OPTIMISATION OF THE ALIGNMENT OF BUSINESS AND CREDIT FUNCTIONS IN THE PRIVATE BANK SEGMENT IN A SOUTH AFRICAN BANK

Daniel Chetty

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ABSTRACT

Currently the sales and credit departments of Private Banks have divergent business objectives. The sales department's primary objective is to sell the bank's products and generate revenue through new business acquisition, while the credit department's objective is to balance risk and reward by ensuring that capital is deployed in the most effective manner. In the private bank department of the bank that was studied, these divergent objectives have led to inefficiencies in the business processes and have promoted the silo-based operations, which impact the customer experience negatively. Several strategies for future implementation were identified in order to optimise the alignment between the sales and credit functions of the private banking department of the bank. The strategies were categorised into customer centricity, relationship pricing, alignment of personal key performance indicators, addressing of system inefficiencies and exploring various alternate strategies (e.g. strategies that aim to achieve a better understanding of each others' roles and work pressures better; improving communication; aligning their goals; working towards supporting the success of each department). It was found that there was a strong alignment of the views of the private bank staff (credit and sales viewed as a group) towards the future strategies. When the views of the credit staff were compared with the views of the sales staff, it was found that there was alignment of the opinions of the two departments on the futures strategies that could be implemented to allow credit and sales to work more effectively together.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University.

Name: Daniel Chetty

Signature:

Date:

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1.1 Introduction

Sorondo (2006) describes JP Morgan Private Bank as the largest private bank in the USA with $200 billion under management. JP Morgan Private Bank has relationships with over 40% of the individuals listed on the Forbes 400 richest Americans. JP Morgan Private Bank has been very successful because they were able to offer the science – such as investment guidance and balance sheet advice; along with the art – such as education and strategy. The bank melded art and science in a series of next generation wealth seminars held in 2005 in Barcelona, Miami and St Tropez with 100 young members of wealthy families who hold a total of about $140 billion in assets.

Morais (2005, p. 88) described the strategy implemented by the chief executive Oswald Grubel as the “one bank” strategy. Grubel’s strategy was to produce above market returns by making the investment bankers, private bankers and asset managers work together. While doing so, managers cannot blame other business units for poor performance since they are all in one integrated bank and share in one another’s successes and failures. After a history of erratic earnings, investors hope that this is the dawn of a new era at Credit Suisse. Grubel has promised investors at least $6 billion in net income by 2007, which indicates his strong belief in the strategy he has implemented. One bank strategy has resulted in cross selling between the investment and the private bank.

Morais (2005) describes Credit Suisse as the world's most successful private bank. Credit Suisse's private bank accounted for just under half of the group's $4.3 billion net profit in 2004. The private bank's net income is 0.48% of assets which is well above the 0.3% more typical of other private banks. Credit Suisse is the world's third largest wealth manager by assets and has a reputation for well-timed advice and a flair for creating unusual financial products. Credit Suisse's reputation as a product innovator has attracted younger clients who are more dynamic, sophisticated and market-savvy than the clients at UBS (Credit Suisse's major Swiss competitor) and as a result of their wealth creation initiatives they are more profitable to the bank. A single bank strategy meant that private bank credit and private bank sales had to align their goals and work together more effectively towards to the success of Credit Suisse's private bank. Credit and sales also worked effectively together to create, approve and implement the innovative financial products which contributed towards the success of the bank.

Finweek (2006) describes the private banking market in South Africa as an evolving market with the goal of ultimately adopting the Swiss model of private banking (discreet, knowledgeable and dedicated to the financial well-being of their clients). The three Swiss-model private banks that were established about five years ago are Absa Private Bank, Ansbacher and Standard Private Bank. However with only an estimated 20,000 families in that super league, the traditional Swiss private bank model, aimed at only the highest of high net worth individuals, proved not to be relevant to South Africa. Furthermore, that handful of high net worth clients were also sought after by some of the world's top financial institutions. In that highly competitive market, the South African private banks had to rethink the local private bank model. The ideal situation is for a client to have a single relationship manager who would cater for all his financial requirements (personal, business, investment etc) but owing to the skills shortage, the South African banks have to compromise on that ideal.

Some South African private banks try to deliver the service via the relationship manager, who acts as a conduit between the client and the specialists. Rand Merchant Bank (RMB) private bank has adopted a different private bank model where the client skips the relationship manager and deals directly with a team of specialists. The specialist that deals the most with the client would assume the role of the relationship manager. The advantage this model is that the client deals with a specialist who is competent and can address the client's immediate requirements quickly. The disadvantage is that the client has to deal with several different people. Jasper Lindeque (head of wealth management at RMB private bank) cited research published by The *VIP Forum*, (a publication contributed to by 68 private banks worldwide) which indicated that the quality of the advice outweighed the quality of the relationship amongst ultra-high net worth individuals.

Nedbank Private Bank has adopted the model where the private banker acts as the fulcrum of the relationship and leverages off the specialist skills of a support team. Absa Private Bank uses a hybrid model where the primary relationship is held by the private banker who will call in a specialist when the client's requirements are complex.

Standard, Absa, Nedbank, RMB and Investec Private Banks have all adopted a segmentation strategy to private banking. They have broadened their models from a focus on the top end to include a wider market and one that allows private banks to segment their offering across a more relevant range of clients. The risk in the segmentation strategy is that the top end clients may feel that the service is geared to the lowest common denominator. However the South African private banks have taken great care to ensure the process is aspirational, with clients evolving upwards to heightened service levels. Segmentation in South African private banks is vital due to the differing requirements of the clients in the various segments.

D'Ambrosio (2000) describes a successful private banking model adopted by Harris Bank in Chicago. Harris Bank is approximately a century old and has $20 billion under management in its private banking division. In the late nineties the executives of Harris Bank discerned that most customers' financial needs are born out of life-cycle events: for example, job promotions, career changes, a new baby or retirement. That perception encouraged Harris strategists to formulate and implement an organisational shift. Teams of asset managers, planners and traditional lenders were organised around life-cycle events, so that clients were no longer obliged to move from one department to another within the bank or from one bank to another to put together the package of services they required. When clients get promoted or retire, they require a different bundle of services and not just one product. Harris private banking has also segmented its client base and has established that each segment has its own unique life cycle change points. As a result, Harris private banking has developed different models for the different life cycle events in the different segments.

Ackermann (2006) writes that the PNC Financial Services Group Inc. in Pittsburgh has increased the assets in its private banking business with new leadership, a new name, an enhanced sales-oriented culture and more cross selling. After Robert Q. Reilly took over as the executive vice president of PNC Wealth Management in July 2005, his unit's assets under management grew by $1 billion in the first quarter and the private bank's revenue increased by 10% compared with the previous year because of the shift in focus. PNC Private Bank adopted a co-ordinated channel management approach which increased the focus on sales and cross selling. PNC Private Bank tripled the business developed from referrals from the corporate bank, quadrupled business stemming from the business bank and obtained about three times more referrals from the branch network. The co-ordinated channel management approach described above is similar to the "one bank" strategy that Grubel implemented at Credit Suisse (described above). They are similar in that the different departments work together to leverage off each other's skills and client information to achieve the common goal of customer satisfaction and maximise the bank's profitability. The private bank credit resources are a key business partner to the private bank sales. The alignment of the private bank credit and private bank sales strategies toward the broader objectives of the organisation is critical to success.

Tyburski (2005, p. 4) notes that “there is a heightened focus on the credit department helping to increase sales and earnings, rather than just reducing credit risk”. He identifies the four top challenges facing the credit department in a financial institution as: communication; sales following or not following business rules; getting sales to respond to credit concerns; and getting complete and accurate customer information from salespeople. Tyburski recommends the following practical steps to optimise the sales-credit partnership: the alignment of revenue generation and credit risk (bad debt) goals between the credit and sales departments; sales and credit personnel to conduct client visits together; and rotation of sales and credit personnel to better understand each other’s challenges.

1.2 Motivation for research

This research has direct relevance for the broader Retail Banks and Investment Banks since Private Banks cater for both the retail and investment banking requirements of high net worth individuals. The improved alignment strategies between the credit and sales areas can be extended to the retail banks and investment banks which will indirectly impact their level of client retention and their bottom line. The National Credit Act was implemented in June 2007. This act requires banks to be more rigorous in their credit decision-making process by taking the customer’s view and understanding the customer’s exposure overall, rather than just evaluating whether the customer can afford a specific product.

Mametse (2007) indicates that since the National Credit Act was implemented, there has been a decline in the vehicle sales. Wingate-Pearse (2007) indicates that the National Credit Act has slowed down property sales. Botha (2007) writes that the increase in the prime lending rates has adversely impacted the property market. Pickworth (2007) confirms that the South African Banks have been adversely affected by the National Credit Act. Improving on the alignment of the business and credit would definitely be a major step towards achieving customer centricity. Initially these optimised strategies, once implemented in the Private Bank, should give an edge to the organisation over the competition, but the competition would soon follow and the end result would be that the customer would benefit in general and experience an improved and customer-centric process.

The major South African banks face similar challenges to those described above. Currently the sales and credit functions have divergent business objectives. The sales department's primary objective is to sell the bank's products and generate revenue through new business acquisition, while the credit department's objective is to balance risk and reward and ensure that capital is deployed in the most effective manner. These divergent objectives have led to inefficiencies in the business processes and have promoted the silo-based operations which impact the customer experience negatively.

CRM Magazine (2007) links customer satisfaction to retention. The author elaborates that providing superior customer experience is the most powerful way for companies to achieve differentiation. Craig (2006) writes that customer centricity should not be viewed as a revolutionary new strategy. It is actually a basic strategy that is overdue and often overlooked in strategy formulation. Customer centricity is part of a larger movement whereby companies realise that the "one size fits all" era is long past and in order to maintain their competitive edge, organisations have to fundamentally change the way they treat customers.

1.3 The Research Problem

The research problem explores how the alignment between the credit and business functions of the private banking area in a South African bank can be optimised. In the previous section different strategies and models for successful private banking were discussed. The questions below were identified in order to break down the research problem into the sub-problems:

- What are the strategies that can be implemented to move from a product -centric to a customer-centric approach?
- Can the goal of relationship pricing be achieved by the credit and sales functions partnering towards this common goal?

- Can credit and sales work together more effectively towards the broader goals of the firm by aligning their personal key performance indicators?
- Will the alignment of credit and sales functions be improved if the system inefficiencies that impact on both areas are addressed?
- What are the alternate strategies that may be deployed by the credit and sales functions in order to improve the alignment between the functions and have them work together more effectively?

The questions mentioned above were developed into propositions and the questionnaire was developed based on these sub-problems. This allowed for further analysis into the different facets of the research problem and allowed for conclusions to be drawn based on these propositions.

1.4 Scope

This research will be limited to a South African Private Bank which is a division of the Retail bank. The entire Private Bank credit team is based in Sandton, Johannesburg. This team is a national credit team and supports the private bank business across South Africa. The Private Bank business head office is in Hyde Park, Johannesburg and the Gauteng branch has the highest concentration of Private Bank staff and Private Bank customers. Hence this research will be limited to the Gauteng province only. This research will be limited to the Account Executive/Relationship Manager channel only i.e. the process where a customer interacts with the relationship manager or account executive and applies for a product where a credit decision is required.

CHAPTER 2: LITERATURE REVIEW

2.1 Customer Centricity

Ryals (2007) found that the development and implementation of a customer relationship management scorecard proved to be an effective tool for managers to evaluate risks in their customer relationships and to develop risk mitigation strategies. The scorecard was then used to forecast retention probabilities. This proved to be an effective tool to create shareholder value.

Lager (2007) writes that in many organisations, professional service management remains a back office function and is separated from the sales or front office function. This prevents companies from obtaining an enterprise wide view of the customer. The author further writes that through the implementation of revised customer-centric process and technology, the front office and back office staff can work together in an optimal manner, allowing for a customer - centric approach.

Bodnar (2007, p. 38) writes that “organisations with a customer centric mantra will own a distinct market advantage in the coming cycle of a true consumer driven marketplace.”

Bailor (2007) states that it has become more difficult for retail organisations to compete on price over the past few years. A growing number of retailers are realising the importance of creating a seamless multi-channel experience as a vital part of their tool kit for competitive differentiation. Customer-centricity and experience-based differentiation have taken the centre stage in retail organisation strategies. As a result the retail organisations are focusing on creating a more engaging relationship with the customer around the brand and responding to the needs and desires of the customers. One of the biggest challenges that multi-channel retail organisations face is aligning customer data across channels so retail organisations can have a picture of how their consumers are interacting with them not only in one channel, but across all channels. Key to this strategy would be the alignment and sharing of customer data across the channels. South African private banks have adopted this type of strategy by allocating relationship managers to high net worth individuals so these high net individuals do not have to go through many different channels to get different products and as a result have different customer experiences.

Kirby (2007) declares that customer insights and what is important to the customer should be pivotal in forming the basis for the customer-centric strategies. In the current context of globalisation and information sharing, it is a strategic imperative to align your company with the customer requirements and adapt the marketing, sales and distribution strategies accordingly. Kirby also describes customers as being convenience motivated and suggests that customer-focused strategies, as opposed to competitor-focused strategies, should be deployed to maintain a competitive edge. These, together with a competitive cost structure, are key ingredients to success. Organisations should be alert and not ignore their competitors, but the energy, drive and culture of the organisation should come from customer-focussed strategies for two reasons:

first, customer needs change more slowly than a lot of other market factors and second, close following does not work well in a fast changing environment. By focussing on customer obsession over competitor obsession, an organisation can prevent internal agendas from driving decisions as the organisation grows.

In Chain Store Age (2007), it is stated that many retail organisations have changed their approach from what products do we sell to what will the customers choose or require? More retailers are investing in behavioural research to discover opportunities. Customer centricity, including truly understanding the customers and revolving every business decision around them, is on aspect of retail organisations that is not changing rapidly. Many retail organisations are still driven by the complexities of running a business or pleasing their shareholders and this seems backward in a fast moving industry.

Edelstein (2007) avers that the application of sound, fair and equitable relationships and consistent communication are what generally separate a successful customer-centric program from a failed effort. He emphasises that promises that cannot be kept should not be made and reliability must be one of the key strengths, since it reinforces the client relationships. Retail organisations must listen to their customers and encourage feedback. Communication, attention to process, dedication to sound client care and a solid understanding of the client's requirements, are pivotal for a successful long term relationship. Communication encourages trust and the attainment of the collective objectives of each client engagement.

Teller Vision (2006) reports that the U.S. banking industry has seen a strategic shift towards customer centricity. More financial institutions are aligning resources to respond effectively to the needs of the customers while building mutually profitable relations. This shift has banks participating in a new race: a customer analytics triathlon. The power of traditional retail bank strategies is waning. Diversification and acquisition strategies are decreasing, new branch growth is increasingly expensive, and market share is being eroded by new entrants. New performance value lies in customer value management, which involves a triathlon that begins with mastering customer data, moves to achieving knowledge by extracting insight from the data, and culminates in realizing wisdom by acting on the insight. To maintain a competitive advantage, banks need to develop new profitability models based on data gathered at account level. Such analysis would give insight into the cost to serve each customer.

Wagner (2007) describes customer-centric organisations as those that make the needs of individual customers the starting point for planning new products and services or improving existing ones. While customer centricity has received attention in marketing literature, the technologies to enable customer centricity have been ignored in the research and theory development. The key characteristics that affect customer engagement are described as goal alignment, value adding processes and technologies that enable customer centricity.

Nelson (2007) writes that the old banking product rules required a strong siloed business unit and tightly controlled channels to generate revenue. The new rules rely on demonstrating value within the bank, collaborating to maximise every customer contact and building customer loyalty. Each of these themes is incorporated into the idea of enterprise cross-sell concept. Successful product houses within the banks have adapted to the new rules by breaking down the silo mentality that focused on individual success at the expense of the whole. They have become leaders in the banks' evolution by ensuring that every customer contact is maximised via the most appropriate channel.

