

CHAPTER FOUR

PROBLEMS AND RECOMMENDATION

4.1 Timing Of The Transformation

The timelines for implementing the entire systems integration and the centralized back office processing is very tight for a systems operation of such a large nature. For example, the ONE Platform systems integration commenced on March 17th until June 2nd 2001 but the OPCO Processing had already commenced. The integration process was properly planned but it did not allow the system to stabilize. One is aware that systems conversion may pose additional risks of additional technical problems.

4.2 Branding

Branding creates a perceived difference between products or services offered from one organization to another. Cost cutting alone does not make a product superior because customers are very demanding and expect to obtain the best value for their money. BCB had looked into the cost leadership strategy without emphasizing on the branding or the product differentiation qualities of it's. Branding is a very important concept in marketing because without it the customers would not be loyal to the organization and there would not be repeat purchases. The banking industry is very competitive and other banks can easily follow the cost cutting strategies quickly.

4.3 E-Banking

Although BCB has embarked in the E-Banking business portal but it's e-procurement model is mainly used as a channel enhancer and not as a value chain integrator. As a result, BCB will not be able to fully explore the benefits

of supply-value chain planning and integration strategy. BCB when implementing the e-commerce strategies must be more focused on how to replicate their organizational structure online rather than customising its online features.

On August 14th, Star newspapers, the Deputy Finance Minister Datuk Chan Kong Choy stated that the number of people opting for the e-banking transactions is increasing at 18% per month. As at June, 2001 there were 324,018 individuals who had registered with various banks. The most popular transaction was the checking of bank accounts, which accounted for 80% of all transactions. However when customers become more sophisticated they require more value added services. As a result, the bank will have to address the following strategic questions to ensure that the customers demand are met continuously :

- a) Will the current product focus meet future strategic goals?
- b) Are the products structured to meet market opportunities and comply with differing regulatory and tax environments?
- c) What are the implications regarding administration of those products – and how do you match the right products to the right markets?

4.4 Business Process Reengineering

The entire processes must be redefined and reengineered in a holistic approach to ensure that the person approving the transaction does not process the payments functions with proper segregation of duties. The banking industry in nature can be subject to frauds if the jobs do not have adequate controls.

4.5 Matrix Organization

BCB must realign its current line organization structure to a matrix organization structure to facilitate and provide flexibility in making decisions. In a matrix organization structure, there is a dual structure, which combines both functional specialization and business product or project specialization.

Finally, BCB uses a shared but contestable operations infrastructure. This means that if BCB realises that it does not have a critical mass, it will outsource and develop joint venture operations and to undertake third party processing if it can improve its efficiency and productivity.

What will BCB look in ten years' time? The CEO's (Chief Executive Officers) of the financial institutions must be prepared to look for new core competencies and destroy the old core competencies if it is unable to add value to the organisation. As quoted by Dwight D. Eisenhower "Plans are nothing. Planning is everything." Planning is important for any organisations and senior managers must be able to identify rigidities in core competencies in an uncertain environment. The global market leaders of tomorrow will be a mix of new entrants and existing business, which have excellent management skills, visions (able to transform a "Bricks-and-Mortar" organisation into the Internet), able to repackage products (branding) and provide customers with investment advice, benefits and a "one-stop shopping center" facility.

The possibility of resistance to change within the bank during the initial periods can result in disruptions to some of the bank's plans. In addition, growing competition is also placing more pressure on costs. And the increasing trend among larger organisations to build critical mass through mergers and acquisitions is resulting in the need for those organisations to re-evaluate their product portfolios. Rationalising and streamlining products is now a high priority.