fraud syndicates, which are breaches of policy and process.
It is evident that most of the process breaches relate to employee’s unethical behaviour, as well as the failure to adhere to validation processes by management. Possible remedial actions recommended by the investigators are that although processes are clear and documented, there is a need for the current systems to be updated, to prevent employees from processing transactions on their accounts by flagging this behaviour. Employees should be disciplined, according to the staff code of conduct policy. There is also a further need to automate the verification process, as an additional control to the four-eye verification principle.

The figure below depicts the financial operational risk losses for the period of July 2017 to June 2018. The total losses for the period amount to R333 million, which is a 12.43% decrease in comparison to that of the previous financial year. This is above the expected risk estimate of R310 million. Losses impact negatively on the bank; as they affect growth and the strategic success.

![Graph showing FY17/18 Losses](image)

**Figure 13: FY 17/18 Operational Losses**

Further analysis of the lost data revealed that R29 million of the R333 million (9%) was because of process breaches. The following incidents resulted in financial losses:

- Employees not acting on customer instructions timeously.
- Customer-account takeover by internal employees, as well as the failure to follow the validation processes.
- Incorrect fee structures allocated to customers’ accounts.
• Goodwill payments to customers because employees do not adhere to the correct processes.

• Regulatory fines due to non-adherence to VISA and Master card requirements.

• Customer charges incurred due to employees not adhering to the validation process, as well as supporting systems that do not trigger the alerts for managers to monitor and notify the customers accordingly.

• Home loan accounts not structured timeously.

• Customer accounts needed to be force-cycled due to VAT change-over in April 2018 (VAT increase from 14% to 15%).

• Negative balances are written off over a period in various customers’ e-wallets.

• During the introduction of new tariff guides, branch deposit fees were not applied to ADT deposits, which resulted in customers being overcharged when making deposits.

• Customer accounts credited twice in error, and being unable to recover funds from the customers.

• Termination procedures not followed, which resulted in the unfair dismissal of an employee.

• Incorrect accounts debited for court orders received. This resulted in reputational risk for the bank.

• Validation processes not followed.

• Lack of comprehensive understanding of the new Credit Act, due to limited knowledge and insufficient case laws to guide people’s knowledge; and systems and processes that did not fully meet legal NCA requirements without any contingency plans to prevent losses.

• Common law in duplum calculator is not compliant; as employees must identify these accounts manually.

• Unable to match investment rates for customers.

The root cause of the losses was very similar to what we mentioned above: people, systems, processes and external regulatory requirements. Identification and verification of customers, employee negligence, employee knowledge and skills, systems’ inability to prevent staff from performing unauthorised transactions, outdated systems and manual processes. These are some of the key causes of these losses.
The figure below depicts the number of audit findings raised for the period July 2017 to June 2018. A total of 18310 findings were raised, of which 3418 (19%) were process-related. The analysis further revealed that 10085 (55%) of the root causes of these findings were related to people, followed by systems, governance and external factors.

![Audit Findings FY17 - FY18](chart)

**Figure 14: Number of audit findings FY 17/18**

The Figure 15 below shows that from the 3418 process-related findings, 191 findings were rated as unacceptable; 1827 were rated as improvement required; 1261 were rated as significant improvement required; and only 110 findings were rated as acceptable. However, the study focuses mainly on the unacceptable and significant improvement-required findings, where the residual risk was rated as very high, high and medium.
Figure 15: Number of audit findings relating to processes

**Unacceptable findings:**

Of the processes, in which the residual-risk rating for the findings were rated as very high (17), 6 of the findings sub-root cause category were because of ineffective process design, or inadequate or ineffective processes; while 2 were related to the risk category of execution delivery and process management. The findings were related to non-adherence to existing processes, as well as part of the processes that were not documented. Management was encouraged to ensure that the errors were identified and rectified timeously.