All the authors above have indicated that customer-centric strategies will provide a competitive edge and through the optimisation of the alignment of sales and credit functions in the Private Bank, customer-centric strategies will be promoted and this will result in an improvement to the service offering to the Private Bank clients.

2.2 Relationship Pricing

Stock (2007) suggests that there is a drive toward a new pricing model to reward wealthy clients who buy multiple products by discounting fees across the board. Relationship pricing would benefit advisors who would be able to offer their wealthy clients better rates for investment products. Three competitive pricing strategies are described: localised, dynamic and relationship.

The localised pricing (which means charging what the local market will bear for services) is the most straightforward. Dynamic pricing rewards clients for specific behaviours such as holding their investments for a long period of time. The services are discounted in the relationship pricing model based on the total value of the client's relationship with the bank. The price of the products decreases (within agreed ranges to each department) as the client becomes more profitable to the bank. This results in a win-win situation for the client and the bank. The client pays lower fees and the bank benefits from increased cross sell profitability and customer retention.

Relationship pricing requires every area of the bank to have a view of how much the individual client is worth. To do this effectively, complex and expensive software is required. Relationship pricing also depends on effective communication between different product departments of the bank, which means moving away from the silo or product-centric type operation to a more customer-centric operation. This change represents a significant shift in the technology, culture and the way banks do business. Due to the challenges faced in the journey to become customer-centric and to price for the relationship, banks will start with the high net worth individuals and the commercial accounts.

This is typically the space or market of the private banking area and that is why this research is focussed on optimising the partnership between credit and sales in order to become more customer-centric and obtain a single credit view of the client. Once the systems and process are implemented to obtain the single credit view, the sales and credit departments will be able to work together to price for the relationship and to become “dealmakers” by establishing what other opportunities can be explored for their clients. Client churn is costly and needs to be constantly monitored and managed.

Landry (2005) states that dynamic relationship pricing is emerging as the banking industry’s next significant CRM strategy. The banking industry is heavily commoditized and with service quality rising, is even more difficult to differentiate. Landry (2005) writes that banking software purchasers will make relation pricing capability a “must have” selection criterion by 2007. According to Landry, leading banks will make dynamic relationship pricing a requirement of future core banking solutions. The corporate and commercial and high net worth implementation will precede those in mass market consumer buying.

Landry recommends that banks elevate pricing as a critical priority in their future strategic planning. The credit and sales departments of the private banking area play a pivotal role in the successful implementation of the dynamic relationship pricing model. By having a single credit view of the customer the appropriate risk decisions can be taken into consideration when making the credit decision. The sales area can also better understand the customer’s needs and structure facilities / products accordingly.

Goldman (2004) describes some of the potential risks and ineffectiveness of relationship pricing programs. Clients buy products because of their inherent value and merit and not because of additional perks they may receive as a result of their increased relationship. Goldman advised that products should be structured to recognize tenure and past activity. Clients want simplicity in their financial services and are frustrated with programs with complicated tiers. When a loan balance translates into eligibility for benefits, clients become alienated once the loan is paid off and their benefit is gone. Banks should offer programs that are enhanced over time by starting free and then increasing in value. Points programs should offer a reward of choice. Relationship pricing models, while also being profitable for the bank, must be simple for clients and add rewards with minimal barriers / conditions.

Athanassopoulos (2000) wrote a paper examining customer satisfaction cues in retail banking services. The study shows that customer segments yielded statistically different satisfaction scores which verified the managerial value of customer segmentation practices.

Adams (2007) describes the emergence of relationship pricing as a central strategy in the banking industry. Vendors believe that this kind of pricing is an adequate measure to gauge consumers' real profitability. Most of the relationship based pricing products use some form of customer analytics and other customer relationship management-related methodologies to form an integrated pricing strategy.

Cleveland (2001) asserts that relationship pricing has resulted in lower prices and improved products and the customer ultimately gets a better deal at BNC Bank in Arizona. Cleveland believes in risk rating the client's credit needs and pricing accordingly. If further substantial investments are moved to be managed by BNC, then further price breaks on the products and services are calculated. This dynamic pricing model has worked well for BNC Bank and the customers were very receptive to the model. The biggest challenge in implementing this strategy was to change the mindset of the bank staff.

Landry (2005) states that to implement a successful relationship pricing strategy, banks will need a flexible pricing mechanism that can drive appropriate pricing at the relationship level while attributing revenue back to the products. Pricing and loyalty programs are still managed at the individual product level, without consideration for a bank's customer relationship strategy. Pricing and financial management are still oriented around products – not around relationships. Product pricing aims for profitability of a product without regard for the overall customer relationship or its profitability. The relationship model elevates customer profitability so that flexible pricing programs can be structured to attract, retain and grow profitable customer relationships over time. Loyalty programs should be structured to reward customers for the aggregate of the business they do with the bank.

Morgan (2001) discusses how relationship pricing improves profitability and member relationships of a company. At the New England Federal Credit Union, management developed a full profitability portrait first and then designed the relationship pricing system based on that analysis, as opposed to overlaying a relationship pricing model on existing products and services. The target market was segmented and an appropriate relationship pricing model was deployed for the different segments.

Costanzo (2007) writes that relationship pricing is about treating customers to preferential deals and it has become a necessity rather than just a customer bonus. Relationship pricing will be a huge competitive advantage in banking. The driver of all relationship pricing is increased wallet share. Loyalty programs are one of the tools banks are using to get more from their customers while at the same time giving them more.

2.3 Alignment of KPI's

Walsh (2006, p. 509) states that organisations measure their improvement efforts through key performance indicators (KPI's). KPI's can be decomposed into key performance outcomes (KPO's) and key performance drivers (KPD's). The business processes link the KPO's to KPD's. KPO's measure progress toward corporate objectives and KPD's provide in-process measurement. Walsh proposes new tools for linking KPO's and KPD's since performance indicators are essentially a process issue. In order to optimally measure efforts through KPI's, a process view rather than a product view is recommended. A process view would assist to align the KPI's of the product areas so they are all aligned to the corporate strategy. This would result in avoidance of "turf protection".

Bauer (2004) writes that the alignment of KPI's with the organisation's vision / mission / strategies / objectives is the key to realising bottom line impact. The challenge is to develop KPI's that provide a holistic and balanced view of the business. There are a variety of metrics so the selection of the most meaningful metrics is crucial. An individual KPI should be thought of as a balanced metric that incorporates several alternate dimensions which include business perspectives (financial, process, and development.), measurement families (cost, productivity, quality) and measurement categories (direct, additive, composite). By overlaying these various dimensions, one can create a framework that succinctly captures the most critical drivers.

Gaskell (2007) declares that the employee's perception is that the organisational culture can be traced to the actions of the leader, since the leaders create the conditions that determine the staff's ability to work well together. Gaskell (2007) suggests that it is important to measure progress using KPI's which reinforce high performance behaviour through recognition and rewards programmes. The measurement system should also address the gaps in performance.

Schiff (2007) describes the importance of understanding the purpose of business performance management. Business Performance Management focuses on improving the performance of the organisation. To start any performance initiative, staff must understand the company's overall strategy, and the strategy must be communicated to the line managers. Once this is established, business performance management can help managers determine how well the company is executing the strategy, align and focus subordinates on the key elements and positively reinforce behaviours that help to achieve the company's strategic goals. Once the strategy is communicated and understood by the team, KPI's may be used to demonstrate how well the company is executing its strategy. Alignment of KPI's causes all employees to focus on what is important to the business as opposed to their department and creates company wide strategic alignment.

Fleming (2005) asserts that six-sigma is useful in the manufacturing context but not useful for measuring human interactions. He describes Human Sigma as a method to measure employee performance. Employee attitudes affect customer attitudes and customer attitudes affect financial performance. Some companies may need to overhaul their human resource practices. If the Human Sigma measurements are low, then the company must review its recruitment, promotion and performance appraisal system.

Glen (2006) suggests that detail measurements of performance based on the actual work done is useful, but a set of criteria based on the broader vision of the firm should also be included in the KPI's. This approach promotes strategic alignment between the different functional areas.

Mittereder (2005, p. 10) advocates that traditional business intelligence is changing to pervasive business intelligence which empowers everyone in the organisation at all levels with analytics, alerts and feedback mechanisms. This new paradigm has potential benefits and far-reaching cultural implications. Pervasive business intelligence has the following benefits: it more effectively leverages the strengths of the entire organisation by giving every employee the power to contribute and to enhance the KPI's set by management; it increases the sustainable competitive advantage by helping to transform every employee into an "organisation of one"; and it improves operational efficiency by uncovering new best practices and driving those best practices from the bottom up as well as top down. Pervasive business intelligence represents a powerful tool for measuring progress against the strategic corporate goals and KPI's that have been set by management and communicated throughout the organisation.

Hammer (2007) describes the seven sins of operational performance metrics and suggests a better way to measure. The sin of vanity involves metrics that make the managers look good. Provincialism encourages silo focused metrics. Narcissism matches performance against internal goals rather than customer needs. Laziness produces miss-the-mark metrics because companies have jumped to conclusions. Pettiness involves measuring part of an operation without considering its role in overall performance. Inanity ignores the impact of metrics on human behaviour. Frivolity allows personalities, hierarchy, and politics to sidetrack serious focus on strategic issues. Hammer recommends that these pitfalls should be avoided when developing KPI's and that KPI's should be aligned to the broader objectives of the organisation in order to mobilise staff towards common or shared goals.

2.4 System Inefficiencies

Sperling (2007) asserts that a successful system implementation should be rooted firmly in the intersection between economics and technology. All employees compete with the best of breed to maintain their position in the value chain. The culture of an organisation should adapt to the industry challenges to ensure a sustainable competitive position. Sperling (2007) also encourages the partnership approach with all the stakeholders in the value chain. At Private Banks, the silo type operation has resulted in system inefficiencies which are product-focussed as opposed to being customer-focussed. The Credit, Sales and Product areas should work together as partners in order to implement new systems that are customer-centric, or modify the existing systems to become more customer-centric. This research explored some of the system inefficiencies that have resulted in the alignment between the sales and credit functions being non-optimal. Recommendations were explored in this respect with the objective of improving the alignment of the sales and credit functions.

2.5 Credit – Sales partnership

Sandin (2007) writes that bankers must be salesmen in a competitive industry. He identifies six critical ingredients for a successful bank business development program which include a well-defined management structure, quality customer and prospect information, participant accountability, credit performance measurements, sales support and a visible reward system.

An article in the Institutional Investor (2007) describes the successful business transformation efforts of a Commercial Bank in the areas of personal finance services through the centralisation of operations and through improving the alignment between sales, marketing and credit. The management principles of six-sigma were implemented to achieve their goals. There was a focus on new fee-based products to boost their fee income. The adoption of six-sigma ensured that the product areas worked closely together with sales and credit and ensured that all the departments were working toward a common goal.

Tyburski (2005) describes 20 practical strategies to achieve the goal of building a true credit-sales partnership. Through the implementation of these strategies, credit and sales personnel will achieve a better understanding of what the other does and communication will improve.

Credit Management (2004) outlines the findings of a survey conducted by the Credit Management Research Centre at Leeds University Business School in association with the Institute of Credit Management in 2003. The results provide an overview of the credit performance in the UK. The research revealed that internal credit management teams spend more than 50 percent of their time chasing late payment and collecting revenues (back-end processes) and only 29 percent of time is devoted to front-end steps such as negotiating payment terms, checking the customer’s ability to pay and checking orders against creditworthiness. Through the alignment of credit and sales strategies, credit can spend a more appropriate amount of time on front end interactions with the sales staff.

Dawson (2005) defines the quality of the leadership and the commitment of team members as pivotal to the success of the team. Any weakness within an organisation can become a competitive disadvantage so the effective functioning of teams is critical. The ability to build relationships and good communication skills is important in teamwork. Team members with superior interpersonal intelligence are the most productive since they create the synergy required to get things done. A successful team must have: a clear mission, the right competencies and skills, and direct and clear support from leadership. On a day to day basis, the members of a successful team should recognise their accomplishments, work together to develop the optimum solution and respect fellow team members. Dawson describes the S.E.C.R.E.T of success team dynamics as follows: seek and promote acceptance for all team members, establish independent goals, create history, realise goals, encourage external threats, and trust creation by building relationships.

Sumar (2006, p. 5) describes the tactics to form an effective credit and sales partnership. Proactive credit executives are always looking for ways to improve communication and teamwork with sales. By credit and sales focusing on a common mission, the partnership is strengthened. It is important to acknowledge the different mindsets that drive credit and sales. The goal of sales is to sell and the goals of credit are to minimise risk, maximise cash flow, increase profit and minimise bad debt and write-offs. The nature of sales is urgency and immediacy while the key goals of credit can only be accomplished through due diligence and establishment of trust with the customer, which requires time. If sales do not understand and embrace credit's mission, the perception that credit is an inhibitor of sales can be created. Tensions between credit and sales also develop due to a lack of management support, credit's failure to educate sales and lack of credit leadership.

To overcome the issues described above, Sumar advocates the following: obtain management support for credit decisions so sales understands that these are aligned to the company's overall business strategy; get management to include credit in strategic planning; get management to include credit in sales meetings; and position credit as a sales tool by utilising credit decisions to provide sales with a competitive advantage. Sumar emphasises that credit must initiate and lead the change of perception by forging a partnership with sales, so they become seen as "sales invention" and not "sales prevention". Sales perception should be changed so they see credit as holding up a yield or caution sign and not a stop sign.

Diana (2007) advocates that credit managers have a key role to play in the overall financial success of a company by being involved in setting credit terms for new and existing markets and products. Credit terms are an integral part of the company's overall financial strategy. They have a direct impact on cash flow and overall sales, which factor into the company's level of financial vitality and profitability. Experienced credit managers should also be consulted when considering acquisitions since the credit manager will be in a good position to analyse the financial stability of the company. By virtue of the fact that credit managers manage the valuable asset of accounts receivables, they play a major role in the financial success of the company and as a result should form a vital component of any company's management or executive team.

2.6 Job levels

Cummings and Worley (2005) consider the group composition as one of the key components of group level diagnosis. The composition concerns the membership of the groups. Membership can differ on a number of dimensions that have relevance to group behaviour. Experience, education, skills and abilities can affect how people behave and relate to each other in a group. Highly skilled and experienced staff would flourish in environments that promote autonomy, flexibility and innovation at the individual job level. Enriched jobs fit people with a high level of skills, abilities and knowledge, while simpler more routine jobs require limited skills and experience and better fit people who place a low value on opportunities for self-direction and learning.

Cummings and Worley (2005) also describe the goals for more junior and less experienced staff as being tangible and measurable while managers and team leaders would focus on more strategic goals. As a result, strategic change interventions are better understood and supported by more senior and experienced staff since these strategic change interventions are more likely to impact on the goals of the more senior staff. Senior staff are also awarded shares in organisations as a performance reward / incentive. As a result senior staff are more supportive of change initiatives which will ultimately improve the firm’s profitability since they share in the rewards via share schemes.

Collis and Montgomery (2005) confirm that a sense of ownership builds managerial commitment. When managers are rewarded based on the performance of their business unit, their level of motivation will be high.

CHAPTER 3: RESEARCH PROPOSITIONS

The research problem explores how the alignment between the credit and business functions of the private banking area in a South African bank can be optimised.

Proposition 1: The Private bank staff (credit and sales viewed as a group) support future initiatives that will enable sales and credit to work more effectively together, specifically:

1.1 in moving from a product centric to customer centric approach;

1.2 in achieving the goal of relationship pricing;

1.3 in the alignment of the personal KPI's to the broader strategy of the firm;

1.4 in addressing system inefficiencies; and

1.5 in implementing alternate strategies (e.g. strategies that aim to achieve a better understanding each other's roles and work pressures better; improving communication; aligning their goals; and working towards supporting the success of each department).

