

Business Process Re-engineering: A look at the business account opening process at MNM Bank

Vincent. Flowers, and Charles. Mbohwa

Abstract— The account opening process is recognised as the most critical service if banks want to retain and build long term relationships with clients. An unsatisfactory customer experience during this process can influence the customer's perception of the organisations overall service. Organisations are under increased pressure to deliver products in an efficient and effective manner with a reduction in cost. Having a competitive advantage in the account opening process will attract customers and create future sales opportunities. Future sales opportunities lead to growth and growth leads to increased profits.

The research provides an insight on the current account opening process and challenges encountered within the process. The objective of the research is to examine literature and improve the account opening process at MNM bank. The existing account opening process takes 7.5 days before the customer can transact on their account, which results in customers seeking an account at a competitor bank.

Keywords— Business process, Business process reengineering (BPR), Total quality management (TQM).

I. INTRODUCTION

THE business market generates huge income for South African banks and is a lucrative market to dominate. The challenge that MNM bank is facing is to retain existing customers while growing market share through a compelling customer proposition. Gabbot (2007) stated that one of the objectives of the bank's strategy for the Small and Medium Enterprise (SME) market is to become the main bank for existing business customers and ensure that it increases its share of wallet per customer. In support of this strategy a strong focus will be placed on retaining existing clients. This paper highlights why MNM bank is currently unable to deliver an adequate customer experience and offer timeous lending facilities to self-employed customers and other small start-up businesses. The result of this is that many customers seek lending elsewhere. The bank's customers and sources have advised that their competitors are able to open a business account and provide the customer with an account number within one day. This study was therefore undertaken to

understand which areas within the account opening process is resulting in a delay in the process. The results of the study suggest that the account opening process needs to be improved to ensure consistent customer experience, growth in market share and reduction in costs.

BPR establishes and defines customer requirements and then aligns horizontal processes, across departments, and or functions, to meet those needs. BPR has the potential to remove all wasted effort in the workplace, thus allowing clear roles and responsibilities to be defined. McKay and Radnor (1998:926) state that the result is an optimised process that promotes an environment of continuous improvement through a dedicated and empowered workforce.

II. BACKGROUND

The process will start with a customer requesting one of the Business Lending products, or an existing customer requests an extension or increase of a facility. A scenario of the current application process is described next. It is assumed that the business customer is already in the possession of the relevant documentation to open the account. The members of the company authorised to handle the banking affairs walk into the branch requesting to open a business account. Once the business consultant interviews the relevant parties and discusses the account criteria and information of the product, a manual account opening form is completed. This process does not normally take more than one hour. The relevant documentation is sealed and sent to the Branch Fulfillment Centre (BFC) to do the necessary checks and process the application. This process can be delayed by a day if the cut off time for the last courier run at 15H00 that day is missed.

Once the documentation arrives at the BFC the necessary credit checks are performed manually. This entails sending a request to the Customer Contact Centre (CCC) to verify the company and member details on the Company and Intellectual Property Registration Office (CIPRO) website. This process could take up to 48 hours if CIPRO is ex-periencing high requests for information. Once the credit clearance is obtained then the account is opened. The account documentation is sent back to the branch for the necessary parties to sign. In most cases it takes about 7.5 days to open a business account within the current MNM Bank environment. The final decision in the current process is subjective; hence the process lacks

Vincent. Flowers, University of Johannesburg, Gauteng, South Africa phone: +27 83 408 4409; e-mail: VincentV.Flowers@Standardbank.co.za.

Charles. Mbohwa, University of Johannesburg, Gauteng, South Africa; e-mail: cmbohwa@uj.ac.za.

consistent product and credit policy, scorecard (including bureau variables) decisions and/or credit bureau policy are poor. The data (at the time of account opening), which is key in terms of product and credit policy and scoring, is not stored in any database or repository. This compromises audit and credit control standards. Scoring data repositories are the cornerstones to current and future scoring strategies and provide invaluable MIS (Management Information Systems) on current product, credit policies and customer performance.

The lack of automated decisioning and a scoring infrastructure has resulted in many customers, in particular those in the market and those applying for the first time, being turned away without having their needs met. This problem is particularly prevalent at the bottom end of business or in the Black Economic Empowerment (BEE) space, where little history, collateral or business track record exists from which to draw an optimal conclusion. To summarise, it is imperative that a solution is implemented to ensure that the process of opening an account be made easier and shorter, and to remove the subjective decisioning in the application process, as well as to ensure that the customer is at all times offered a solution even if lending is not possible, with less time taken and intervention required by the customer.

Choi and Chan (1997: 44) point out that the basic principle in the above BPR methodologies is to examine each process step to identify bottlenecks or nonvalue - adding activities, then to proceed with reengineering to improve the performance of the process. The methodologies generally involve steps in analysing current business processes, identifying deficiencies, designing new processes and forecasting the improvements.

III. LITERATURE REVIEW

The research discusses the aspect of Business Process Reengineering. BPR can assist the bank in streamlining its account opening process and create a process that is valued by customers. It looks at the benefits to the customer's, customer value propositions, process management, cost reductions and thus becomes one of the ways that the bank can satisfy its overall strategy.

