Agenda

1. Background: Controlling of Business Processes in the Financial Services Industry
3. Improvement: Building up a Modularized Business Process Model (Example: Loan Approval Process)
4. Next Steps: Definition of a Controlling Cycle
Agenda

1. **Background: Controlling of Business Processes in the Financial Services Industry**


3. **Improvement: Building up a Modularized Business Process Model (Example: Loan Approval Process)**

4. **Next Steps: Definition of a Controlling Cycle**
Wish of managers:
Controlling business processes – control efficiency and effectiveness in the same way e.g. Car producer do it...
We want to drive the boat — foundering is not even possible.
Controlling of Business Processes

- **Change in Process Architecture**
- **Change in Process Design**
- **Change in Framework**

**Process Analysis**

**Process Objectives** (normative)

**Operative Control Loop**

**Operative Process Management**

**Process Control (Gap Analysis)**

**Measure**

**Strategic Control Loop**

**Controlling of Business Processes**
1. Background: Controlling of Business Processes in the Financial Services Industry


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Comparison of a standardized loan approval process of ING-DiBa...

- Inbound of Loan Applications
- First Scoring
- E.g. Request of Missing Documents

New Deal Business
- Service Processing/Rejection Letter
- Service Processing/Approval/Contract Issue
- Loan Approval
- Collateral and Payout Processing
- Continuous Approval of Credit Worthiness etc.

- Service
- Payout
- Book of Business
… with the individual loan approval process of a savings bank
Differentiation of Services Processes in the Financial Services Industry

Integrativity Axis
(Integration of the external factors)

Integration of external steering process information
Integration of external non-steering process information
No integration of external process information

Process Diversity Axis

In respect to the Integration of the external factor homogenous processes
In respect to the Integration of the external factor heterogeneous processes

M&A Consulting
Individual real estate credit processing

Sales of Stocks/Securities (Advisory)
Standardized instalment credit processing
Stocks/Securities Transactions
Payments Transactions
Assessment of the Integrativity within a single Services Business Process

**Integrativity Axis**
(Integration the external factors)

Integration of external steering process information

Integration of external non-steering process information

No integration of external process information
Process Control

Indicators

Process Analysis

Operational Modification of process model

Modification of process design

Modification of variation framework

Operational Control Cycle

Process efficiency targets (normative)

Strategic Control Cycle

Process Improvement (in line with the variation framework)

Process Measurement

Integration of external steering process information

Integration of external non-steering process information

No integration of external process information

Client

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Agenda

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Idea of Modularized Product and Service Process Design

Production line to combine the modules

Ante production of single modules of the product/service

End Products

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Connection between Product, Process und Organisational Architecture

Product Architecture

- Basis Module
- Module 1
- Module 2

Process Architecture

- Production Line

Organisational Architecture

- BU: Production Line
Design of an Ideal Modularized Process Architecture
Idea of Modularized Loan Processes

Phase 1: Sales/Loan Application Processing and Loan Approval

Phase 2: Book Business Processing/Servicing and Risk Management

Phase 3: Workout
Procedure to Modularize a As-is Business Process Model (I)

1. Process Analysis
   - Sales Application
   - Loan Application
   - Loan Approval
   - Book Business Processing
   - Contract Closing

2. Phase Design
   - Phase 1: Sales/Loan Application Processing and Loan Approval
   - Phase 2: Book Business Processing/Servicing and Risk Management

3. Process Categorization
   - Category A
   - Category B
   - Category C

4. Time oriented Process Category Structure
   - Steering Module Design
   - Module Production
   - End Product Design

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Procedure to Modularize a As-is Business Process Model (II)

<table>
<thead>
<tr>
<th>5. Module Definition</th>
<th>Steering Module Design</th>
<th>Module Production</th>
<th>End Product Design</th>
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</thead>
<tbody>
<tr>
<td>Category A</td>
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<td>Category C</td>
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<td>Category C</td>
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### Example: Phase 1 Sales/Loan Application Processing and Loan Approval

<table>
<thead>
<tr>
<th>Steering Module Design</th>
<th>Module Production</th>
<th>End Product Design</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start</strong></td>
<td>Module Processing</td>
<td>P1_T6 Hand out loan contract</td>
</tr>
<tr>
<td>P1_T1 Contact Customer</td>
<td></td>
<td>P1_T5 Discuss loan offer with customer</td>
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<td>P1_T2 Generate first offer</td>
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<td>P1_T3 Determine necessary process modules</td>
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<td><strong>No integration of external non-steering info</strong></td>
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<tr>
<td></td>
<td>P1_T4 Determine process order of process modules</td>
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<tr>
<td></td>
<td>Module Processing</td>
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<tr>
<td>Integration of external steering process information</td>
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### Question of the Process Modules Order