Of the processes, in which the residual risk was rated as high (54), 40 findings in the sub-root cause were found to be as a result of ineffective/inefficient process design, or inadequate or ineffective procedures; while 16 were related to the risk category of execution delivery and process management. All the findings related to non-adherence to processes. Recommendations made by the auditors were that processes should be automated as far as possible. The process was documented in most instances; however, they lacked details regarding the finding and signing of specific reports; and which of these documents should be examined, as part of the customer-verification process (segregation of duty).
Of those processes, in which the residual-risk rating was rated as medium (65), in 45 findings, the sub-root cause was as a result of ineffective process design, or inadequate or ineffective processes; while 25 were related to the risk category of execution delivery and process management. These findings related to employee non-adherence to processes and the inefficient design of processes impacting on the monitoring and signing off of reports. Recommendations made by the auditors were that management should communicate processes more clearly, and specifically in those high-risk sections within the processes. Processes should be aligned with the Central Bank Regulations.

Findings in which significant improvement was required:

Of those processes in which residual risk was rated as very high (16), 13 of the sub-root causes were because of ineffective/inefficient process design or ineffective or inadequate procedures. Of these, 3 were related to the execution delivery and process-management risk category. These findings all related to the non-adherence to process and inadequate processes. Recommendations made by the auditors were that business should prioritise the optimisation of processes.

Of the processes, in which the residual risk was rated as high (435), 379 of the sub-root causes were found to be because of ineffective/inefficient process design, or inadequate/ineffective procedures. As many as 130 of the findings related to execution delivery and process management. In the findings related to process non-adherence, insufficient processes, inefficiencies in processes, inadequate process design, processes not in place, and change-management processes, several recommendations were made by the auditors, including the following:

- Processes must be assessed by management with the support of risk managers, to ensure that the key controls are implemented, where necessary.
- Automation of the key processes should be considered.
- Senior management should perform a review and sign-off of all the processes.
- All processes should be kept up to date.
- Risks and controls must be identified for all these processes.
- Change-management processes must be reviewed for all the changes; and these steps should be followed consistently.
- Processes must be aligned with the Group-governance policies.
Of the processes, in which the residual risk was rated as medium (385), 130 of the sub-root causes were found to be because of ineffective/inefficient process design, or inadequate/ineffective procedures. All 130 of the findings were related to the execution delivery and the process management. These findings related to non-adherence to processes. Inadequate quality-assurance processes, inadequate design of the incident-management process, as well as inadequacy in the documentation of the processes. Recommendations made by the auditors included the following:

- Management should consider automating the end-to-end quality-assurance processes.
- Pricing procedures must be redesigned to ensure that the pricing communicated to the customers agreed with the pricing model.
- Processes should be designed to ensure that the audit trails are kept for all the work performed.
- Management should include the workshop processes, in order to determine whether any further aspects thereof could be automated; efficiencies could be improved and increased, as well as limiting manual intervention, in order to avoid any potential human errors.
- Automation and documentation of the reconciliation processes is recommended.

The process-maturity dashboard below is reflective of the current level of process maturity in the bank for the quarter ended September 2018; and it covers all the segments within the bank. The dashboard includes factors, such as process content, adherence to process standards, process management, the effective use of processes and people.

Process content:

A number of diagrams across all the segments have been rated as adequately mature. The reductions in process diagrams indicate a move of BUs between segments, or the extensive clean-up exercises under way to standardise the processes.

A percentage of the diagrams signed-off have been rated as somewhat mature in the premium, support and consumer segments; while the business segment has been
rated as somewhat immature. The sign-off diagrams fluctuate, as new content is documented. However, a quick turn-around time should exist between mapping the new processes and signing them off. Areas should aim to attain 80%-90% sign-off time.

Action to address the above gaps: A new process-mapping standard was implemented. Based on the new standards, the above reporting will change to reporting on an actual number of processes, and a percentage of the processes documented, rather than reporting on diagrams.