A. Business Process Re-engineering

The process of opening a business account should add value to the customers experience with the Bank. Steinberg (2007) stated that a business process is a series of activities, that take an input add value to it, and produce an output for an external or internal customer. Each of these activities transforms inputs from the previous activity and produces outputs by means of its own transformational capacity. This is known as Business process reengineering (BPR). Steinberg (2007) stated that: Business process reengineering is the fundamental (Pitman (1995) rethinking and redesign and radical (Hammer and Champy (1993)) redesign of business process to achieve dramatic (Carr and Johansson (1995:9)) improvements in critical contemporary measures of performance such as cost, quality, service and speed. Value creation for the customer is

the leading factor of BPR and information technology often plays an important enabling role.

Carr and Johansson (1995:5) stated that the origins of BPR can be found in the TQM philosophy. TQM is focused on processes and takes a holistic view of workplace activities. Allender (1994:41) reports that TQM is a frame for culture change in an organisation and provide a framework for building organisational culture. Furthermore, the culture of an organisation must equip an organisation to continuously learn and improve TQM focusing on all aspects of the organisation, including employees, and, as a result provides an approach to build a culture consistent with success as stated by (Gore, 1999:169). TQM provides management leadership with a vision which places the customer as the central point for change and emphasizes continuous improvement of the process over a long period of time.

IV. RESEARCH METHODOLOGY

The research was qualitative of nature. The qualitative method was used to collect data. The qualitative research methodology will assist the researcher to observe and record the factors that is causing the delay in the business account opening process. This type of research allows the researcher to observe the process as it happens. Geoff Lancaster (2005) stated that Qualitative data is often in the form of descriptive accounts of observations or data which is classified by type.

A. Research Design

The researcher was able to observe the process where it was executed. This entailed observing the process from the time the customer walked into the branch up to the dispatching of the documentation to the courier. In addition to this a visit to the BFC allowed the researcher to observe how the process was executed in the back office. A qualitative research methodology is exploratory and inductive. This type of research is beneficial as it generates data based on what people and systems do rather than what they say, or it is claimed they do. Graziano and Raulin (2004) stated that this technique often generates data and findings which would have been impossible to discover by any other means. Robson (2002) stated that because the researcher participates in activities being performed, observational research allows for much richer and detailed data to be generated than, say for example, using secondary data or even primary data collection methods such as surveys and questionnaires. However, interviews and questionnaires will still be required in this case as this forms part of the qualitative data gathering approach. Saunders et al. (2003) stated that finally, and particularly relevant to a consultancy-type student research project, participant observational research, in particular, is very well suited to research within the researchers own organization.

B. Sampling

Alreck and Settle (1995:454) see a sample as being the number and/or the identity of respondents in a population, who will be, or have been, included in the survey. The main reason

for using a sample in research are the economies they bring, such as economies of time, money, personnel etc., as it would not be feasible to administer a questionnaire to every element in the population. However, the sample has to be representative of the broader population, that is, the sample should have the same characteristics of the population relevant to the research in question (De Vos 1998:193). This means that it must be of sufficient size to allow confidence in the stability of its characteristics, i.e. adequate size to be able to generalise the findings or results of the survey to the broader population. In this study 100 branch and BFC staff were given questionnaires to complete. This provided the researchers with valuable information around the views of comments of the staff with regards to the research problem.

C. Questionnaire

The questions posed in the questionnaire were all based on the 'evaluation of the business account opening process' from the time the interview is performed by the branch Business banker up until the customer is advised about the status of the application. Questions with the same predefined response options were grouped together. This was done to facilitate an easier answering process and to limit any possible confusion while completing the questionnaire.

The questionnaires included mainly determinant - choice questions that required the respondents to choose one response from several possible alternatives:

Determinant - choice Questions. These questions are used in an attempt to determine the 'experience' of the respondent to a particular question or statement. For example:

How long does it take to complete an application form when interviewing a business customer?

- A. Less than 45 minutes
- B. 45 minutes to an hour
- C. 1 to 2 hours
- D. 2 hours to 4 hours

The following guidelines for developing questionnaires (De Vos 1998:155) were followed when constructing the questionnaire for this study:

- Questions should be brief and should each contain only one thought.
- Questions should be in plain language.
- Questions should never reflect any bias.
- Every question should be relevant to the purpose of the study.

V. DATA ANALYSIS

Alreck and Settle (1995:267) refer to data analysis as reducing the amount of detail in the data that is collected, summarising it, and making the most important facts and relationships apparent. This data would then be interpreted in an attempt to answer the research questions posed, and to test the research hypothesis that was formulated. Therefore the analysis of the data does not provide the answers but rather the

interpretation of the findings of the research do, such as making inferences from the data analysed and drawing conclusions about the relationships identified (De Vos, 1998:203). This was done by categorizing the feedback received from the respondents into common factors and using that information to draw certain conclusions from the data feedback. Data was collected in the following manners:

- E-mail or handout questionnaires to about 100 staff who is involved in the opening of Business accounts process.
- Business Account opening statistical data to indicate the amount of accounts opened through the review of company documents.
- Investigation and comparison of survey statistical market share data in the market.