<table>
<thead>
<tr>
<th>Sub-process</th>
<th>Module</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P1_S1 Establish Contact with Customer</strong></td>
<td>P_C01 Process Customer’s Appointment Request&lt;br&gt;P_C02 Process Customer’s Product Request&lt;br&gt;P_C03 Process Customer’s Request for Offer&lt;br&gt;P_C04 Prepare Customer Meeting&lt;br&gt;P_C05 Reject Application</td>
</tr>
<tr>
<td><strong>P1_S2 Develop Initial Offer</strong></td>
<td>P_C06 Document Decline of Offer</td>
</tr>
<tr>
<td><strong>P1_S3 Determine Process Modules to Be Used</strong></td>
<td>P1_C01 Create Customer Record&lt;br&gt;P1_C02 Check Loan Criteria&lt;br&gt;P1_C03 Obtain Credit Rating&lt;br&gt;P1_C04 Make Initial Loan Decision&lt;br&gt;P1_C05 Conduct Back-Office Loan Decision&lt;br&gt;P1_C06 Inspect Property&lt;br&gt;P1_C07 Solicit References, Obtain Company Information&lt;br&gt;P1_C08 Analyse Financial Records&lt;br&gt;P1_C09 Make Final Loan Decision&lt;br&gt;P1_C10 Escalate Decision&lt;br&gt;P1_C11 Check Debts on Collateral&lt;br&gt;P1_C12 Check Other Collateral&lt;br&gt;P_C05 Reject Application&lt;br&gt;P_C06 Document Decline of Offer</td>
</tr>
<tr>
<td><strong>P1_S4 Determine Sequence of Loan Decision Process</strong></td>
<td>Determine Process Modules from P1_S3 That Have to Be Used</td>
</tr>
<tr>
<td><strong>P1_S5 Discuss Loan Offer</strong></td>
<td>P_C05 Reject Application&lt;br&gt;P_C06 Document Decline of Offer</td>
</tr>
<tr>
<td><strong>P1_S6 Deliver Loan Contract</strong></td>
<td>P_C06 Document Decline of Offer&lt;br&gt;P1_C13 Delete Loan Application</td>
</tr>
</tbody>
</table>
Question of the Process Modules Controlling

Steering Module | Module Production | End Product Design

Integration von externen steuernden Prozessinformationen

Start

Kontaktaufnahme mit Kunden durchführen

Vorabangebot erstellen

Art der zu verwendenden Prozessmodule bestimmen

Kreditvertrag aushändigen

Kreditangebot mit Kunden besprechen

Ablauf des Kreditentscheidungsprozesses festlegen

Ende

P1_Z01 P1_Z02 P1_Z04
P1_Z01 P1_Z14 P1_Z03 P1_Z04
P1_Z01 P1_Z02 P1_Z04
P1_Z14 P1_Z07 P1_Z06 P1_Z04 P1_Z10
P1_Z14 P1_Z07 P1_Z08 P1_Z12 P1_Z04 P1_Z10
P1_Z14 P1_Z07 P1_Z03 P1_Z04
P1_Z13 P1_Z04 P1_Z10
P1_Z01 P1_Z04 P1_Z04
P1_Z01 P1_Z14 P1_Z03 P1_Z04
P1_Z01 P1_Z14 P1_Z03 P1_Z04
P1_Z14 P1_Z09 P1_Z03 P1_Z04 P1_Z10

C = Credit         t = Time
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Indicators

Process Analysis

Operational Control Cycle

Modification of process model

Modification of process design

Modification of variation framework

Process Control (target/performance comparison)

in case of deviation

Process Improvement (in line with the variation framework)

Indicators

Operational Modification of process model

Modification of process design

Modification of variation framework

in case of deviation

Strategic Control Cycle

Process efficiency targets (normative)

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Process Improvement (in line with the variation framework)

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Phase 1: Sales/Loan Application Processing and Loan Approval

Phase 2: Book Business Processing/Servicing and Risk Management

Phase 3: Workout
We want to drive the boat – it does not matter which kind of boat it is.
References (I)


References (II)


Thanks for your interest!
Contact

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