Proposition 2: There is alignment between the views of the Credit staff versus the views of the Sales staff towards strategies that allowed them to work more effectively together, specifically:

2.1 in moving from a product centric to customer centric approach;

2.2 in achieving the goal of relationship pricing;

2.3 in the alignment of the personal KPI's to the broader strategy of the firm;

2.4 in addressing system inefficiencies; and

2.5 in implementing alternate strategies (e.g. strategies that aim to achieve a better understanding of each other's roles and work pressures ; improving communication; aligning their goals; and working towards supporting the success of each department).

Proposition 3: Opinions of the respondents in credit on different levels (officer, manager/senior manager) will be different. Opinions of the respondents in sales on different levels (officer, manager/senior manager) will be different. The more junior staff will be less supportive of the strategies proposed compared to the more senior staff, specifically:

3.1 in moving from a product-centric to customer-centric approach;

3.2 in achieving the goal of relationship pricing;

3.3 in the alignment of the personal KPI's to the broader strategy of the firm;

3.4 in addressing system inefficiencies; and

3.5 in implementing alternate strategies (e.g. strategies that aim to achieve a better understanding of each other's roles and work pressures better; improving communication; aligning their goals; and working towards supporting the success of each department).

CHAPTER 4: RESEARCH METHODOLOGY

Lind, Mason and Marchal (2000) and Zikmund (2003) were referenced for this chapter.

4.1 Defence of methods

The following three sections present the defence of the method used in this study:

- Research design
- Measurement scales
- Analysis techniques

4.1.1 Research design

The design of this research was considered to be non-experimental survey research as there were no experimental treatments administered to the respondents. The nature of survey research was descriptive since the purpose was to describe the characteristics of an existing phenomenon. Furthermore the research was cross sectional in nature as all observations were collected at a single point in time. As such, no causal relations were inferred from the results and only correlational and descriptive stats and graphs were presented. By contrast, experimental research involves an intervention which refers to the exposure of research subjects to something to which they would otherwise not have been subjected.

As in typical survey research, this research was quantitative in nature. In addition the research included a small qualitative component so that respondents had the opportunity to make in-depth suggestions on the future strategies. One of the weaknesses of quantitative research is that the respondents are not given the opportunity to provide in-depth answers. Open-ended questions were included to pick up some other suggestions / recommendations that were not included in the questionnaire since the questionnaire was not able to cater for every single strategy scenario.

4.1.2 Measurement scales

The type of analysis was largely determined by the level of the measurement scale. There were four underlying scales of measurement:

Nominal scales: This was the lowest level of measurement. It classified variables into unordered qualitative categories e.g. the “Race” variable in this research.

Ordinal scales: The classification into ordered qualitative categories where the values have a distinct order but their categories are qualitative in that there was no natural (numerical) distance between their positive values. An example of an ordinal scale in this research is the Management level variable.

Interval scales: In this case the measurement conveys information about the ordering of magnitude of the measurement and about the distance between the values. The agree / disagree (5 point Likert) scales used in this research are strictly speaking ordinal in nature but are often considered as interval scales by researchers to enable the calculation of means and parametric significance testing. Hence the scale classification for this research was considered interval for analysis purposes with supporting tables of frequencies consistent with ordinal scales.

Ratio: These are measurements where there is equal distance between the numbers as with interval scales yet it has an absolute zero. No ratio variables were included in this study.

4.1.3 Analysis techniques

Assuming that the Likert scaled items used in the questionnaire were equal interval in nature, parametric analyses were carried out. These analyses included t tests for one group compared to a reference constant, and t tests for two group comparisons, where sample sizes allowed. In cases where sample sizes were insufficiently large, non-parametric equivalent tests such as the Mann Whitney U were computed for group comparisons. Non-parametric tests use the rank order of the scores rather than the actual scores for their computation and are thus not biased where the sample size is small. Furthermore, where sample sizes did not allow for a factorial analysis of variance, the results of the individual levels of the main effect were considered separately, and parametric or non-parametric group comparisons computed depending on sample size. In view of the number of items requiring group comparisons to test the proposition of the research, multivariate comparisons such as Hotelling's T^2 statistics were computed to control for the overall experiment-wise level of significance, and multiple univariate comparisons computed only in the presence of significant multivariate comparisons. This approach prevents the problem of capitalising on chance that could have occurred had the analysis comprised multiple univariate tests only. All comparative results were supported by corresponding graphs of means and frequencies.

4.2 Process of data analysis

In order to evaluate whether respondents were positively disposed to the five categories of the propositions, directional single group t tests against a reference constant of 3 were used for the first proposition. As the reference constant of 3 represents the neutral point on the scale, means significantly greater than 3 were interpreted as positive attitudes. Throughout the analyses, for propositions 1.1 to 1.5, the p value was quoted and the most stringent of the conventional significance levels of 5%, 1% and 0.1% was indicated.

Multivariate tests such as Hotelling's T^2 test were used to test the second proposition of the alignment of credit and sales respondents. As previously discussed, the problem of conducting several individual univariate tests was that each one has a type 1 error associated (typically 5%) and so with multiple T tests, one is capitalising on the chance that some of these will be expected to yield significantly different results due to random error. A multivariate test such as Hotelling's T^2 test controls the overall level of significance so that the probability of a type 1 error over all the tests is controlled at the specified significant level. Given that the multivariate test was significant, the researcher then investigated whether each univariate test was significant ($p<0.05$). Otherwise the significance of the univariate tests was not examined.

In line with the propositions 2.1 to 2.5, five Hotelling's T^2 tests were computed and for those that were significant, univariate t test results were examined. There are however two optional t tests that can be used to compare group means: t tests assuming underlying homogenous group variances, and t tests assuming underlying heterogeneous group variances. The decision as to which t test to use was determined by the significance of the F test for variances. Accordingly, p values < 5% were indicative of significantly different group variances and thus the t test assuming heterogeneous group variances was used. In the tabulated results presented, the choice of t test was indicated by italicising the t test based on heterogeneous variances.

In view of the small number of officers in credit (N=6) the Mann Whitney U test was computed to compare the rank orders of the attitudes of officers and managers towards the five categories of the propositions. In the case of the sales staff, sample size permitted parametric comparisons using Hotelling's T^2 and univariate t tests, using the same process of analysis as described for proposition 2.

The open ended questions were included to pick up some other suggestions / recommendations that were not included in the questionnaire and the questionnaire was not able to cater for every single scenario of strategies.

4.3 Sampling methodology

4.3.1 Definition of the unit of analysis

Huysamen (2001) defines the units of analysis as the actual respondents, so the respondents from the sales and credit functions formed the unit of analysis in this research.

4.3.2 Population

The population was the Bank's private bank sales staff across the country and the private bank credit staff, all of whom are situated in Gauteng. The target population was the sales staff in Gauteng as these respondents constitute over half of the national population of sales staff. According to the July 2007 year to date financials of the Private Bank Monthly Pack (Table 4.1), 98 of the 173 (57%) of the Account Executives (private bankers) are based in Gauteng. The target population was also the Private Bank Credit staff located in Sandton. The Private Bank Credit staff in Sandton, Gauteng, constitutes national resources and do all the credit for the entire country. There are no regional Private Bank Credit resources.

The decision to restrict the sampling to Gauteng was based on logistical, operational and strategic considerations. From Table 4.1, Gauteng's actual and budgeted operating income was 60% of the total. Fifty-nine percent of the relationships (i.e. between the customer and the account executive), were held in Gauteng. Clearly, the majority of the Private Banking activity is in Gauteng hence this research was done in Gauteng only.

The Gauteng Private Bank Account Executives (98 staff) and the Private Bank Credit staff (18 staff) were invited to participate in this research.

Table 4.1: Private Bank Monthly Pack (July 2007)

Region	Actual Operating Income	Budget Operating Income	Number of Relationships	Number of Account Executives
Western Cape	69,389,804	65,045,818	6,197	25
Eastern Cape	25,543,895	23,814,085	2,335	11
Kwazulu Natal	141,623,738	130,485,787	12,435	56
Gauteng	251,273,534	232,746,582	21,814	98
Mpumalanga	9,318,358	7,312,252	1,059	5
North West	12,397,940	10,257,861	1,057	6
Limpopo	4,541,599	3,500,669	459	3
Northern Cape	1,009,116	632,358	81	1
Free State	1,989,070	1,727,311	268	4
Total	422,153,355	386,662,819	37,173	173
Gauteng % of Total	60	60	59	57

The sampling frame comprised all the sales staff reporting in to the suite managers in Gauteng and the credit staff who were available at the time of the study.

The intended (potential) sampling ratio for the private bankers was 98/173 = 57%. The actual sampling ratio for the private bankers was 81/173 = 47%. The intended sampling ratio for credit staff was 18/18 = 100%. The actual sampling ratio for credit staff 16/18 = 89%.

4.3.3 Sample size

The potential sample size was 116 (98 private bankers and 18 credit staff). The overall response rate was 84% of which 14% was credit staff and 70% private bankers.

4.3.4 Sampling method

The sampling method is best described as non-probability purposive sampling. A questionnaire was sent specifically to all the sales staff in Gauteng and all the national credit staff with the aim of accessing as many of them as possible.

4.4 Research instrument used

The measurement instrument was a questionnaire. This questionnaire is attached in Appendix 1. The draft questionnaire was discussed with a senior manager from the strategy area of the bank and then with a director in the private banking departing. Some questions were deleted since they did not provide insights into the propositions. Some questions were reworded in order to simplify the questions and remove ambiguity. Some questions were separated into several questions since there were several parts to the questions and a respondent could agree to the first part but not to the second. Some questions were deleted because they were only a slight variation of one of the previous questions and would not add further insights. After two revisions, the final questionnaire was distributed. Appendix 2, Table 10.1 shows the details of the revisions made.

4.5 Procedure of data collection

The measurement instrument was a questionnaire that was e-mailed to the suite managers. The suite managers then distributed the questionnaires to their sales staff and the sales staff printed the questionnaire and manually completed it and handed it back to the suite managers. The suite managers delivered the responses to the researcher. The details of the research and the purpose and intention of the research was communicated to the participants. The Head of Private Bank Credit e-mailed the questionnaire to his management team and a similar approach as for sales staff was adopted. By following this approach, the sales and credit respondents remained anonymous.

4.6 Limitations of the research

Because of the nature of the research, a certain amount of measurement reactivity may have entered the research. Because some of the questions were on attitudes and behaviours, the participants may have been tempted to answer the questions in a way they felt was expected. The use of a 5 point Likert scale allowed for a neutral response. This also was the least number of response categories one could have in order to assume an equal interval scale. In the case of a more sensitive question, this allowed the respondent to answer without taking a position. This means that the mean will tend towards the neutral position for these questions and a slightly skewed result may be obtained. Another limitation of this research is that it is confined to one company and may reflect the culture of the company rather than the views of managers in general.

The number of years of service variable could have yielded some useful trends when contrasting the responses of the more experienced staff to the less experienced staff, but this variable was not included in the questionnaire because it could have resulted in biased responses. Staff who have been in the bank for a long time and are still on a junior grade or level would be sensitive to this issue. This variable could have compromised the anonymity of the respondents and caused the response rate to drop for fear of identification as the survey was internal to the bank.

CHAPTER 5: RESULTS

Table 5.1: Distribution of the respondents by gender, race and level.

		Number	Percentage
Gender	Female	74	76%
	Male	23	24%
Race	Black	10	10%
	Coloured	4	4%
	Indian	23	24%
	White	60	62%
Level	Manager	70	72%
	Officer	20	21%
	Senior Manager	7	7%
	Total	97	100%

Table 5.2: Distribution of respondents by function and level.

Function	Level Officer	Level Manager	Level Senior Manager	Row Totals
Credit	6	10	0	16
Sales	14	60	7	81
All Groups	20	69	7	97

The results of the study will be discussed in line with the propositions of the study.

5.1 Proposition 1

The first proposition is that private bank staff support future initiatives that will enable sales and credit to work more effectively together. A one group t-test against a reference constant of 3 was used to analyse this proposition. For all the questions that address the future initiatives, $p < 0.001$ which means that the mean was significantly greater than the neutral scale point of three at the 0.1% level of significance. Based on these significant results as well as the corresponding means in table 5.3 and the frequencies in table 5.4, there is a strong agreement amongst the private bank staff on all of the 25 future initiatives that will enable credit and sales to work together more effectively. The graphs (figure 5.1 and 5.2) of the frequencies showing high percentages of agreement or strong agreement of the total group to the 25 items underlying the five categories, is based on an ordinal scale of measurement and supports the results of table 5.3 which is based on an interval measurement scale. The results thus show consistency whether or not the underlying Likert scale of measurement is considered to be an ordinal or interval.

To contrast the attitudes towards the future strategies with current attitudes, items representing the latter are shaded with a striped effect in the graphs of figures 5.1 and 5.2.

Table 5.3: Descriptive statistics and One group t test against a reference constant of 3 for total group (N=98)

	Mean	Std.Dv.	N	Std.Err.	Reference Constant	t-value	df	p 1-tailed
2CC: single customer view - cross-sell and up-sell	4.53	0.75	98	0.08	3.0	20.23	97	0.000000
6KPI: mutual goals - revenue generation	4.19	0.96	98	0.10	3.0	12.32	97	0.000000
7KPI: mutual goals - minimising bad debt losses	4.48	0.76	98	0.08	3.0	19.20	97	0.000000
8KPI: mutual goals - decreased collection cycles	4.30	0.88	96	0.09	3.0	14.43	95	0.000000
9KPI: support the success of each other	4.66	0.61	97	0.06	3.0	26.78	96	0.000000
12CSP: visit customers together	3.60	1.26	97	0.13	3.0	4.66	96	0.000005
13CSP: discuss the approach - visiting customers	4.01	1.18	96	0.12	3.0	8.37	95	0.000000
14CSP: spend a day in the life of the other	4.34	0.86	96	0.09	3.0	15.38	95	0.000000
15CSP: monthly meetings together	4.31	0.72	95	0.07	3.0	17.78	94	0.000000
16CSP: understand the customers expectations	4.47	0.70	96	0.07	3.0	20.70	95	0.000000
17CSP: get the advice of credit before the sales process	3.93	0.96	97	0.10	3.0	9.52	96	0.000000
18CSP: include Credit in visits to difficult clients	3.99	1.13	97	0.11	3.0	8.61	96	0.000000
19CSP: Credit observe live selling situations	3.81	1.14	97	0.12	3.0	7.04	96	0.000000
20CSP: do team-building activities together	4.08	0.95	97	0.10	3.0	11.18	96	0.000000
21CSP: product demonstrations to the credit	3.55	1.03	96	0.11	3.0	5.23	95	0.000001
22CSP: conduct service demonstrations to credit	3.65	1.04	98	0.10	3.0	6.24	97	0.000000
23CSP: resolve customer disputes	4.33	0.78	98	0.08	3.0	16.76	97	0.000000
24CSP: agree on a deadline	4.36	0.81	97	0.08	3.0	16.63	96	0.000000
25CSP: implement problem solving sessions	4.29	0.81	98	0.08	3.0	15.67	97	0.000000
26CSP: recognise Private Bankers	4.41	0.62	98	0.06	3.0	22.37	97	0.000000
27CSP: simplify the credit rules and policies	4.32	0.87	97	0.09	3.0	14.89	96	0.000000
28CSP: share Credit newsletter	3.87	0.98	98	0.10	3.0	8.76	97	0.000000
29CSP: special speaker of the month	3.47	1.03	98	0.10	3.0	4.52	97	0.000009
30CSP: communicate over the phone or face to face	3.90	0.90	98	0.09	3.0	9.85	97	0.000000
31CSP: regular team meeting	3.99	0.94	98	0.09	3.0	10.47	97	0.000000