The aim was to attempt to establish the competitor edge and see how we can use it to the Banks benefit. The results of the qualitative data are annotated below.

Interpretation of data collected from the branch business bankers

Feedback received from respondents indicated that the branch network is highly disciplined with regards to the processing of business account applications. Most of the respondents from the branch network believe that the delay is caused by the processes in the BFC. The below was also highlighted as causes of delay:

- No standardised process.
- Manual checks are time consuming.
- Lack of skilled resources in the BFC.

Feedback received indicates that the branch network is not satisfied with the service that is being provided by the BFC. Majority of the feedback indicates that the account opening process should move back to branch network. Branch staff feels that it would be better to control if business accounts are opened by the business bankers. Comments also included that the account opening process should be reviewed and enhanced and stream lined for all business products. The removal of manual forms was also highlighted and the need for the information on the manual application form to be developed systematically.

Interpretation of data collected from the Branch Fulfillment Centre Staff (BFC)

An average of 65 business account applications per branch is sent to the BFC on a daily basis. These applications have to be actioned by about 8 consultants. This includes a manual verification of the enterprise and member details on the credit bureau and on the CIPRO website. The account will be opened based on the outcome of the checks. The feedback indicated that only CIPRO and Bureau checks are performed on the enterprise and members. The bank obtains CIPRO data from Kredit Inform, which is an external database that holds credit information. It is interesting to note that Kredit Inform database contains CIPRO information that is 30 days behind. This means that for all new business registered in the last month, no information will be available from Kredit Inform. To obtain the latest information, an email must be sent to

Customer contact centre (CCC) to verify the company and member information directly from the CIPRO website. A lead time of 48 hours is in place to obtain the CIPRO information. This seems to be where some of the delay is being experienced. A solution must be investigated and implemented. The information provided by the BFC staff could be quite useful when looking at the business process reengineering of the business account opening process. The feedback has been summarised in the following points:

- Too many manual forms that needs to be completed
- Manual checks needs to be automated
- The BFC's is under staffed
- The capturing process is complicated and needs to be streamlined.

A. Findings

The current business account opening process is considered to be highly inefficient and ineffective from both the bank's and the customer's perspective. Currently, an existing enterprise account opening process exists which is a manually intensive and costly process, with little uniformity being applied across the originating network. There is no standardized process across the network. At the same time, decisions on whether or not to approve or decline accounts culminate in a subjective call by management based on a number of parameters, with the result that many potential sales opportunities are lost.

The lack of automated decisioning and a scoring infrastructure has resulted in many customers, in particular those in the Optima market and those applying for the first time, being turned away without having their needs met. It is clear that there is a lack of understanding in terms of which customers should be offered which products. This problem is particularly prevalent at the bottom-end of business or in the BEE space, where little history, collateral or business track record exists from which to draw an optimal conclusion.

In certain instances customers visit the branch four to five times before their current account is opened. The cumbersome and lengthy account opening process has consequently resulted in many existing customers, particularly those in the Focus market, preferring to apply for current account and lending facilities elsewhere.

B. Recommendations

The banking industry is a market that is under huge competitive pressure to change, adapt and to improve. The account opening process is often the most neglected area. As can be seen from the above, research has indicated that there are numerous opportunities to introduce improvements in the account opening process, by using target, manageable and iterative approach. Data analysed from a customer survey performed by the bank indicates that the processing of applications and the opening of accounts is a major customer complaint. Key to the solution is to re-locate critical process back to the point of sale. A re-design of the current account origination model is required where processes are relocated

from back office operations to branch. This will eliminate handoffs to back office including the courier of documents. Automation offers wide range of improvements and benefits such as customer experience retention, costs efficiency and compliance. A Business Application Scoring solution will enable the bank to provide an end-to-end origination and account opening process for Business accounts.

When opening a business account the customer should leave the branch with an active account number. The new process should enable a cross-sell of other products, which is not possible with the current inefficient process. The new process should assist the bank to realize huge cost savings from the elimination of back office processing without additional costs to the branch network. The new solution will assist the bank to meet the business objectives previously identified and also align with its strategic goals.

C. Conclusions

The results from the findings were presented to management and the re-engineering exercise was initiated. The process was reviewed and improved by reducing the business account opening turnaround time from 7.5 to just 1 day. A major breakthrough of this re-engineering exercise is that the bank realized a 90 million rand hard benefit cost saving from activating new accounts earlier and the elimination of back office processing without additional cost to the branch. The outcome of this was that the bank was able to create value for its customers which are a key factor for BPR.

Another improvement that has been identified is the elimination of paper within the process. A future improvement initiative is the introduction of electronic capture screens with an end to end workflow solution resulting in the reduction of manual steps in the process. The new technology plays a vital role to enable the bank to reduce its cost, increase market share and provide a consistent customer service. This has encouraged management to adopt BPR as a method to improve its overall business strategy.

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