Adherence to process standards is rated as somewhat mature across all the segments. Adherence to process standards seems to be a low focus for business. These issues impact on the reporting and the standardisation of all the processes across the bank.

Process management:

Several diagrams reviewed in the last 12 months have been rated as immature across all the segments. Consequently, diagrams should be reviewed every 12-18 months.

A percentage of acknowledgements in the last 12 months have been rated as immature. This refers to the number of diagrams that were acknowledged by the end-users; and they are aware of the changes to the processes.

Actions to address the above: Reviews should be scheduled regularly to encourage the review of process accuracy and correctness. The authorisation should only be required, where changes have been made to processes. This facilitates the reporting on the frequency of process changes within specific BU's.

The effective use of processes:

This refers to the percentage of users with access to the first map. Consumer and premium segments were rated as immature; while the support segment has been
rated as somewhat immature, and the business segment has been rated as somewhat mature.

Action to address the above:

The first map team to roll out end-user training to create awareness of process documents, as well as to assist users to better understand what content can be accessed; and how to extract the information they require from the first map. BU’s must establish the main purpose for which they would like to use their processes; and they should agree to the standards that would best support their purpose. Training has also been designed and implemented to risk managers, as well as auditors, in order to understand all the functionality on the first map.

People:

Resource-mapping processes have been rated as somewhat mature across all the segments; and this may be because of the authors moving between BU’s and resignations.

Authors’ past assessments were rated as somewhat immature in the support, premium and consumer segments; while the business segment was rated as immature. Authors that have access to documented processes are required to pass the standard assessment.

A percentage of BU’s with authors, premiums and support segments were rated as somewhat immature; while the consumer segment was rated as somewhat mature and the business segment was rated as immature. This measurement looks at the percentage of BU’s per segment that have an author in place to maintain the processes.

Action to address the above:

To support the business segment; firstly, there must be a map is in the process of hiring process analysts, in order to support the business segment with their process-mapping needs. Many other areas have not committed their resources to facilitate and maintain their process mapping.

Table 1: Process-heat map
# Process Heat Map

## Process Content

<table>
<thead>
<tr>
<th>Diagrams</th>
<th>Reductions indicate a move of BU's between segments, or where areas are doing extensive cleanup exercises to standardise processes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Signed Off Diagrams</td>
<td>This will fluctuate as new content is documented. A quick turnaround time should exist between mapping new processes and signing them off. Despite this, areas should aim to maintain an 80-90% sign-off percentage.</td>
</tr>
</tbody>
</table>

## Adherence to Process Standards

<table>
<thead>
<tr>
<th>Indicators, Handover, Info Usage, Ownership etc.</th>
<th>Provides insight on process in terms of POPIA or Effectiveness of the process execution because of handovers etc.</th>
</tr>
</thead>
</table>

## Process Management

<table>
<thead>
<tr>
<th>% Diagrams Reviewed (Last 12 Months)</th>
<th>Percentage of diagrams that were reviewed for relevance / accuracy (100% of diagrams should be reviewed every 12 - 18 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Diagram Authorizations (Last 12 Months)</td>
<td>An indication of the Number of process changes occurring In business within a specified period.</td>
</tr>
<tr>
<td>% Acknowledgements (Last 12 Months)</td>
<td>Number of diagrams that were &quot;Acknowledged&quot; by end users that they are aware of the change to the process.</td>
</tr>
</tbody>
</table>

## Utilization

<table>
<thead>
<tr>
<th>% of BU's Users with Access to FirstMap</th>
<th>How many of a BU's staff have licenses to view processes on FirstMap</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Total Process Views (this Quarter)</td>
<td>How much of the total FirstMap process views were for my Segment. FirstRand and Ashburton are not Reported.</td>
</tr>
<tr>
<td>% of Process Diagrams Viewed (This Quarter)</td>
<td>What Percentage of my business area's signed-off (Master) processes has been viewed by users.</td>
</tr>
</tbody>
</table>