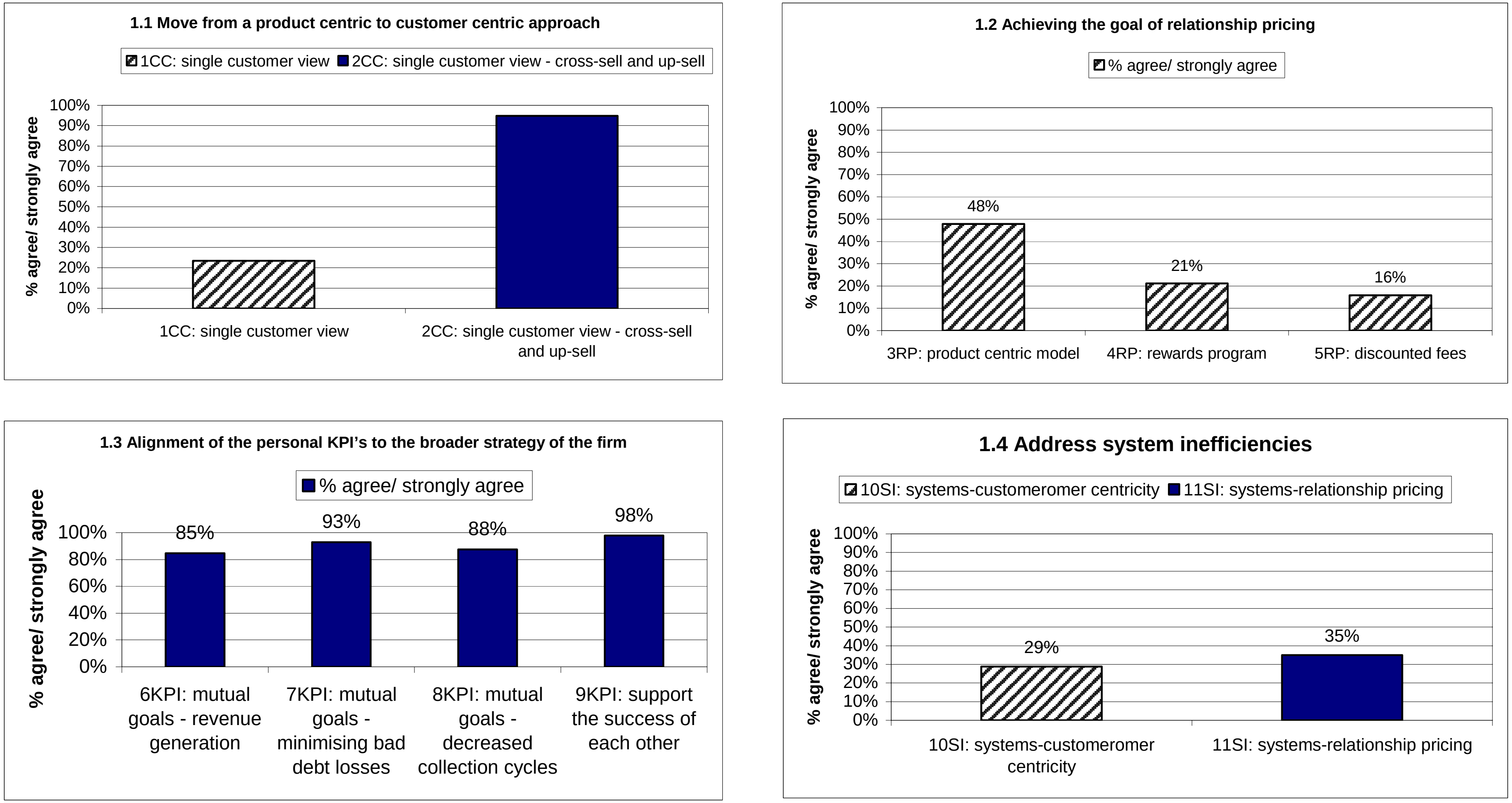

Figure 5.1: Percentage of respondents who agree or strongly agree with items 1.1 to 1.4 of Proposition 1

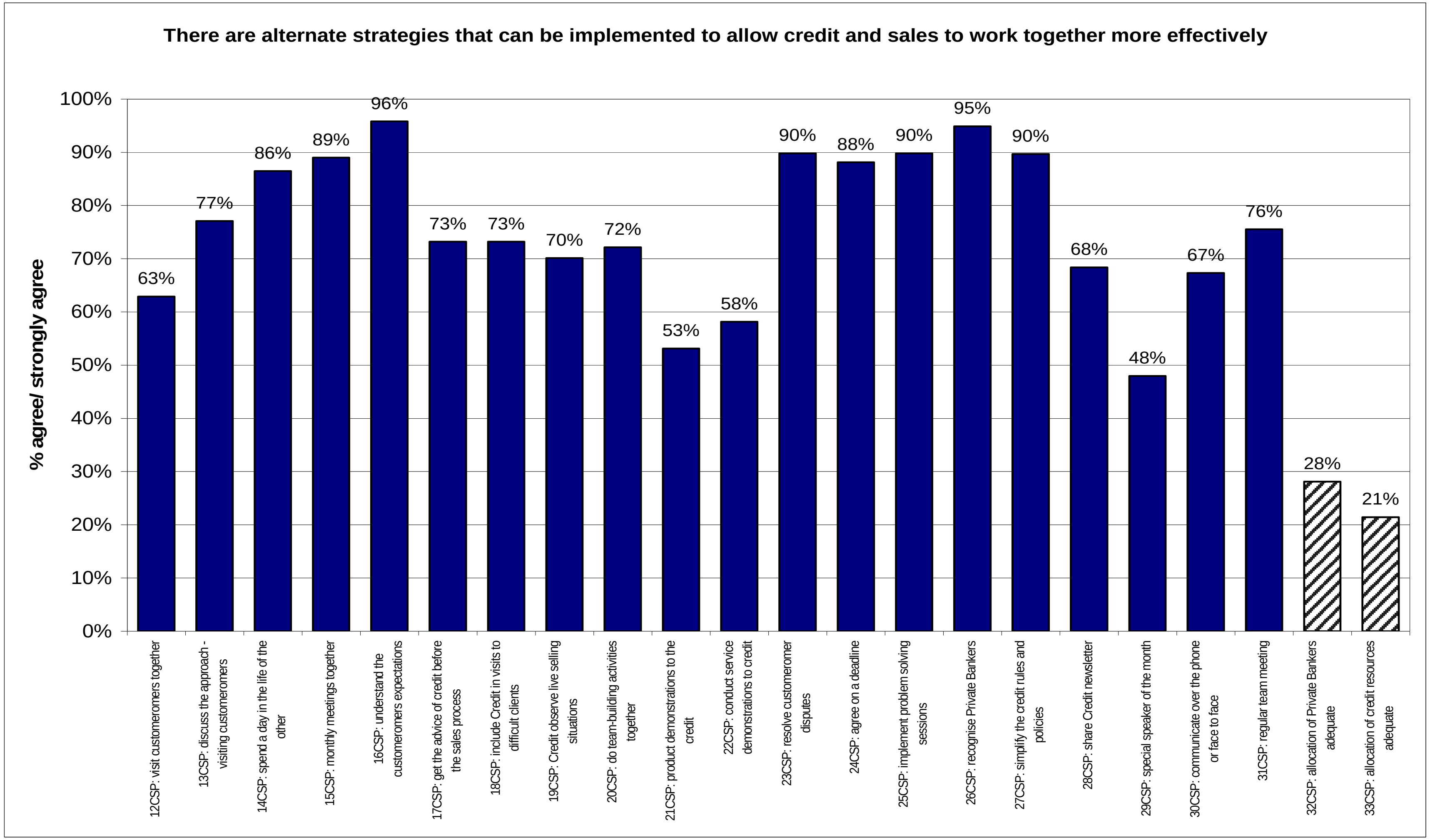

Figure 5.2: Percentage of respondents who agree or strongly agree with items 1.5 of Proposition 1

Table 5.4: Percentage of respondents in the total group according to level of agreement with each item of the 5 strategic categories (N=98)

Proposition	Current/ future initiative	Item	strongly disagree	disagree	neutral	agree	strongly agree	% agree/ strongly agree
1.1	c	1CC: Currently both Credit and Private Bankers have a single / holistic view of the customer in all the private bank segments.	18%	37%	21%	20%	3%	23%
	f	2CC: Going forward, Credit and Private Bankers should take a holistic view of the customer's entire exposure to the bank when considering future cross-sell and up-sell opportunities	2%	0%	3%	33%	62%	95%
1.2	c	3RP: Standard Private Banking currently prices on a product centric model based on the loan amount	13%	17%	23%	34%	14%	48%
	c	4RP: Standard Private Banking has a rewards program that is market related that encourages clients to spend on their platinum cards	34%	29%	16%	14%	7%	21%
	c	5RP: Standard Private Banking customers enjoy discounted fees based on their contribution (revenue – expenses) to the bank	29%	35%	20%	12%	4%	16%
1.3	f	6KPI: Credit and Private Bankers should set mutual goals for revenue generation	2%	6%	6%	43%	42%	85%
	f	7KPI: Credit and Private Bankers should set mutual goals for minimising bad debt losses	1%	2%	4%	34%	59%	93%
	f	8KPI: Credit and Private Bankers should set mutual goals for decreased collection cycles	1%	5%	6%	38%	50%	88%
	f	9KPI: Credit and Private Bankers should support the success of each other	1%	0%	1%	28%	70%	98%
1.4	c	10SI: The current credit systems used by both Private Bankers and Credit promote customer centricity	19%	29%	24%	25%	4%	29%
	f	11SI: The current credit systems used by both Private Bankers and Credit can be used effectively to achieve the goals of relationship pricing	14%	25%	26%	28%	7%	35%
1.5	f	12CSP: Private Bankers and Credit personnel should visit customers together	6%	20%	11%	34%	29%	63%
	f	13CSP: Private Bankers and Credit personnel should meet first to discuss the approach before visiting customers together	4%	13%	6%	32%	45%	77%
	f	14CSP: Credit and Private Bankers should spend a day in the life of the other	1%	3%	9%	33%	53%	86%
	f	15CSP: Credit and Private Bankers should have monthly meetings together	0%	2%	8%	46%	43%	89%
	f	16CSP: Credit and Private Bankers should work together to equally understand the customers expectations	1%	1%	2%	42%	54%	96%
	f	17CSP: Private Bankers should get the advice / support of credit before the sales process begins	0%	11%	15%	42%	31%	73%
	f	18CSP: Private Bankers should include Credit in their visit to difficult clients	4%	8%	14%	31%	42%	73%
	f	19CSP: Credit should observe live selling situations	6%	7%	16%	39%	31%	70%
	f	20CSP: Credit and Private Bankers should do team-building activities together	1%	4%	23%	30%	42%	72%
	f	21CSP: The Private Bankers should conduct product demonstrations to the credit team	1%	17%	29%	32%	21%	53%
	f	22CSP: The Private Bankers should conduct service demonstrations to the credit team	2%	12%	28%	35%	23%	58%
	f	23CSP: Credit and Private Bankers should work together to resolve customer disputes	1%	2%	7%	43%	47%	90%
	f	24CSP: Credit and Private Bankers should agree on a deadline to resolve customer disputes	1%	2%	8%	37%	51%	88%
	f	25CSP: Credit and Private Bankers should implement problem solving sessions to mutually review issues were the relevant rules and procedures were not followed	2%	1%	7%	46%	44%	90%
	f	26CSP: Credit should recognise Private Bankers for consistently doing things correctly the first time	0%	1%	4%	48%	47%	95%
	f	27CSP: Credit should simplify the credit rules and policies and communicate these in a simplified and compact format to the Private Bankers	2%	3%	5%	40%	49%	90%
	f	28CSP: Credit should share its newsletter with sales and feature a Private Banker in each issue	1%	9%	21%	39%	30%	68%
	f	29CSP: Credit should invite a Private Banker to be the special speaker of the month at credit department's monthly meetings	4%	10%	38%	31%	17%	48%
	f	30CSP: Credit and Private Bankers should endeavour to communicate with each other over the phone or face to face rather than sending e-mails	1%	4%	28%	39%	29%	67%
	f	31CSP: Credit and Private Bankers should conduct regular team meeting together with senior management and the executive team	1%	7%	16%	43%	33%	76%
	c	32CSP: The allocation of Private Bankers across the different segments are adequate	22%	23%	27%	25%	3%	28%
	c	33CSP: The allocation of credit resources across the different segments are adequate	15%	36%	28%	17%	4%	21%

5.2 Proposition 2

There is alignment between the views of Credit versus Sales staff on strategies that can be implemented to work together more effectively.

The results of the study support one of the five proposition categories, namely customer centricity. On (2.1) Hotelling's $T^2 = 0.000$, $p > 0.05$ (Table 5.5). At the multivariate level, there is no significant difference between the overall views of credit and sales staff towards the items underlying the scale addressing this sub-proposition.

The Hotelling's T^2 statistics for the multivariate comparisons of the two groups on the scales addressing the other four sub-propositions was significant at the 0.1% level of significance.

The results of table 5.5 for (2.2) show there is a highly significant difference between the overall views of credit and sales towards relationship pricing at the multivariate level ($T^2 = 5.26E+8$, $p<0.001$). At the univariate level, there is a highly significant difference in the views of credit and sales staff on 4RP (Standard Private Banking has a rewards program that is market related that encourages clients to spend on their platinum cards) and 5RP (Standard Private Banking customers enjoy discounted fees based on their contribution (revenue – expenses) to the bank) at the 5% significance level.

For (2.3), although there is multivariate significance (T^2 = 3.48E+10, p<0.001), none of the underlying univariate comparisons are significant (p > 0.05) implying that the univariate comparisons merely contributed to an overall significant difference. Thus the overall or multivariate differences in the responses cannot be localised to any of the individual KPI propositions listed.

For (2.4), the significant multivariate comparison (T^2=-7.45E+27, p<0.001) is supported by the significant univariate level comparison (p<0.05) of item 11SI (The current credit systems used by both Private Bankers and Credit can be used effectively to achieve the goals of relationship pricing).

For (2.5), the multivariate comparison is once again significant (T^2=-26989, p<0.001). Thirteen of the twenty univariate comparisons are significant three of which are significant at the 0.1% level of significance, 12 CSP, 22CSP and 27CSP. A further three comparisons are significant at the 1% level (19, 23, 25). The remaining seven comparisons are significant at the 5% level (13, 14, 18, 21, 24, 26, 28). It should be noted that six of the univariate t tests were based on heterogeneous underlying group variances as the F test for the variances of the credit and sales groups were significant (see right-most column of table 5.5). The p values for the test of the comparison of variances were examined.

For (2.2) to (2.5) the direction of the means in the case of the significantly different univariate comparisons is indicative of the direction of the misalignment of the two groups. The graphs in figures 5.1 and 5.2 are used to interpret this direction in Chapter 6. It should be noted that the means of the sales respondents is consistently higher than the corresponding means of the credit respondents apart from the last two items which reflect the current state of affairs.

