

# CHAPTER ONE

## INTRODUCTION

### 1.1 Executive Summary

BSN Commercial Bank (BSNC) was established in July 1975 and currently have an authorised paid up capital of RM 210 million. The bank's principle activities are the provision of full range of Banking Services through its Kuala Lumpur head office and 20 other branches located in various part of Malaysia.

The bank has set its sight to become one of the top banks in the country within the next 3 years. However BSNC being a small bank, and a "late comer" in the financial industry is being pressurised by intense competition from local competitors. This is further complicated by the announcement of the government to liberalise financial industry to foreign participation.

BSNC has drawn up a 3 years ambitious plan to achieve their financial targets. As at 31/12/97, BSNC almost meets its projected loan growth but has a big shortfall in the customer deposit of approximately 18%. There was a significant setback in the profit before tax too whereby the actual was RM 47.7 million VS target of RM 92 million.

Currently ,BSN Commercial Bank is facing the issues of integrating the four key components in its Business System ( i.e. People, Technology, Structure and Process ) to compete effectively in the market place. They are concerned with the way the customer's perceive the Bank's services and facilities . The customers are unsatisfied. Red tapes are delaying business processes and the bank made a pre tax loss of RM 48 Million instead of a profit forecast of 92 Million for the year ending 31 Dec 1998

I found that inefficient bank processes , lacking of core competencies among employees, weak working culture and lack of business and industry knowledge among the key personnel are affecting the Bank's performance as a whole.

This study concentrates on how BSN Commercial Bank can reengineer its current processes to survive this trying time before diversifying into other financial activities. This research identifies sixteen core business processes and recommend the possible improvements that could be done. The study recommends for elimination of red tapes and redundant work by introducing integrative computerisation, job enrichment and enlargement of Customer Sales Representative(CSR) and Customer Relations Executive, centralisation of some processes to reduce cost and increase efficiency and innovative measures in handling transactions. The concept, implementation and benefits of Electronic Data Interchange Banking also has been discussed in detail to improve the bank's overall performance.