## People

<table>
<thead>
<tr>
<th>Authors Trained (Resource mapping your processes)</th>
<th>Changes / Reduction could be due to the move of Authors between segments / resignations.</th>
</tr>
</thead>
</table>

## Authors Passed Standards Assessment

<table>
<thead>
<tr>
<th>% of Authors with access to FirstMap to document processes. These Authors have successfully passed their Standards assessments.</th>
</tr>
</thead>
</table>

## % BU's with Authors

<table>
<thead>
<tr>
<th>% of BU's per Segment that have an author in place to maintain processes.</th>
</tr>
</thead>
</table>

### Legend

- **Legend**
  - **%**
    - 90-100%: Immature
    - 70-90%: Somewhat Immature
    - 50-70%: Mature
    - 30-50%: Rather Immature
    - 0-30%: Underrated

- ** Changes / Increase**: Underrated over the month / quarter
- ** Changes / Decrease**: Underrated over the month / quarter

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The figure below shows the number of customer complaints logged from July 2018 to October 2018. The number of complaints increased from 1926 in July 2018 to 2292 in October 2018. The increase in customer complaints can be attributed to the fact that more robust processes and policies have subsequently been implemented by the complaints department across the Bank. This resulted in more areas logging complaints than before.

Figure 16: Number of customer complaints logged FY 2018/2019

The figure below shows the total number of complaints logged for the past three years. It gives a breakdown of the top 5 process category breakdowns, i.e. process-delays, administration, a process breakdown, system navigation, as well as know your customer (KYC).
Figure: 17 Top 5 Process Sub-Categories for 3 Financial Years

**Process Delays:**

Process delay complaints related to clients who had submitted various transaction-related requests; and they had submitted queries in respect of various transactional and credit accounts; and these were delays noted. The delays were primarily service-failure related; as the complaint investigations contained a human component in respect to the way in which these complaints had been handled. The processes were alluded to within these complaints; but the exact failures in the process could not be isolated; since the root causes were incomplete. Clients were also implicated with regard to the contribution of turn-around time (TAT) within these process subcategories. In these instances, clients either did not submit a complete set of documents; or they did not submit their documents all together, which delayed client’s requests from being fulfilled. Due to the lack of root-cause analysis, it was difficult to identify the process breakdowns.

**Administration:**

Process complaints within “Administration” related to clients, who could not either complete the processes; or they could not utilise the full features of the transactional accounts; or because of the profiles due to administrative actions required on the
account, or the documents which were needed. The root causes noted within this category referred to system failure as a causal factor, as well as the indexing of the documents. From a process perspective, in terms of documents being acknowledged, checked and verified for correctness, there were instances noted in which internal-process failure was noted. Although the majority of the complaints from a root-cause standpoint, they did not specify the document in this regard.

**Process Breakdown:**

Complaints, which were categorised under the process-breakdown category upon the closure of complaints, contained various products and services offered by the Bank. Complaints related to card delivery, transactional accounts, 3rd party process, investments, my service to you (MS2U) survey responses and general service delivery contained process-breakdown elements. The lack of feedback, interim feedback and general poor engagement with regard to the fulfilment of requests, transactions and the contracting of products and services were some of the primary themes noted within process breakdown.

Some of the process breakdowns noted were internal BU support communication between BU’s, which was poor, which in turn affected the general service delivery, as well as the bank's inability to resolve queries and complaints at single points of contact. Poor relay of information to clients upon the time of contracting, in terms of products and services that contributed to the escalation of complaints, high-priority complaints, and in some instances, regulatory complaints. From the analysis conducted from a trends point-of-view process breakdown, the complaints were closely related to service failure.