Table 5.5: Multivariate and univariate level comparisons of mean attitudes of credit vs. sales staff towards items of the five strategic categories (N=16 and 81 respectively)

	Hotelling's T^2			Mean					Sample size (n)		Standard deviation			
Proposition	T^2	p	Item	Credit	Sales	t-value	df	p	Credit	Sales	Credit	Sales	F-ratio Variances	p Variances
2.1	0.00000	p>0.05	1CC: single customer view	2.38	2.56	-0.61	96	0.5407	16	82	1.09	1.11	1.05	0.9851
			2CC: single customer view - cross-sell and up-sell	4.44	4.55	-0.54	96	0.5893	16	82	0.73	0.76	1.08	0.9206
2.2	5.26E+08	p<0.0000	3RP: product centric model	3.00	3.24	-0.70	94	0.4860	16	80	1.41	1.20	1.38	0.3560
			4RP: rewards program	3.08	2.20	2.35	92	0.0207	13	81	1.04	1.28	1.52	0.4291
			5RP: discounted fees	3.21	2.10	3.62	93	0.0005	14	81	1.12	1.06	1.13	0.6969
2.3	3.48E+10	p<0.001	6KPI: mutual goals - revenue generation	4.13	4.21	-0.31	96	0.7554	16	82	1.15	0.93	1.54	0.2246
			7KPI: mutual goals - minimising bad debt losses	4.56	4.46	0.47	96	0.6371	16	82	0.81	0.76	1.16	0.6446
			8KPI: mutual goals - decreased collection cycles	4.27	4.31	-0.17	94	0.8669	15	81	1.03	0.86	1.44	0.3094
			9KPI: support the success of each other	4.73	4.65	0.51	95	0.6144	15	82	0.46	0.64	1.93	0.1683
2.4	-7.45E+27	p<0.001	10SI: systems-customer centricity	2.80	2.65	0.47	95	0.6399	15	82	1.08	1.18	1.19	0.7543
			11SI: systems-relationship pricing	3.53	2.77	2.36	95	0.0202	15	82	0.92	1.19	1.69	0.2728
2.5	-26989	p<0.001	12CSP: visit customers together	2.47	3.80	-4.06	95	0.0001	15	82	1.30	1.15	1.28	0.4701
			13CSP: discuss the approach - visiting customers	3.40	4.12	-2.22	94	0.0288	15	81	1.40	1.11	1.60	0.1962
			14CSP: spend a day in the life of the other	3.73	4.46	*-2.13*	*15.62*	*0.0495*	15	81	1.28	0.71	3.27	0.0008
			15CSP: monthly meetings together	4.07	4.35	-1.33	93	0.1870	14	81	0.73	0.71	1.06	0.8150
			16CSP: understand the customers expectations	4.07	4.54	*-1.73*	*15.75*	*0.1023*	15	81	1.03	0.59	3.04	0.0017
			17CSP: get the advice of credit before the sales process	3.93	3.93	0.02	95	0.9809	15	82	0.88	0.98	1.23	0.6996
			18CSP: include Credit in visits to difficult clients	3.20	4.13	*-2.36*	*16.45*	*0.0311*	15	82	1.47	1.00	2.16	0.0332
			19CSP: Credit observe live selling situations	2.67	4.02	*-3.50*	*16.24*	*0.0029*	15	82	1.45	0.94	2.36	0.0170
			20CSP: do team-building activities together	4.00	4.10	-0.38	95	0.7072	16	81	1.03	0.94	1.20	0.5810
			21CSP: product demonstrations to the credit	3.06	3.65	-2.11	94	0.0375	16	80	1.00	1.02	1.04	0.9856
			22CSP: conduct service demonstrations to credit	2.88	3.80	-3.46	96	0.0008	16	82	1.15	0.95	1.46	0.2784
			23CSP: resolve customer disputes	3.50	4.49	*-3.51*	*16.75*	*0.0027*	16	82	1.10	0.59	3.41	0.0004
			24CSP: agree on a deadline	3.60	4.50	*-2.75*	*15.27*	*0.0148*	15	82	1.24	0.61	4.10	0.0000
			25CSP: implement problem solving sessions	3.75	4.39	-3.00	96	0.0034	16	82	1.13	0.70	2.60	0.0063
			26CSP: recognise Private Bankers	4.06	4.48	-2.49	96	0.0145	16	82	0.85	0.55	2.42	0.0120
			27CSP: simplify the credit rules and policies	3.31	4.52	-5.87	95	0.0000	16	81	1.30	0.59	4.81	0.0000
			28CSP: share Credit newsletter	3.31	3.98	-2.54	96	0.0126	16	82	1.08	0.93	1.35	0.3903
			29CSP: special speaker of the month	3.25	3.51	-0.93	96	0.3531	16	82	1.06	1.02	1.09	0.7636
			30CSP: communicate over the phone or face to face	3.69	3.94	-1.02	96	0.3102	16	82	0.70	0.93	1.76	0.2183
			31CSP: regular team meeting	3.81	4.02	-0.83	96	0.4103	16	82	1.11	0.90	1.51	0.2425
			32CSP: allocation of Private Bankers adequate	2.93	2.60	0.98	94	0.3304	14	82	0.83	1.22	2.15	0.1239
			33CSP: allocation of credit resources adequate	2.31	2.65	-1.14	96	0.2570	16	82	0.87	1.10	1.60	0.3084

Note: Italicised figures indicate t test results based on heterogeneous group variances

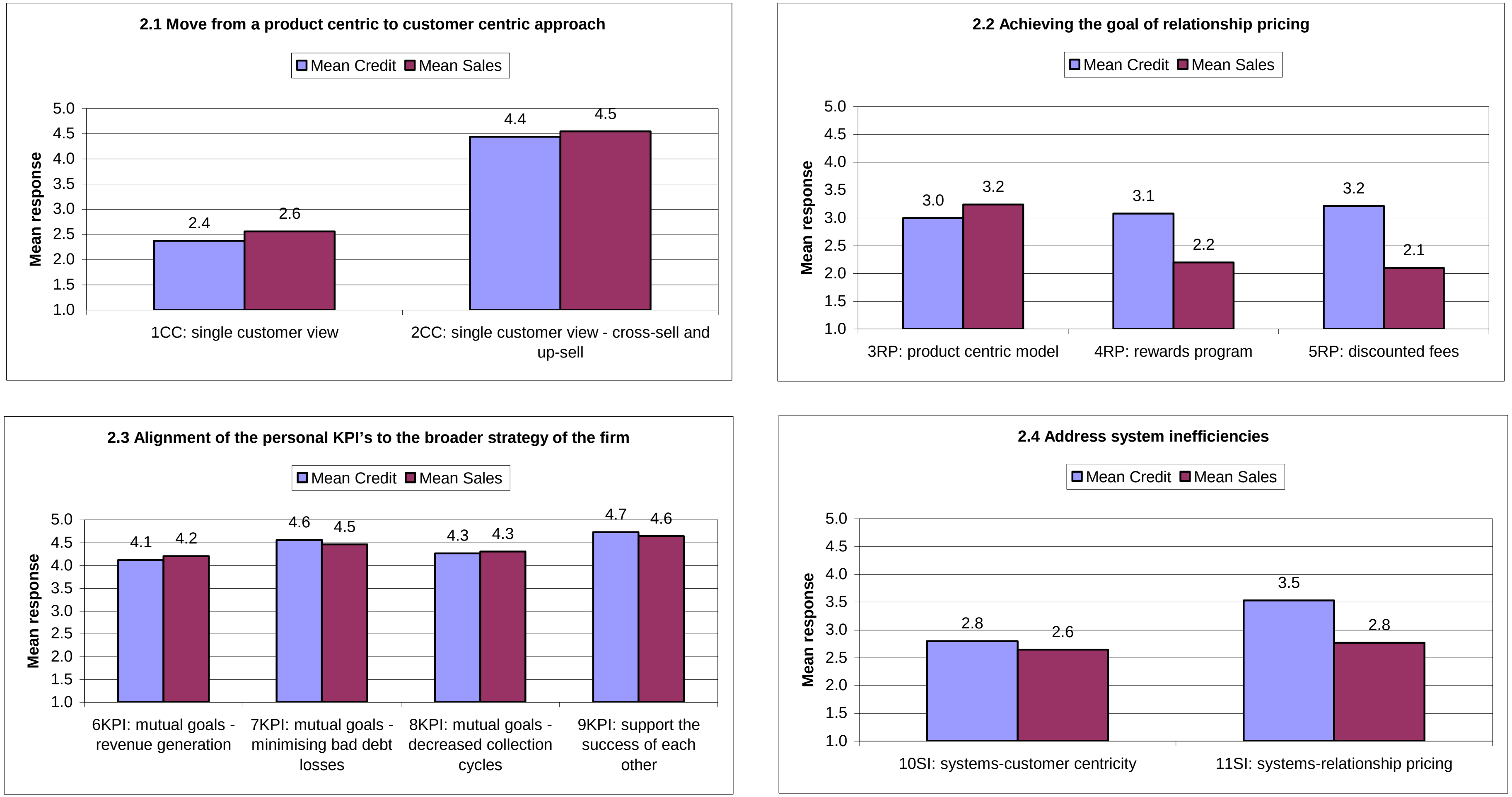

Figure 5.3: Mean responses of the credit and sales staff towards items 2.1 to 2.4 of proposition 2

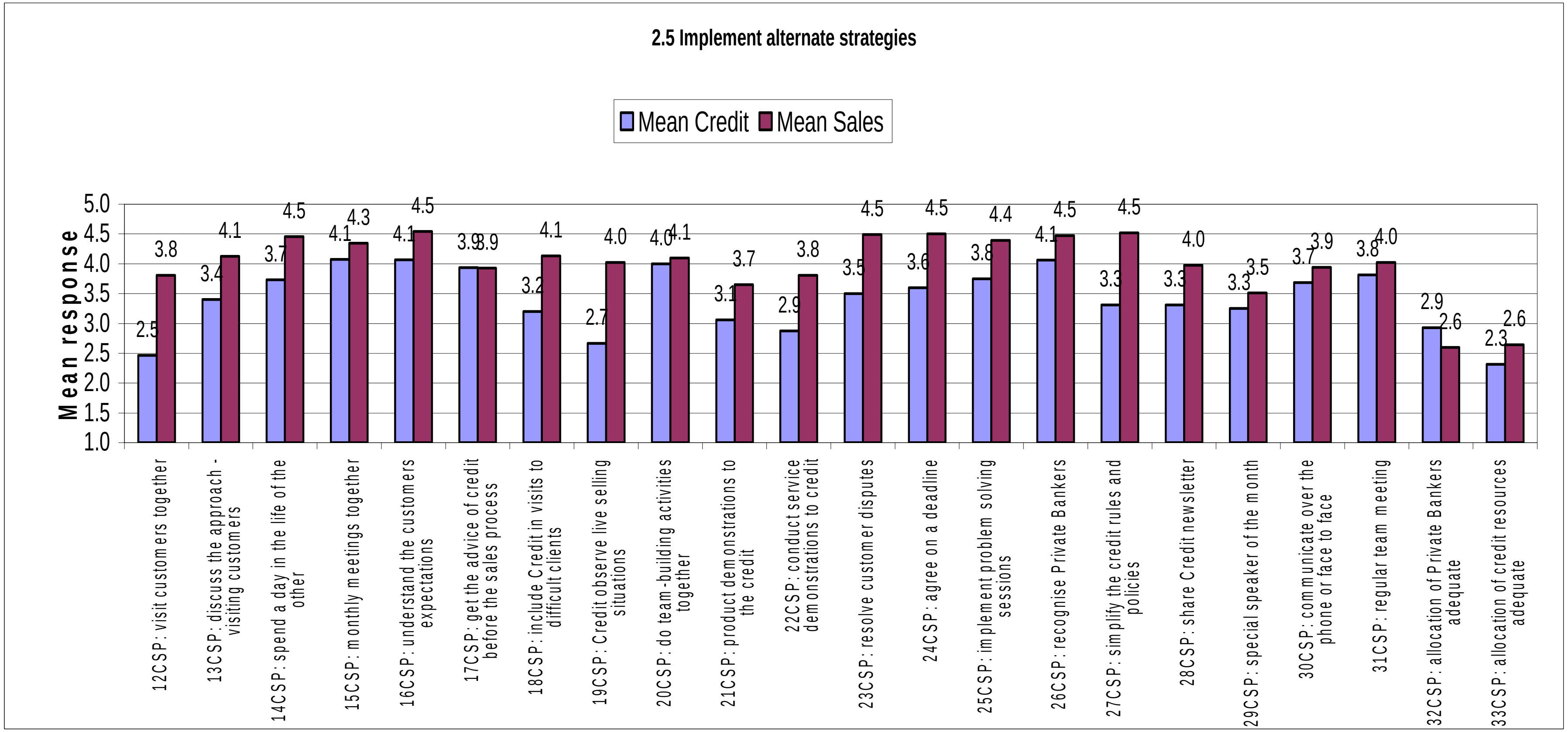

Figure 5.4: Mean responses of the credit and sales staff towards items 2.5 of proposition 2

5.3 Proposition 3

For proposition 3 relating to credit the non parametric Mann Whitney U test was used to compare the attitudes of the 6 officers to the 10 managers. There is no overall support as the Mann Whitney U test statistics for all the items underlying the five sub-propositions are not significant except for one item (12CSP) for which significance shown at the 5% level as seen in Table 5.6.

For proposition 3 relating to sales, the multivariate Hotelling's T^2 test was used to compare the attitudes of the 14 officers and 67 managers. The results of Table 5.7 show that none of the multivariate comparisons are significant and thus the significance of the underlying univariate comparisons is not considered.

Table 5.6: Results of Mann Whitney U test comparing officers to managers among the credit respondents (n1=6 and n2=10 respectively)

Proposition		Rank Sum O	Rank Sum M	U	Z	p-level	Valid N O	Valid N M
3.1	1CC: single customer view	64.5	71.5	16.5	1.464	0.1431	6	10
	2CC: single customer view - cross-sell and up-sell	51.0	85.0	30.0	0.000	1.0000	6	10
3.2	3RP: product centric model	58.5	77.5	22.5	0.813	0.4159	6	10
	4RP: rewards program	42.5	48.5	20.5	0.071	0.9431	6	7
	5RP: discounted fees	54.0	51.0	15.0	1.162	0.2453	6	8
3.3	6KPI: mutual goals - revenue generation	58.5	77.5	22.5	0.813	0.4159	6	10
	7KPI: mutual goals - minimising bad debt losses	43.5	92.5	22.5	-0.813	0.4159	6	10
	8KPI: mutual goals - decreased collection cycles	43.0	77.0	22.0	-0.589	0.5557	6	9
	9KPI: support the success of each other	45.0	75.0	24.0	-0.354	0.7237	6	9
3.4	10SI: systems-customer centricity	60.5	59.5	14.5	1.473	0.1407	6	9
	11SI: systems-relationship pricing	52.0	68.0	23.0	0.471	0.6374	6	9
3.5	12CSP: visit customers together	65.5	54.5	9.5	2.062	0.0392	6	9
	13CSP: discuss the approach - visiting customers	48.5	71.5	26.5	0.059	0.9530	6	9
	14CSP: spend a day in the life of the other	54.5	65.5	20.5	0.766	0.4437	6	9
	15CSP: monthly meetings together	45.5	59.5	23.5	0.065	0.9485	6	8
	16CSP: understand the customers expectations	41.0	79.0	20.0	-0.825	0.4094	6	9
	17CSP: get the advice of credit before the sales process	48.5	71.5	26.5	0.059	0.9530	6	9
	18CSP: include Credit in visits to difficult clients	55.0	65.0	20.0	0.825	0.4094	6	9
	19CSP: Credit observe live selling situations	50.5	69.5	14.5	1.286	0.1985	5	10
	20CSP: do team-building activities together	55.0	81.0	26.0	0.434	0.6644	6	10
	21CSP: product demonstrations to the credit	67.0	69.0	14.0	1.735	0.0827	6	10
	22CSP: conduct service demonstrations to credit	65.5	70.5	15.5	1.573	0.1158	6	10
	23CSP: resolve customer disputes	54.5	81.5	26.5	0.380	0.7042	6	10
	24CSP: agree on a deadline	52.5	67.5	22.5	0.530	0.5959	6	9
	25CSP: implement problem solving sessions	55.0	81.0	26.0	0.434	0.6644	6	10
	26CSP: recognise Private Bankers	51.5	84.5	29.5	0.054	0.9567	6	10
	27CSP: simplify the credit rules and policies	73.0	63.0	8.0	2.386	0.0170	6	10
	28CSP: share Credit newsletter	53.5	82.5	27.5	0.271	0.7863	6	10
	29CSP: special speaker of the month	50.5	85.5	29.5	-0.054	0.9567	6	10
	30CSP: communicate over the phone or face to face	56.5	79.5	24.5	0.597	0.5508	6	10
	31CSP: regular team meeting	52.0	84.0	29.0	0.108	0.9136	6	10
	32CSP: allocation of Private Bankers adequate	40.0	65.0	19.0	-0.645	0.5186	6	8
	33CSP: allocation of credit resources adequate	56.5	79.5	24.5	0.597	0.5508	6	10