**Know Your Customers:**

The process themes identified within this category related to the indexing of FICA and related account documents, the question-answer of documents in terms of verifying documents received on hand against the documents, which were requested to fulfil a process, or finalising the opening of an account. Some of the root causes noted from a process perspective were the various supporting areas, which did not escalate documents timeously to the relevant respective areas, indexing queues, which did not
identify those documents, which were on record, or missing, causing the increase in TAT in complaints being resolved, and the same document, or documents being requested several times, thereby causing customer frustration. An additional trend noted within the KYC process subcategory comprised those clients who were ill-advised at various channels with regard to the correct documentation to provide, in order to fulfil a process.

**System Navigation:**

System navigation complaints bank-wide for the Financial years reviewed were primarily contributed by the Digital-Business units. The process-related elements within these complaints were clients who were either attempting to conclude payments, or to perform general administration on various digital channels; but they could not do so, due to the user either being unaware of the next necessary step to take on the respective digital platform or administrator actions, which were required of the clients’ (Users’) profile of which these clients were unaware. The root-cause management of these complaints generally elaborated on the system navigation causal factor from a process standpoint, as many of the complaints contained used these case incidents in terms of what type of transactions clients were attempting; and why there was a break in the process. (Such as clients needing to authenticate devices, change usernames or configure in-contact features to receive one time passwords (OTP’s))

**4.4 EMPIRICAL RELIABILITIES**

The data used in this paper can be classified as reliable, in the sense that the reports used to inform the research are governance documents; and they follow a rigorous sign-off process before being published. Those reports that consistently measure processes as processes, are key to the bank, in terms of ensuring that the objectives are met and any risks are mitigated.

Audit reports – Auditors conduct a walk-through of all business processes to establish high-risk processes; and these processes are in agreement with business. Once the
walkthrough is conducted, an assessment is conducted in terms of how well the processes are applied in the business. Auditors familiarise themselves with BU strategy, in order to ensure that processes, risks and controls are linked to business strategy. A risk-maturity measurement is also included, as part of the audit assessment. The risk-maturity assessment measures the effectiveness and the efficiency of processes as well. Once the audit is finalised, management discussions are held to discuss the outcome of the audit. The findings highlighted in the report are discussed at length; and they are agreed on by the auditor and the business owners. Once the report is finalised, and all findings are agreed on, the report is signed off by the CEO of the area as a true reflection.

Audit findings are tracked and monitored; actions plans are agreed on; action owners are identified; and the implementation of actions is agreed on by all the parties. Audit findings are captured onto the bank's system, called Archer. Recommendations made by the auditors are tested again, when another audit is conducted; and this would be rated as a repeat finding; if it is not yet implemented. Repeat-audit findings have a negative impact on a BU's scorecard.

The data used in this report have been extracted directly from the Archer system, and analysed accordingly.

Investigation reports – Like audit reports, investigation reports also follow a sign-off process with the management before being published. Investigations are conducted where fraud in an area has been committed; or where fraud is suspected. All fraud incidents and investigation reports are captured onto the IC fraud system. Recommendations made by the investigators are followed through by the divisional risk team, to ensure that the recommendations are implemented in the business. Recommendations pertaining to process and system improvements are implemented immediately.

The data included in this report have been extracted directly from the fraud system and analysed accordingly.

Loss data reports – All operational risk incidents are captured onto the Open Pages System, which is the bank's official risk tool used for reporting to the South African Reserve Bank (SARB). Incidents are captured, as and when they occur; and they all have an approval workflow to ensure that all incidents are approved. Losses captured
onto the Open Pages system are reconciled monthly by the BU’s to General Ledger, in order to ensure that all those losses written off in GL are captured onto open pages and are accounted for. The data used for analysis in this report were extracted directly from the Open Pages system.

Process-maturity dashboards:

The dashboards are automatically extracted from the Nimbus system. Dashboards are tabled quarterly at the business exco’s; and the risk committees are signed off as a true reflection of the current state. A process engineering steerco has been established, which also tracks the validity of the stats; and it ensures that action plans are in place to address the gaps.

Customer complaints data:

All customer complaints are logged onto the CARE system. The entry points into the system include complaints logged via Hello Peter, CEO desk, Branches, online banking, email and complaints logged telephonically. All complaints go through a rigorous quality-assurance check both by the area in which it is logged, and the central complaints area before the data are extracted and reported to the senior executives.

4.5 Correlation

As defined by Gartner (n.d), business-process management is a discipline that improves enterprise performance by driving operational excellence and business agility. However, in many instances, these processes are ineffective, inefficient, outdated, duplicative and in most instances manual.

Our study focuses on strategy and the impact that not having processes could have on achieving objectives. From the literature review, it is evident that most researchers believe that processes are the basis for strategy. Businesses must focus their attention on those key processes, which are aligned to business goals and strategy.

Business-process management improves business potential; yet awareness around processes and the capabilities are non-existent. Process awareness, ongoing monitoring and oversight were also highlighted as gaps in the questionnaires that were completed. Process knowledge is important for employees, in order to see their activities in the overall process. The process-maturity dashboard also highlights the fact that the acknowledgement of processes is immature – across at least two
segments in the bank and the effective use of processes by users, who have access to processes, were also rated as immature. Wiley, J (2012) further goes on to say that there is a bright future for process management in the organisation; if it is limited to the organisation's strategy. When analysing the business reports, it was evident in most instances that although processes are in place, employees are frequently unaware of them.

Inadequate and ineffective processes have an impact on customer service; and they increase customer complaints, resulting in reputational risk, which could impact strategy that focuses on customer-centricity. Customer service plays a key role for organisations, in seeking to gain the competitive advantage. Business must constantly seek improvement opportunities within processes; as customers' needs change constantly. Processes link people, systems, as well as internal and external environments, in order to produce the expected outcome. Process and people must be combined, in order to produce an output, strategy and structure that is efficient.

Ownership of processes plays a key role in an organisation. Executive buy-in and commitment is essential; since executives control the organisation's resources; and they must ensure that adequate resources are available – not only to document processes; but also to communicate changes in processes, which are triggered by customer needs; and there is a constant need to improve business processes to align with customers' expectations. People resources were rated as somewhat mature across the segments, thereby proving that management is not focusing on ensuring that there are adequate resources to document and maintain these processes. One segment has no resources in place at all. It is important that processes are supported by both top management and the entire organisation, in order for them to perform optimally.

Furthermore, in terms of the complaints data; although the root cause cannot always be established, it is evident that processes do exist; but in most instances, employees do not adhere to the processes; and this results in increased customer complaints.

Recommendations made by the auditors include that processes must be assessed by management, together with the assistance of risk managers, as well as senior management, in order to ensure that they sign off all the processes. Adherence to
process standards, according to the maturity dashboard, is rated as somewhat mature; because there is limited focus on the processes by the business owners.

Processes are important for risk managers and auditors, in order to assess the effectiveness of business internal-financial controls. Muehlen and Rosemann (2005) stated that although there is such a close link between processes and risk, they must still be managed separately. The purpose of risk management is to mitigate, or reduce any potential risks; but at the same time, they also create opportunities to improve business performance (Ward and Chapman 1994).

Process improvement allows proactive risk identification to respond to risks without impacting on growth and opportunity. As many as 39% of the respondents agreed that documented processes made it easier for them to identify risks and controls. One comment was that the application of risk should not be attached or dependent on a written process. This is in contradiction of 45% of the respondents who disagreed that it is not necessary to have processes to identify risk and controls. A comment was made that although it may not be necessary to have processes to identify risks and controls, this may help the process, to ensure that a consistent approach is maintained.