Table 5.7: Multivariate and univariate level comparisons of mean attitudes of officers and managers in the sales respondents towards items of the five strategic categories (n1=14 and n2=67 respectively)

	Hotelling's T^2			Mean					Sample size (n)		Standard deviation			
Proposition	T^2	p	Item	Credit	Sales	t-value	df	p	Credit	Sales	Credit	Sales	F-ratio Variances	p Variances
3.1	0.00000	p>0.05	1CC: single customer view	2.45	3.21	-2.43	79	0.0173	67.00	14.00	1.0911	0.97	1.25	0.68
			2CC: single customer view - cross-sell and up-sell	4.55	4.50	0.23	79	0.8165	67.00	14.00	0.8031	0.52	2.40	0.08
3.2	0.00E+00	p>0.05	3RP: product centric model	3.23	3.15	0.20	77	0.8410	66.00	13.00	1.2253	1.07	1.32	0.62
			4RP: rewards program	2.15	2.46	-0.80	78	0.4267	67.00	13.00	1.3512	0.88	2.37	0.10
			5RP: discounted fees	2.00	2.69	-2.22	78	0.0295	67.00	13.00	1.0589	0.85	1.53	0.42
3.3	9.92E-03	p>0.05	6KPI: mutual goals - revenue generation	4.19	4.21	-0.07	79	0.9413	67.00	14.00	0.9884	0.58	2.91	0.04
			7KPI: mutual goals - minimising bad debt losses	4.46	4.43	0.15	79	0.8796	67.00	14.00	0.7849	0.65	1.48	0.45
			8KPI: mutual goals - decreased collection cycles	4.30	4.31	-0.03	78	0.9722	67.00	13.00	0.9048	0.63	2.06	0.17
			9KPI: support the success of each other	4.64	4.64	-0.01	79	0.9955	67.00	14.00	0.6675	0.50	1.80	0.24
3.4	0.00E+00	p>0.05	10SI: systems-customer centricity	2.52	3.36	-2.50	79	0.0145	67.00	14.00	1.1594	1.01	1.32	0.60
			11SI: systems-relationship pricing	2.67	3.36	-2.01	79	0.0474	67.00	14.00	1.1856	1.01	1.38	0.53
3.5	0	p>0.05	12CSP: visit customers together	3.33	1.89	2.45	13	0.0290	6.00	9.00	1.2111	1.05	1.32	0.69
			13CSP: discuss the approach - visiting customers	3.50	3.33	0.22	13	0.8313	6.00	9.00	1.2247	1.58	1.67	0.59
			14CSP: spend a day in the life of the other	4.17	3.44	1.08	13	0.3012	6.00	9.00	0.7528	1.51	4.02	0.14
			15CSP: monthly meetings together	4.17	4.00	0.41	12	0.6898	6.00	8.00	0.4082	0.93	5.14	0.09
			16CSP: understand the customers expectations	4.00	4.11	-0.20	13	0.8469	6.00	9.00	0.6325	1.27	4.03	0.14
			17CSP: get the advice of credit before the sales process	4.00	3.89	0.23	13	0.8214	6.00	9.00	0.6325	1.05	2.78	0.28
			18CSP: include Credit in visits to difficult clients	3.67	2.89	1.00	13	0.3348	6.00	9.00	1.0328	1.69	2.68	0.29
			19CSP: Credit observe live selling situations	3.40	2.30	1.44	13	0.1736	5.00	10.00	1.5166	1.34	1.29	0.69
			20CSP: do team-building activities together	4.17	3.90	0.49	14	0.6337	6.00	10.00	0.9832	1.10	1.25	0.84
			21CSP: product demonstrations to the credit	3.67	2.70	2.07	14	0.0573	6.00	10.00	0.8165	0.95	1.35	0.78
			22CSP: conduct service demonstrations to credit	3.50	2.50	1.81	14	0.0916	6.00	10.00	1.0488	1.08	1.06	1.00
			23CSP: resolve customer disputes	3.67	3.40	0.46	14	0.6534	6.00	10.00	1.0328	1.17	1.29	0.82
			24CSP: agree on a deadline	3.83	3.44	0.58	13	0.5720	6.00	9.00	1.1690	1.33	1.30	0.80
			25CSP: implement problem solving sessions	4.00	3.60	0.68	14	0.5103	6.00	10.00	0.8944	1.26	2.00	0.46
			26CSP: recognise Private Bankers	4.00	4.10	-0.22	14	0.8295	6.00	10.00	1.0954	0.74	2.20	0.29
			27CSP: simplify the credit rules and policies	4.33	2.70	3.01	14	0.0093	6.00	10.00	0.5164	1.25	5.88	0.07
			28CSP: share Credit newsletter	3.50	3.20	0.53	14	0.6074	6.00	10.00	0.8367	1.23	2.16	0.41
			29CSP: special speaker of the month	3.33	3.20	0.23	14	0.8178	6.00	10.00	0.8165	1.23	2.27	0.38
			30CSP: communicate over the phone or face to face	3.83	3.60	0.63	14	0.5397	6.00	10.00	0.7528	0.70	1.16	0.80
			31CSP: regular team meeting	4.00	3.70	0.51	14	0.6174	6.00	10.00	0.6325	1.34	4.47	0.11
			32CSP: allocation of Private Bankers adequate	2.83	3.00	-0.36	12	0.7253	6.00	8.00	0.4082	1.07	6.86	0.05
			33CSP: allocation of credit resources adequate	2.50	2.20	0.65	14	0.5247	6.00	10.00	0.8367	0.92	1.21	0.88

Table 5.8: Open ended questions

Question	Themes	Credit Response	Private Banker's Response	Overall Response
How can both Credit and Private Bankers be more entrepreneurial in their respective roles?	Training and understanding of the two respective roles	81%	45%	55%
	Communication between the two sectors	44%	25%	30%
	Product/Procedure Modification	6%	7%	7%
	Innovative and a Holistic ways of given credit		24%	
	Credit and client meeting		7%	
	Team building/ Teamwork	26%	38%	39%
What are the main reasons that would cause credit and / or Private bankers to leave?	Career Growth	15%	18%	16%
	Remuneration/Salary	47%	35%	38%
	Overworked/Big Portfolios	40%	20%	31%
	Recognition	40%	23%	32%
	Limited opportunities	15%	38%	19%
	Conflict among colleges		7%	
	Lack of support from Senior management		13%	
	To much Red Tape		27%	
	System Frustrations		18%	
How can the Credit and the Private Bankers work closer?	Regular meetings	47%	28%	32%
	Team Building/Workshops	33%	37%	36%
	More Communication	45%	22%	31%
	Decentralise Credit		17%	
	Already work well together		6%	
	Lending Specialist effective		9%	
	Credit Should be involved in Client Meetings		19%	

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Move from product centric to customer centric approach

6.1.1 Proposition 1.1

The aim of proposition 1.1 was to explore whether the private bank staff (credit and sales) would support a move from a product-centric to a customer-centric approach as a future initiative that will allow sales and credit staff to work more effectively together. For all the questions that address the future initiatives with respect to a move from product-centric to customer-centric approach, $p < 0.001$ which means that the mean was significantly greater than the neutral scale point of three at the 0.1% level of significance. Based on these significant results as well as the corresponding means in table 5.3 and the frequencies in table 5.4, there is a strong agreement amongst the private bank staff on a move from a product-centric to a customer-centric approach as a future initiative that will allow sales and credit staff to work more effectively together.

6.1.2 Proposition 2.1

The aim of proposition 2.1 was to explore whether there was alignment between the views of Credit versus Sales staff on a move from a product-centric to a customer-centric approach as a future strategy that can be implemented to work more effectively together. The results of the study support proposition 2.1. On this proposition, Hotelling's $T^2 = 0.000$, $p > 0.05$ (Table 5.5). At the multivariate level, there is no significance difference between the overall views of credit and sales staff towards a move from a product-centric to a customer-centric approach as a future strategy that can be implemented to improve productivity. These findings are consistent with the results that support proposition 1.1. This was expected since it would have been unusual to find that there were significant differences in the attitudes of sales and credit staff towards a move from a product-centric to a customer-centric approach as a future strategy, yet overall as a group representing the private bank, the credit and sales groups supported the move from product centricity to customer centricity.

6.1.3 Alignment of the results to the theory base

Lager (2007) writes that through the implementation of revised customer-centric process and technology, the front office and back office staff can work together in an optimal manner allowing for a customer-centric approach (section 2.1). Kirby (2007) states that customer-focused strategies as opposed to competitor focused strategies should be deployed to maintain a competitive edge. The front office staff in this research was the sales (or private bankers or account executives) staff and the back office staff were the credit staff. Bodnar (2007, p. 38) asserts that "organisations with a customer centric mantra will own a distinct market advantage in the coming cycle of a true consumer driven marketplace".

The implications for the private bank that was researched are of huge significance since if a strategy that moves from product-centric to customer-centric is implemented, the private bank will have a distinctive competitive advantage in the local market.

In section 1.1 various highly successful private banks were described. One of the key findings is that these successful private banks worked together and leveraged off one another's skills and client information to achieve the common goal of customer satisfaction and maximise the bank's profitability (Ackermann, 2006 and Morais, 2005). The primary goal of a customer-centric strategy is to achieve customer satisfaction and by doing so maximise the bank's profitability. It can thus be deduced that the implementation of customer-centric strategies will result in customer satisfaction which will positively impact on the bank's profitability.

CRM Magazine (2007) links customer satisfaction to retention (section 1.2). The author elaborates that providing superior customer experiences is the most powerful way for companies to achieve differentiation. The results indicate that credit and sales support future initiatives that promote customer centricity, so if this was implemented at the private bank, the result would be a higher level of customer satisfaction which would then positively impact on retention.

Craig (2006) writes that customer centricity should not be viewed as a revolutionary new strategy (section 1.2). It is actually a basic strategy that is overdue and often overlooked in strategy formulation. Customer centricity is part of a larger movement whereby companies realise that the "one size fits all" era is long past and in order to maintain their competitive edge, organisations have to fundamentally change the way they treat customers. The private bank's credit and sales staff are supporting a future customer-centric strategy which, if implemented, will assist the private bank to maintain its competitive edge.

6.2 Goal of relationship pricing

6.2.1 Proposition 1.2

The aim of proposition 1.2 was to explore whether the private bank staff (credit and sales) as a group, would support achieving the goal of relationship pricing as a future initiative that will allow sales and credit staff to work more effectively together. The p value was not tabulated for this category since this category described the current state. From table 5.4, 48% of the respondents agreed or strongly agreed that the private bank currently prices on a product-centric model based on the loan amount and 23% of the respondents were neutral in their response. In table 5.4, 63% of the respondents disagreed or strongly disagreed that the private bank had a rewards program that is market related and that encourages clients to spend on their platinum cards. In table 5.4, 64% of the respondents disagreed or strongly disagreed that the private bank customers enjoyed discounted fees based on their contribution to the bank.

Based on the frequencies in table 5.4, there is a disagreement or strong disagreement amongst the private bank staff on the current status of relationship pricing.

6.2.2 Proposition 2.2

The aim of proposition 2.2 was to explore whether there was alignment between the views of Credit versus Sales staff on achieving the goal of relationship pricing as a future strategy that can be implemented so as to work more effectively together. The results of table 5.5 for proposition 2.2 show there is a highly significant difference between the overall views of credit and sales towards relationship pricing at the multivariate level (T^2 = 5.26E+8, $p<0.001$). At the univariate level, there is a highly significant difference in the views of credit and sales staff on 4RP (Standard Private Banking has a rewards program that is market related that encourages clients to spend on their platinum cards) and 5RP (Standard Private Banking customers enjoy discounted fees based on their contribution (revenue – expenses) to the bank) at the 5% significance level.

The direction of the mean in the case of the significantly different univariate comparisons is indicative of the direction of the misalignment of the two groups. The graph in figure 5.3 is used to interpret this direction. The means of the credit respondents is higher than the corresponding means of the sales respondents for 4RP and 5RP. The items 4RP and 5RP have a sales slant on them. One would expect the sales staff to be more knowledgeable about the rewards programme and the possible discounted fees compared with the credit staff. The researcher concludes that the sales staff showed lower means compared with the credit staff because they have a more in-depth understanding of the status of the rewards programme and the discounted fees and the level of disagreement was stronger compared with credit. Overall, as a group, the sales and credit staff disagreed or strongly disagreed with the current status of relationship pricing. This implies that the goal of relationship pricing may be pursued as a future initiative that will allow sales and credit staff to work more effectively together.

6.2.3 Alignment of the results to the theory base

Landry (2007) writes that leading banks will make dynamic relationship pricing a requirement of future core banking solutions (section 2.2). Landry also recommends that banks elevate relationship pricing as a critical priority in their future strategic planning. Adams (2007) describes the emergence of relationship pricing as a central strategy in the banking industry. Morgan (2001) demonstrates how relationship pricing improves the profitability of the firm. The results indicate that the goal of relationship pricing may be pursued as a future initiative. The credit and sales departments of the private banking area play a pivotal role in the successful implementation of the dynamic relationship pricing model. Through the credit staff having a single credit view of the customer the appropriate risk decisions can be taken into consideration when making the credit decision. The sales area can also better understand the customer's needs and structure facilities / products accordingly. As a result the pursuit of the goal of relationship pricing will allow the private bank's credit and sales staff to work more effectively together.

In section 1.1 various highly successful private banks were described. One of the key findings is that these successful private banks worked together and leveraged off one another's skills and client information to achieve the common goal of customer satisfaction and maximise the bank's profitability (Ackermann, 2006 and Morais, 2005). The goal of a relationship pricing strategy is to achieve customer satisfaction and by doing so maximise the bank's profitability. It can thus be deduced that the implementation of relationship pricing strategies will result in customer satisfaction which will positively impact on the bank profitability.

6.3 Alignment of personal KPI's

6.3.1 Proposition 1.3

The aim of proposition 1.3 was to explore whether the private bank staff (credit and sales) would support the alignment of the personal KPI's to the broader strategy of the firm as a future initiative that will allow sales and credit staff to work more effectively together. For all the questions that address the future initiatives with respect to an alignment of personal KPI's to the broader strategy of the firm, $p < 0.001$ which means that the mean was significantly greater than the neutral scale point of three at the 0.1% level of significance. Based on these significant results as well as the corresponding means in table 5.3 and the frequencies in table 5.4, there is a strong agreement amongst the private bank staff on the alignment of the personal KPI's to the broader strategy of the firm as a future initiative that will allow sales and credit staff to work more effectively together.

6.3.2 Proposition 2.3

The aim of proposition 2.3 was to explore whether there was alignment between the views of Credit versus Sales staff in supporting the alignment of the personal KPI's to the broader strategy of the firm as a future strategy that can be implemented to work more effectively together.

Although there is multivariate significance (T^2 = 3.48E+10, $p<0.001$), none of the underlying univariate comparisons are significant ($p > 0.05$) implying that the univariate comparisons merely contributed to an overall significant difference (table 5.5). Thus the overall or multivariate differences in the responses cannot be localised to any of the individual KPI propositions listed. Hence the attitudes of the sales group compared with the credit group are not significantly different regarding the alignment of KPI's as a future initiative. This finding is consistent with the findings supporting proposition 1.3.

6.3.3 Alignment of the results to the theory base

Walsh (2006, p. 509) writes that the alignment of KPI's to the corporate strategy would result in the avoidance of "turf protection" (section 2.3). This means that the alignment of KPI's to the corporate strategy would result in the breakdown of the silo mentality and promote departments working together toward common goals. Schiff (2007) states that the alignment of KPI's causes all employees to focus on what is important to the business as opposed to their own department and creates company wide strategic alignment. It is of significance that the private bank staff supports the alignment of KPI's as a future initiative that will allow them to work more effectively together since the research supports this finding.

In section 1.1 various highly successful private banks were described. One of the key findings is that these successful private banks worked together and leveraged off each other's skills and client information to achieve the common goal of customer satisfaction and maximise the bank's profitability (Ackermann, 2006 and Morais, 2005). The research indicates that the alignment of KPI's toward the strategy of the firm promotes staff from different departments to work together more effectively.