The benefits of business-process management are achieved by understanding the end-to-end processes. Business process agility is in the interest of many organisations and researchers. Agility is the ability to implement changes within processes, timeously and in response to changes in business, stakeholders and customers. Although processes may be automated, there may be a gap in which they are not agile. We operate in a highly competitive environment, in which there are constant changes, improved technology and globalisation. And as an organisation, we need to keep abreast of all changes, and move at a fast pace; and we must ensure that our processes are also reviewed and updated at the same pace.

Several types of research agree that business-process management is the best management practice to assist business in maintaining a competitive advantage. One of the key benefits of process management is changing business from functional to a process-oriented organisation that is focusing on the customer. Therefore, communication and training are important. If people do not understand the processes, they cannot be expected to take ownership and responsibility for these processes. The
control of processes must be put into the hands of people close to these processes. One of the recommendations made by respondents was that business must invest in training and communication. As mentioned above, there may be processes in place; but people don’t even know that they exist. The process maturity dashboard further highlights the fact that not only is it our people that work with the processes that require training; it is also the authors who are the people mapping processes that require training. However, this could be attributed to the fact that authors are constantly moving between segments; and there is a the high turnover rate in some areas.

The automation of processes is also a key theme that is highlighted across the literature. Recommendations made by the crime investigators is that although processes are documented, there is a need for the current systems to be enhanced; and that would prevent employees from processing transactions on their own accounts. Loss reports also highlight the fact that the root cause of losses is because of people, processes and the inability of systems to prevent unauthorised access to systems. One of the key issues coming through is that we have many manual processes. The auditors also make further recommendations that the business must consider identifying and automating key processes, especially those processes that are linked to a strategy. This is one of the key points that were highlighted by the literature earlier on.
CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

The bank strives to serve its customers, in order to best meet their financial needs. Taking care of customers' needs is their number-one priority. The main purpose of the bank is its responsibility to the shareholders. Like any business, the bank's aim is to make money. However, the bank has been incurring financial losses and suffered reputational damage due to ineffective risk-management approaches; as it cannot proactively identify threats and vulnerabilities. There is an opportunity to improve the risk-identification process by implementing a risk-management approach that is directly linked to the end-to-end processes within the bank. As mentioned earlier in the document, the study focuses on exploring opportunities that would move the bank towards its strategic goals, while operating in a reduced risk environment.

The study has shown that the bank has lost a total of R333 million in the past financial year, of which R 29 million was as a direct result of process breaches. This has had a significant impact on the bank's bottom line.

The analysis was done on data that were obtained from audit reports, crime-investigation reports, loss reports, complaints data, as well as process-maturity dashboards. Questionnaires were administered across various segments within the bank, in an attempt to understand their perspective on the current view of banking processes. It is evident from the research that processes are important; since constitute the core business of an organisation; and process management drives operational excellence and agility. However, processes may be non-existent; or the employees do not adhere to the processes, which have a financial and reputational impact on the bank.

In terms of the bank's strategy, the focus is not only on how to make money; but it also focuses on customer-centricity and digitalisation.

When correlating the data, a few key themes were evident; and they were consistently highlighted across the various data sources collected within the bank, as well as in the literature, namely lack of process awareness, impact on customer service, process
ownership, process agility, risk management, communication and training, process automation and buy-in from top management.

Lack of process awareness – although there are documented processes, many of the employees are not aware of them.

Impact on customer service – Inadequate and ineffective processes impact on customer service; and this could affect the reputation of the bank. The strategy focuses on customer-centricity; and customer service plays a key role in organisations, which seek to gain a competitive advantage.

Process ownership – buy-in from top management plays a vital role in improving the level of process maturity within the bank. Recommendations made by auditors and investigators are that management must take ownership of these processes; and it must ensure that these processes are documented and maintained; and it must also ensure that adequate resources are allocated for process mapping.

Risk management – Risk management and processes are closely linked; and yet, as in the literature, the study reveals that the bank also manages them separately. It is important that risks and controls are linked to all key processes that are linked to the strategic objectives. The main objective of this study was to improve process efficiency; since that would assist with a more effective risk-management approach that would either reduce, or eliminate the financial losses, and thereby prevent reputational damage.