It can thus be deduced that the alignment of KPI's as a future initiative will allow credit and sales to work together more effectively, which will result in customer satisfaction which will positively impact on the bank's profitability.

6.4 Address system inefficiencies

6.4.1 Proposition 1.4

The aim of proposition 1.4 was to explore whether the private bank staff (credit and sales) would support the addressing of the system inefficiencies as a future initiative that will allow sales and credit staff to work more effectively together. For all the questions that address the future initiatives with respect to addressing of the system inefficiencies, $p < 0.001$ which means that the mean was significantly greater than the neutral scale point of three at the 0.1% level of significance. Based on these significant results as well as the corresponding means in table 5.3 and the frequencies in table 5.4, there is strong agreement amongst the private bank staff on the addressing of the system inefficiencies as a future initiative that will allow sales and credit staff to work more effectively together.

Proposition 1.4 contained one question about the current state and one about the future state. Thirty eight percent of the respondents strongly disagreed or disagreed that the current credit systems used by both credit and sales staff promote customer centricity, and 24% responded as neutral. Thirty nine percent of the respondents strongly disagreed or disagreed that the current credit systems can (in future) be used to achieve the goals of relationship pricing and 26% responded as neutral. Clearly, there is a strong agreement amongst the private bank staff on the addressing of the system inefficiencies as a future initiative that will allow sales and credit staff to work more effectively together.

6.4.2 Proposition 2.4

The aim of proposition 2.4 was to explore whether there was alignment between the views of Credit versus Sales staff in supporting the addressing of the system inefficiencies as a future strategy that can be implemented so as to work more effectively together.

The results from table 5.5 indicate that the significant multivariate comparison (T^2=-7.45E+27, $p<0.001$) is supported by the significant univariate level comparison ($p<0.05$) of item 11SI (The current credit systems used by both Private Bankers and Credit can be used effectively to achieve the goals of relationship pricing).

The direction of the means in the case of the significantly different univariate comparisons is indicative of the direction of the misalignment of the two groups. The graph in figure 5.3 is used to interpret this direction. It should be noted that the mean of the credit respondents is higher than the mean of the sales respondents. Overall, as a group, there was a strong agreement amongst the private bank staff on the addressing of the system inefficiencies as a future initiative that will allow sales and credit staff to work more effectively together. However the level of agreement was stronger among the credit staff. An action plan should be implemented to understand why the mean sales staff level of agreement is lower that the credit staff level of agreement. It is possible that the credit staff understands how to utilise the current functionality better, to build in relationship pricing capabilities, or it is possible that the sales staff understand the system limitations better and that is why the mean level of agreement was lower when compared with credit staff.

6.4.3 Alignment of the results to the theory base

Sperling (2007) encourages the partnership approach with all the stakeholders in the value chain for a successful system implementation (section 2.4). At the private bank, the silo type operation has resulted in system inefficiencies which are product-focussed as opposed to being customer-focussed. The Credit, Sales and Product areas should work together as partners in order to implement new systems that are customer-centric or to modify the existing systems to become more customer-centric.

6.5 Implement alternate strategies

6.5.1 Proposition 1.5

The aim of proposition 1.5 was to explore whether the private bank staff (credit and sales) would support the implementation of alternate strategies as future initiatives that will allow sales and credit staff to work more effectively together. For all the questions that address the future initiatives with respect to the implementation of alternate strategies, $p < 0.001$ which means that the mean was significantly greater than the neutral scale point of three at the 0.1% level of significance. Based on these significant results as well as the corresponding means in table 5.3 and the frequencies in table 5.4, there is a strong agreement amongst the private bank staff on the implementation of alternate strategies as future initiatives that will allow sales and credit staff to work more effectively together.

6.5.2 Proposition 2.5

The aim of proposition 2.5 was to explore whether there was alignment between the views of credit versus sales staff in supporting alternate strategies as future initiatives that can be implemented for them to work more effectively together. The results of table 5.5 show that the multivariate comparison is significant (T^2=-26989, $p<0.001$). Thirteen of the twenty univariate comparisons are significant, three of which are significant at the 0.1% level of significance, 12CSP, 22CSP and 27CSP. A further three comparisons are significant at the 1% level (19CSP, 23CSP, 25CSP). The remaining seven comparisons are significant at the 5% level (13CSP, 14CSP, 18CSP, 21CSP, 24CSP, 26CSP, 28CSP). It should be noted that six of the univariate t tests were based on heterogeneous underlying group variances as the F test for the variances of the credit and sales groups were significant (see right-most column of table 5.5). The p values for the test of the comparison of variances were examined.

The direction of the means in the case of the significantly different univariate comparisons is indicative of the direction of the misalignment of the two groups. The graph in figure 5.4 is used to interpret this. It should be noted that the means of the sales respondents is consistently higher than the corresponding means of the credit respondents apart from the last two items which reflect the current state of affairs.

Although the results support proposition 1.5 (there is a strong agreement amongst the private bank staff on the implementation of alternate strategies as future initiatives that will allow sales and credit staff to work more effectively together) the means of the credit group compared with the means of the sales group were significantly different on 13 items. Each item is discussed in the following paragraphs.

<u>12CSP: Private Bankers and Credit personnel should visit customers together</u>

From figure 5.4, the mean response of credit was 2.5 while the mean response of sales was 3.8. Although as a group, both credit and sales departments are supportive of this strategy, credit is not as strongly agreeable as sales to accompanying sales staff on customer visits. An action plan should be implemented to investigate in which instances it would be beneficial for credit staff to be included in client visits. Logically, it would not be practical to include credit in all client visits since the credit staff would not have time to then spend on their credit evaluation activities.

<u>13CSP: Private Bankers and Credit personnel should meet first to discuss the approach before visiting customers together</u>

From figure 5.4, the mean response of credit was 3.4 while the mean response of sales was 4.1. Although as a group, both credit and sales departments are supportive of this strategy, credit is not as strongly agreeable as sales to meeting with the sales staff to discuss the approach before visiting customers together. This result is consistent with the result above indicating that credit staff were not as strongly agreeable as sales staff regarding visiting customers together. It is evident that the sales staff believe that there is value in meeting with the credit staff and discussing the deal and the client before visiting the client together. An action plan should be implemented to investigate in which instances it would be beneficial for credit to be included in client visits and the preparatory meeting between sales and credit would be scheduled accordingly.

<u>14CSP: Credit and Private Bankers should spend a day in the life of the other</u>

From figure 5.4, the mean response of credit was 3.7 while the mean response of sales was 4.5. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to spend a day in the life of sales staff. An education programme should be implemented to highlight to credit staff, the importance of understanding the sales staff role and pressures. The implementation of such an education programme will assist credit and sales to work more effectively together.

18CSP: Private Bankers should include Credit in their visit to difficult clients

From figure 5.4, the mean response of credit was 3.2 while the mean response of sales was 4.1. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to being included in visits to difficult clients. This finding is consistent with the findings of 12CSP and 13CSP above. A reason for the credit mean response being lower is that credit staff believe they do not have the customer interaction skills to meet with clients. Meeting with difficult clients could prove to be even more challenging. An action plan should be implemented to investigate in which instances it would be beneficial for credit to be included in client visits and explore if credit staff are equipped with the skills required to deal with clients.

19CSP: Credit should observe live selling situations

From figure 5.4, the mean response of credit was 2.7 while the mean response of sales was 4.0. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to observing live selling situations. This finding is consistent with the finding of 14CSP above. An education programme should be implemented to highlight to credit, the importance of understanding the sales staff role and pressures faced in a live selling situation. The implementation of such an education programme will assist credit and sales to work more effectively together.

<u>21 CSP: The Private Bankers should conduct product demonstrations for the credit team</u>

From figure 5.4, the mean response of credit was 3.1 while the mean response of sales was 3.7. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to having product demonstrations conducted for them by sales. This finding is consistent with the finding of 19CSP above. An education programme should be implemented to highlight to credit, the importance of understanding how the sales staff conduct product demonstrations for clients in a live selling situation. Credit could have improvement suggestions on product demonstrations and the more junior credit staff can use such demonstrations as learning opportunities. The implementation of such an education programme will assist credit and sales staff to work more effectively together.

<u>22 CSP: The Private Bankers should conduct service demonstrations for the credit team</u>

From figure 5.4, the mean response of credit was 2.9 while the mean response of sales was 3.8. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to having service demonstrations conducted for them by sales. This finding is consistent with the finding of 21CSP above. An education programme should be implemented to highlight to credit, the importance of understanding how the sales staff services their clients. Credit could have improvement suggestions on the services provided and the more junior credit staff can use such demonstrations as learning opportunities. The implementation of such an education programme will assist credit and sales staff to work more effectively together.

<u>23 CSP: Credit and Private Bankers should work together to resolve customer disputes</u>

From figure 5.4, the mean response of credit was 3.5 while the mean response of sales was 4.5. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to working together to resolve customer disputes. An action plan should be implemented to highlight to credit, the importance of working together with sales to expedite customer disputes. Working together as a group will result in a more holistic approach to problem solving and allow for more innovative and practical solutions to resolve the customer disputes. This sort of interaction will also provide learning opportunities for more junior sales and credit staff.

<u>24 CSP: Credit and Private Bankers should agree on a deadline to resolve customer disputes</u>

From figure 5.4, the mean response of credit was 3.6 while the mean response of sales was 4.5. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to agreeing on a deadline to resolve customer disputes. This finding is consistent with the finding of 23 CSP above. An action plan should be implemented to highlight to credit, the importance of working together with sales to expedite customer disputes. Working together as a group and agreeing on a deadline will result in a more focused approach to problem solving and allow for more innovative and practical solutions to resolve the customer disputes. This sort of interaction will also provide learning opportunities for more junior sales and credit staff. Agreeing on a deadline will also facilitate the prioritising of work for both credit and sales departments.

<u>25 CSP: Credit and Private Bankers should implement problem solving sessions to mutually review issues were the relevant rules and procedures were not followed</u>

From figure 5.4, the mean response of credit was 3.8 while the mean response of sales was 4.4. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to implementing problem solving sessions to mutually review issues where the relevant rules and procedures were not followed. This finding is consistent with the finding of 24 CSP above. An action plan should be implemented to encourage this kind of interaction since it would also provide learning opportunities for more junior sales and credit staff.

<u>26 CSP: Credit should recognise Private Bankers for consistently doing things correctly the first time</u>

From figure 5.4, the mean response of credit was 4.1 while the mean response of sales was 4.5. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to recognising sales staff for consistently doing things correctly the first time. An action plan should be implemented to encourage this kind of recognition since it would improve the motivation of the sales staff and improve the working relationship between credit and sales staff.

<u>27 CSP: Credit should simplify the credit rules and policies and communicate these in a simplified and compact format to the Private Bankers</u>

From figure 5.4, the mean response of credit was 3.3 while the mean response of sales was 4.5. Although as a group, both credit and sales are supportive of this strategy, credit is not as strongly agreeable as sales to simplifying the credit rules and policies and communicating these in a simplified and compact format to the Private Bankers. An action plan should be implemented to encourage this process since it would improve the understanding amongst sales of the credit requirements. This should result in the quality of applications improving with quicker decisions from credit and less rework for sales staff.

<u>28 CSP: Credit should share its newsletter with sales and feature a Private Banker in each issue</u>

From figure 5.4, the mean response of credit was 3.3 while the mean response of sales was 4.0. Although as a group, both credit and sales staff are supportive of this strategy, credit is not as strongly agreeable as sales to sharing its newsletter with sales and featuring a Private Banker in each issue. This finding is consistent with the finding of 26CSP. An action plan should be implemented to encourage this kind of recognition since it would improve the motivation of the sales staff and improve the working relationship between credit and sales.

6.5.3 Alignment of the results to the theory base

Tyburski (2005) recommends some practical steps to optimise the sales–credit partnership (section 1.1). Sumar (2006) describes the tactics to form an effective credit and sales partnership (section 2.5). Diana (2007) advocates that credit managers have a key role to play in the overall financial success of a company. The research described many alternate strategies that could be implemented to enable credit and sales to work together more effectively. These alternate strategies were included in the questionnaire and the results indicated that there is a strong agreement amongst the private bank staff on the implementation of alternate strategies as future initiatives that will allow sales and credit staff to work more effectively together.

6.3 Job Levels

For proposition 3 relating to credit the non parametric Mann Whitney U test was used to compare the attitudes of the 6 officers to the 10 managers. There is no overall support as the Mann Whitney U test statistics for all the items underlying the five sub-propositions are not significant except for one item (12CSP) for which significance is shown at the 5% level as seen in Table 5.6.

For proposition 3 relating to sales, the multivariate Hotelling's T^2 test was used to compare the attitudes of the 14 officers and 67 managers. The results of Table 5.7 show that none of the multivariate comparisons are significant and thus the significance of the underlying univariate comparisons is not considered.

6.3.1 Alignment of the results to the theory base

Hence both the junior and senior staff in sales and credit are supportive of the future strategies proposed under the five categories of the propositions. This finding is in contrast with the theory presented in sections 2.6. Cummings and Worley (2005) assert that strategic change interventions are better understood and supported by more senior and experienced staff since these strategic change interventions are more likely to impact on the goals of the more senior staff. Senior staff are also awarded shares in organisations as a performance reward / incentive. As a result they are more supportive of change initiatives which will ultimately improve the firm's profitability, since they share in the rewards via share schemes.

6.4 Analysis of the open ended questions

The following open-ended question was included in the questionnaire:

Question 3: How can the Credit and the Private Bankers work together more closely?

The researcher acknowledged that it was not possible to cater for every single strategy iteration in the Likert scale section of the questionnaire. The objective of this open-ended question was to evaluate if there were other suggestions from the staff (credit and sales staff) on the subject of optimisation of the alignment between sales and credit that were not covered in the Likert scale section questionnaire.

The results of the open-ended questions were summarised into themes and these themes were discussed, based on the consistency compared with the Likert scale section of the results.

Theme 1: Regular meetings

Both credit and sales staff supported the implementation of regular meetings between the departments in order to improve communication and work together more effectively. Both departments responded that they would be able to gain a better understanding of each other's roles and responsibilities from regular meetings.

This finding is consistent with 15CSP: Credit and Private Bankers should have monthly meetings together and 31 CSP: Credit and Private Bankers should conduct regular team meetings together with senior management and the executive team (table 5.4). Eighty nine percent of the respondents (both credit and sales) agreed or strongly agreed with 15CSP and 75% of the respondents agreed or strongly agreed with 31CSP.

Theme 2: Decentralise Credit

Sales staff suggested that the credit department implement a decentralised model since they believe that this model would enable business to work more efficiently if credit staff are allocated to various Private Banking suites. By having sales and credit co-located, the credit staff will be more easily accessible to discuss deals with the sales staff. This improved interaction could result in a better understanding of the clients' requirements amongst both credit and sales staff and this could result in a more customised or personalised service delivery to the client.

This strategy was not part of the Likert scale questions. This is a valuable suggestion that could be explored in the future and demonstrates the value of the open-ended questions in picking up on other useful suggestions that were not included in the Likert scale questionnaire.

Theme 3: Team Building/Workshops

Both credit and sales staff believe that having team building sessions and workshops together would improve communication and bring the teams closer. This finding is consistent with 20CSP: Credit and Private Bankers should do team-building activities together; 21CSP: The Private Bankers should conduct product demonstrations for the credit team; and 22CSP: The Private Bankers should conduct service demonstrations for the credit staff (table 5.4). Seventy two percent of the respondents (both credit and sales) agreed or strongly agreed with 20CSP, 53% of the respondents agreed or strongly agreed with 21CSP, and 58% of the respondents agreed or strongly agreed with 22CSP.

Theme 4: Communication

Credit staff believed that the communication between credit and sales could be improved, in terms of understanding the client's needs holistically, hence facilitating a more informed credit decision. Sales staff felt that credit should try to structure a deal so it may be acceptable, rather than to just decline the deal. Structuring of the deal would involve sales and credit working together to develop a win-win solution for the client and the bank.