Process agility – Constant changes in the internal and external environment, as well as customers’ needs, require our process to be able to adopt and adapt, as changes occur. If we do not stay abreast of constant change, we will be left behind; and we will lose our competitive advantage.

Communication and training – employees must be adequately trained in a process that may impact on their daily job activities. It is important to include impacted employees on the design journey of processes; as they ultimately understand the processes best. However, not only employees working with processes require training; but also the process authors that map these processes require training. Effective communication methods must be established, to ensure that all staff are aware of any new and amended processes.
Process automation – Another key focus area for the bank is digitalisation. Mapping processes end-to-end creates automation opportunities; and it highlights any gaps. Many processes are manual; and they impact the ability to service customers efficiently and effectively. Business must consider identifying and automating the key processes, especially those processes that are linked to strategy.

Based on the research; and to answer the question of whether business processes impact on the business strategy, the answer is “yes”. Processes are the foundation of strategy. When processes are efficient and effective; and they are aligned to strategic business objectives, the bank would be more profitable; and it would gain and maintain the competitive advantage. At the same time, it would link risks and controls to these processes; and that would assist in ensuring that the risks are mitigated, and the losses are thereby managed.

From the analysis conducted, the bank has made considerable progress in documenting processes; however, more can be done to improve the process maturity in the bank. Below are a few recommendations that may be considered to improve the bank's position as regards process maturity:

Recommendations:

- Lean six sigma approaches can be applied to processes. This would assist business to identify waste and increase efficiency.
- Business should consider implementing Key-performance indicators (KPI's) to measure the efficiency and the effectiveness of such processes.
- Process administrators must actively connect core-and-support processes; and they must search for continuous improvement opportunities. They must maintain collaboration between process authors and the process operators.
- Business-process management eliminates human intervention; it decreases manual efforts; and it drives standardisation. When processes are documented, this makes it easier to identify inefficiency and risk; and it thereby minimize them.
- Automated processes are more effective than manual processes. Better business decisions can be made faster; and the execution thereof would be more consistent – if the processes are documented end-to-end inclusive of hand-off points.
• Processes that are aligned with business objectives and strategy increase the profits; and they can assist in maintaining the competitive advantage. Companies that are agile survive in a competitive environment.
• Employees that perform the business processes must be included throughout the development phase of processes.
• Awareness around mapped processes and the reasons for such processes would ensure buy-in. Processes can decrease the number of customer complaints; and they can increase the number of compliments.
• Business should consider setting the risk appetite and tolerance measures for process non-adherence.
• Continuous communication and training of processes is a must.
• Processes must be reviewed and updated regularly, due to the high staff turnover and the ongoing changes.
• Processes must be easily accessible on centralised systems.
• Process changes must be implemented at the correct governance forums.
• Quality-assurance monitoring is essential; and its inclusion into the bank’s code of conduct policy is vitally important. This is signed off annually by each employee.
• A change in process culture, maturity and current ways of working is required, in order to improve process adherence.
• Current operating systems must be enhanced to prevent employees from performing unauthorised tasks.
• Processes must be assessed by management, together with the support of risk managers, to ensure that the key controls are implemented, where necessary.
• Senior management must perform a review and sign-off of all the processes.
• Changes in management processes must be reviewed for all changes; and these must be followed consistently.
• Processes must be aligned with group-governance policies.

Although the objective of this study has been met; a further study could be conducted by re-assessing the maturity of the processes in the next year, as well as monitoring the implementation of the proposed action plans. The above results were presented at the banks "Process-Engineering Steerco". The findings were welcomed; and the committee agreed that more emphasis should be placed on ensuring that
recommendations made by auditors and investigators are considered and implemented. The root cause of losses, as they relate to processes, should be clearly understood and corrected timeously.

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