This finding is consistent with 30CSP: Credit and Private Bankers should endeavour to communicate with each other over the phone or face to face rather than sending e-mails (table 5.4). Sixty seven percent of the respondents (both credit and sales) agreed or strongly agreed with 30CSP.

Theme 5: Already work well together

This was one of the positive themes that were highlighted. Some Private Bankers believed that they already work well with credit staff and feel that no changes are necessary.

CHAPTER 7: CONCLUSION

7.1 Move from product centric to customer centric approach

There was a strong agreement amongst the private bank staff (both sales and credit respondents) on a move from a product-centric to a customer-centric approach as a future initiative that will allow sales and credit staff to work more effectively together. There was alignment between the views of Credit compared to Sales staff on a move from a product-centric to a customer-centric approach as a future strategy that can be implemented in order to work more effectively together. This was expected since it would have been unusual to find that there were significant differences in the attitudes of sales and credit staff towards a move from product-centric to customer-centric as a future strategy; yet overall as a group representing the private bank, the respondents were supporting the move from product-centricity to customer-centricity.

The implications for the private bank that was researched are of huge significance since if a strategy that moves from product-centric to customer-centric is implemented, the private bank will have a distinctive competitive advantage in the local market.

The primary goal of a customer-centric strategy is to achieve customer satisfaction and by doing so maximise the bank's profitability and positively impact on retention. The implementation of customer-centric strategies in the private bank department studied will result in customer satisfaction which will positively impact on the bank's profitability and assist in maintaining their competitive edge. This would also result in sales and credit staff working together more effectively, hence this strategy is recommended as a future strategy that the private bank should consider implementing.

7.2 Goal of relationship pricing

The perception of the respondents is that the private bank currently prices on a product-centric model based on the loan amount and not based on the individual contribution of the customer. The perception of the respondents is that the private bank does not have a rewards program that is market-related and encourages clients to spend on their platinum cards.

The credit and sales departments of the private banking area will play a pivotal role in the successful implementation of the dynamic relationship pricing model. Through credit having a single credit view of the customer the appropriate risk decisions can be taken into consideration when making the credit decision. The sales area can also better understand the customer's needs and structure facilities / products accordingly. As a result the pursuit of the goal of relationship pricing will allow the private bank's credit and sales staff to work more effectively together.

The implementation of relationship pricing strategies will result in customer satisfaction which will positively impact on the bank's profitability and allow credit and sales staff to work more effectively together, hence this is highly recommended as a future strategy for the private bank that was studied.

7.3 Alignment of personal KPI's

There was a strong agreement amongst the private bank staff on the alignment of the personal KPI's to the broader strategy of the firm as a future initiative that will allow sales and credit staff to work more effectively together. The attitudes of the sales group compared to the credit group were not significantly different regarding the alignment of KPI's as a future initiative.

The theory indicated that the alignment of KPI's toward the strategy of the firm promotes staff from different departments working together more effectively. Hence it is of significance that the results indicated that the private bank staff supported the alignment of KPI's as a future initiative that will allow them to work more effectively together.

The alignment of the personal KPI's towards the strategy of the firm is recommended as a future initiative that will allow credit and sales working together more effectively and this will result in customer satisfaction, which will positively impact on the bank's profitability.

7.4 Address system inefficiencies

There was a strong agreement amongst the private bank staff on the addressing of the system inefficiencies as a future initiative that will allow sales and credit staff to work more effectively together. However the level of agreement was stronger among the credit staff. An action plan should be implemented to understand why the mean sales staff level of agreement is lower that the credit staff level of agreement. It is possible that the credit staff understands how to utilise the current functionality better, to build in relationship pricing capabilities, or it is possible that the sales staff understand the system limitations better and that is why the mean level of agreement was lower than that of credit.

It is recommended that the credit, sales and product areas should work together as partners in order to implement new systems that are customer-centric or to modify the existing systems to become more customer-centric. A customer-centric system will allow credit and sales staff to work together more effectively since they both will be able to easily obtain a single view of the customer.

7.5 Implement alternate strategies

The private bank credit and sales staff supported the implementation of alternate strategies as future initiatives that will allow sales and credit staff to work more effectively together, however the means of the credit compared to the means of the sales groups were significantly different on13 items.

On item 12CSP: Private Bankers and Credit personnel should visit customers together; it is recommended that an action plan should be implemented to investigate in which instances it would be beneficial for credit to be included in client visits.

On item 13CSP: Private Bankers and Credit personnel should meet first to discuss the approach before visiting customers together; it is recommended that an action plan should be implemented to investigate in which instances it would be beneficial for credit staff to be included in client visits and the preparatory meeting between sales and credit would be scheduled accordingly.

On item 14CSP: Credit and Private Bankers should spend a day in the life of the other; it is recommended that an education programme should be implemented to highlight to credit staff, the importance of understanding the sales staff role and pressures.

On item 18CSP: Private Bankers should include credit staff in their visit to difficult clients; it is recommended that an action plan should be implemented to investigate in which instances it would be beneficial for credit to be included in client visits and explore whether credit staff are equipped with the skills required to deal with clients.

On item 19CSP: Credit should observe live selling situations; it is recommended that an education programme should be implemented to highlight to credit, the importance of understanding the sales staff role and pressures faced in a live selling situation.

On item 21 CSP: The Private Bankers should conduct product demonstrations for the credit team; it is recommended that an education programme should be implemented to highlight to credit staff, the importance of understanding how the sales staff conduct product demonstrations for clients in a live selling situation.

On item 22 CSP: The Private Bankers should conduct service demonstrations to the credit team; it is recommended that an education programme should be implemented to highlight to credit staff, the importance of understanding how the sales staff services their clients.

On item 23 CSP: Credit and Private Bankers should work together to resolve customer disputes; it is recommended that an action plan should be implemented to highlight to credit staff, the importance of working together with sales staff to expedite customer disputes.

On item 24 CSP: Credit and Private Bankers should agree on a deadline to resolve customer disputes; it is recommended that an action plan should be implemented to highlight to credit, the importance of working together with sales to expedite customer disputes.

On item 25 CSP: Credit staff and Private Bankers should implement problem solving sessions to mutually review issues where the relevant rules and procedures were not followed; it is recommended that an action plan should be implemented to encourage this kind of interaction since it would also provide learning opportunities for more junior sales and credit staff.

On item 26 CSP: Credit staff should recognise Private Bankers for consistently doing things correctly the first time; it is recommended that an action plan should be implemented to encourage this kind of recognition since it would improve the motivation of the sales staff and improve the working relationship between credit and sales.

On item 27 CSP: Credit staff should simplify the credit rules and policies and communicate these in a simplified and compact format to the Private Bankers; it is recommended that an action plan should be implemented to encourage this process since it would improve the understanding amongst sales staff of credit staff requirements.

On item 28 CSP: The credit department should share its newsletter with sales and feature a Private Banker in each issue; it is recommended that an action plan should be implemented to encourage this kind of recognition since it would improve the motivation of the sales staff and improve the working relationship between credit and sales.

7.6 Job Levels

Both the junior and senior staff in sales and credit are supportive of the future strategies proposed under the five categories of the propositions. This finding is in contrast with the theory. This finding is of significance to the private bank since it indicates that the junior staff may be subjected to the same strategies and action plans as the senior staff. This cuts down significantly on the amount of work that needs to be done on future change interventions.

7.7 Analysis of the open-ended questions

The themes found in the open-ended questions were presented in table 5.8. The open-ended question: “How can the Credit and the Private Bankers work more closely?” provided some valuable insights into opinions and suggestions on strategies not catered for in the Likert scale section of the questionnaire. Three themes were identified: regular meetings, teambuilding/workshops, and communication were consistent when compared to the Likert scale section of the results. The theme “Decentralise Credit” was not part of the Likert scale questions. It is recommended that this suggestion is explored in the future.

The theme: “Already work well together” was also identified and is indicative of the partnership between credit and sales departments being relatively good. There is a good foundation to work from going forward to implement the future strategies.

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9. APPENDIX 1

9.1 Standard Private Banking Credit – Sales Partnership Questionnaire

Gender

Male		Female	

Race

Black	White	Asian & Indian	Coloured	Other

Level

Officer	Manager	Senior Manager

Section 1:

1 = strongly disagree
2 = disagree
3 = neutral
4 = agree
5 = strongly agree

	Customer Centricity	1	2	3	4	5
1	Currently both Credit and Private Bankers have a single / holistic view of the customer in all the private bank segments.					
2	Going forward, Credit and Private Bankers should take a holistic view of the customer's entire exposure to the bank when considering future cross-sell and up-sell opportunities					
	Relationship pricing					
3	Standard Private Banking currently prices on a product centric model based on the loan amount					
4	Standard Private Banking has a rewards program that is market related that encourages clients to spend on their platinum cards					
5	Standard Private Banking customers enjoy discounted fees based on their contribution (revenue – expenses) to the bank					
	KPI alignment					
6	Credit and Private Bankers should set mutual goals for revenue generation					
7	Credit and Private Bankers should set mutual goals for minimising bad debt losses					
8	Credit and Private Bankers should set mutual goals for decreased collection cycles					
9	Credit and Private Bankers should support the success of each					

	other					
	System inefficiencies					
10	The current credit systems used by both Private Bankers and Credit promote customer centricity					
11	The current credit systems used by both Private Bankers and Credit can be used effectively to achieve the goals of relationship pricing					
	Credit / Sales partnership					
12	Private Bankers and Credit personnel should visit customers together					
13	Private Bankers and Credit personnel should meet first to discuss the approach before visiting customers together					
14	Credit and Private Bankers should spend a day in the life of the other					
15	Credit and Private Bankers should have monthly meetings together					
16	Credit and Private Bankers should work together to equally understand the customers expectations					
17	Private Bankers should get the advice / support of credit before the sales process begins					
18	Private Bankers should include Credit in their visit to difficult clients					
19	Credit should observe live selling situations					
20	Credit and Private Bankers should do team-building activities together					
21	The Private Bankers should conduct product demonstrations to the credit team					
22	The Private Bankers should conduct service demonstrations to the credit team					
23	Credit and Private Bankers should work together to resolve customer disputes					
24	Credit and Private Bankers should agree on a deadline to resolve customer disputes					
25	Credit and Private Bankers should implement problem solving sessions to mutually review issues were the relevant rules and procedures were not followed					
26	Credit should recognise Private Bankers for consistently doing things correctly the first time					
27	Credit should simplify the credit rules and policies and communicate these in a simplified and compact format to the Private Bankers					
28	Credit should share its newsletter with sales and feature a Private Banker in each issue					
29	Credit should invite a Private Banker to be the special speaker of the month at credit department’s monthly meetings					
30	Credit and Private Bankers should endeavour to communicate with each other over the phone or face to face rather than sending e-mails					

31	Credit and Private Bankers should conduct regular team meeting together with senior management and the executive team					
32	The allocation of Private Bankers across the different segments are adequate					
33	The allocation of credit resources across the different segments are adequate					

Section 2:
How can both credit and Private Bankers be more entrepreneurial in their respective roles?

What are the main reasons that would cause credit and / or Private Bankers to leave the firm?

How can the Credit Team and the Private Bankers work closer together?

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10. APPENDIX 2

10.1 Revisions made to the questionnaire

Table 10.1: Revisions made to the questionnaire

First draft	**Revisions / comments**
Customer Centricity	
Currently both Credit and Sales personnel have a single / holistic view of the customer in all the private bank segments.	The word "sales" was replaced with "private bankers
Credit and sales personnel take a holistic view of the customer's entire exposure to the bank when considering future cross-sell and up-sell opportunities.	Changed to: Going forward, Credit and Private Bankers should take a holistic view of the customer's entire exposure to the bank when considering future cross-sell and up-sell opportunities
Relationship pricing	
Standard Private Bank currently prices for the entire relationship for all the segments of private bank customers.	Changed to: Standard Private Banking currently prices on a product centric model based on the loan amount
There are rewards programmes in place for customers who	Changed to: Standard Private Banking has a rewards

buy a lot of products from Standard Private Bank	program that is market related that encourages clients to spend on their platinum cards
Standard Private Bank customers enjoy discounted fees based on their profitability to the bank	Changed to: Standard Private Banking customers enjoy discounted fees based on their contribution (revenue – expenses) to the bank
Segmentation	
The current segment model for private bank is adequate in terms of managing the relationships.	The segmentation proposition was deleted since it didn't provide further insights into how the alignment between sales and credit could be optimised. Deleted since the segmentation proposition was deleted.
The current segment model for private bank is adequately caters for the differing needs of the customers in the different segments	The segmentation proposition was deleted since it didn't provide further insights into how the alignment between sales and credit could be optimised. Deleted since the segmentation proposition was deleted.
The allocation of both sales and credit resources across the	The segmentation proposition was deleted since it didn't

different segments are adequate	provide further insights into how the alignment between sales and credit could be optimised. Deleted since the segmentation proposition was deleted.
KPI	
Credit and Sales should set mutual goals for revenue generation, minimising bad debt losses, and decreased collection cycles	This was broken down into 3 separate questions since the respondent could agree with one part of the question but not another. Changed to: • Credit and Private Bankers should set mutual goals for revenue generation • Credit and Private Bankers should set mutual goals for minimising bad debt losses • Credit and Private Bankers should set mutual goals for decreased collection cycles

Credit and sales should support the success of each other	The word “sales” was replaced with “private bankers
System inefficiencies	
The current systems used by both sales and credit promote customer centricity	Not changed
The current systems can be used effectively to achieve the goals of relationship pricing	Not changed
Credit / Sales partnership	
Sales and Credit personnel should visit customers together but should meet first to discuss the approach	The word “sales” was replaced with “private bankers
Credit and Sales should bridge the gap by reversing roles	Changed to: Credit and Private Bankers should spend a day in the life of the other
Credit and sales should have monthly meetings	The word “sales” was replaced with “private bankers
Credit and Sales should work together to equally understand the customers expectations	The word “sales” was replaced with “private bankers

Credit should investigate creditworthiness before the sales process begins	Changed to: Private Bankers should get the advice / support of credit before the sales process begins
Credit should be allowed to be firm with difficult customers and in doing so protect the relationship between sales and the customer	Changed to: Private Bankers should include Credit in their visit to difficult clients
Credit should observe live selling situations	Not changed
Credit and sales personnel should do team-building activities together	The word “sales” was replaced with “private bankers
The sales personnel should conduct product or service demonstrations to the credit team	The word “sales” was replaced with “private bankers
Credit and sales should work together to resolve customer disputes and agree on a deadline	Broken down into two questions since the respondent could agree with the first part and disagree with the second part: Changed to: • Credit and Private Bankers should work together to

	resolve customer disputes • Credit and Private Bankers should agree on a deadline to resolve customer disputes
Credit should do pre-approvals where the risk is low and obtain the application form thereafter	This question was deleted since it was covered by one of the other questions.
Credit and sales should implement problem solving sessions to mutually review issues were the relevant rules and procedures were not followed	The word “sales” was replaced with “private bankers
Credit should recognise sales personnel for high performance by doing things correctly the first time	Changed to: Credit should recognise Private Bankers for consistently doing things correctly the first time
Credit should simplify the credit rules and policies and communicate these in a simplified and compact format to the sales personnel	Not changed
Credit should share its newsletter with sales and feature a salesperson in each issue	Not changed

Credit should invite a salesperson to be the special speaker of the month at credit department's monthly meetings	The word "salesperson" was replaced with "private banker"
Credit and sales should endeavour to communicate with each other over the phone or face to face rather than sending e-mails	The word "sales" was replaced with "private bankers
Credit and Sales should conduct regular team meeting together with senior management and the executive team	The word "sales" was replaced with "private bankers
	The following questions were added to the final questionnaire: • The allocation of Private Bankers across the different segments are adequate • The allocation of credit resources across the different segments are adequate