

AN ANALYSIS OF ORGANIZATIONAL STRUCTURES OF BANKS IN POLAND

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Abstract

The structure of the contemporary bank is shaped above all by: philosophy of bank action on the market, the service offer, expectations of different business groups (like shareholders, owners, the management staff, workers, clients) determining the bank action on the market (technology, the economic policy, profits of households, a lifestyle of the society). Appropriate forming the organizational structure, which must be effective, elastic but first of all it must enable controlled flow of information both about results of very organization as well as made on its behalf operations and customers, is in the centre of special attention of the bank. In the article, research findings concerning changes of bank organizational structure, developing the initiative in the scope of retail sales of financial services, were presented.

Key words: retail banking, virtual structures, lean banking, standardization.

Classification JEL: M12 – Personnel Management

1. Introduction

The ability of every organization to carry its strategy out and to achieve established purposes depends on what way it will make the selection of the staff in, how it will organize teams for right tasks, as well as how effectively it will be managing them. In banks, human resources management is connected with [McNaughton, 1995, p. 121]:

- Organizing the effective work of the staff, where a point of departure for the effective personnel management is the structure fitted to the realization and being picked of determined problems (the strategy adopted by the bank determines in the most general way of the bank need like the number of workers and the level of their classifications conditioning effective functioning of the bank).
- Establishing the staffing level and structures of the classification, what is connected with reacting to changes in the structure of the employment and training requirements.
- Creating the beneficial atmosphere and cultures of the work, mainly because of effective working on the bank thing, but first of all shaping positive reports with the customer, what is also being transferred for noticing the bank on the market.

Exchanged purposes are conditioning the favourable future of the bank. The one of the most important skill connected with the bank employment is also the workers' qualifications level, which is addicted not only to realized objectives, but the bank infrastructure above all. It concerns both operated devices and the used software, which still is being modernized. Changes in the technical infrastructure of the bank, in this way, are conditioning the pace of the bank staff educating process.

An awareness of workers concerning the level and ways of the client service is a next essential problem [Rosak, Borkowski, 2006, p. 41]. The worker must fully identify himself with his workstation and the performed task and in this way identify with philosophy of the bank action and its vision.

The structure of the contemporary bank are being shaped above by: a philosophy of the bank action on the market (the vision, the mission, the strategy), the service offer, partners expectations (shareholders, owners, the management staff, workers, clients) and outside factors determining the bank activity on the market (the technology, the economic policy, profits of households, a lifestyle of the society).

Appropriate forming the organizational structure, which must be effective, elastic, but first of all it must enable controlled flow of information both about results of very organization as well as made on its behalf operations and customers, is in the centre of special attention of the bank. Creating ineffective structures is a barrier in the realization adopted of strategies for banks, moreover it is giving rise to new sources of costs, evils the organization of the work hence more further problems, which can result in the outflow of customers from the bank. Still, the over-manning at the bank can cause the cost growth, by the way disruption to the work, what manifests itself in making it difficult for the realization some tasks or the flow of information. Next, too low staffing level is reason for exaggerated dispersing competence in the bank, it alone making effective the bank action difficult.

Often, under the influence of changing surroundings, the pressure of the competition and current tendencies in the scope of applied technology of the information processing, banks are reorganizing their structures, shaping them this way so that can adapt it for ensuing market situations or anew transform in every moment, without incurring extra costs. So improvement, modernizing the following elements: *bank unit network* (in the order of service effectiveness improvement), *a head of a bank* (in the order of management process improvement and determining of new personnel policy in the scope of the unit networks) and of *entire bank* (in the order to the information flow improvement in the organization and of management and control processes streamlining).

Modernization of contemporary banks is connected mostly with: concentrating of several unit activity on concrete services or markets, rebuilding of distribution channel structure (fitting under angle of new information solution) or creating teams concentrating around concrete tasks, like information systems, client management, planning, control, personnel trainings.

The change of the contemporary bank organization is often connected with creating virtual structures, in which selected technology streamlining the information flow is actually playing the basic role [Stasiak – Betlejewska, 2008, p. 167]. Next, the implementation of the concrete kind of the technology causes changes not only in the way of the work organization, but also in the employment level. This occurrence is giving rise to the reorganization of remaining elements of the bank under the angle formed structure (the employment level) or training requirements.

2. The lean management conception in the bank structure management

The development of banks was set by a lot of years to the capital growth, the balance sum and the market share. Saturating the bank market with services and the competition increase forced banks to the change of proceedings strategy [Węclawski, 1998, p. 9]. Outside developing activity in direction of innovative bank services offering, banks concentrated their attention on the pricing side of their activity. The consequence of it there is a the unit number reduction and the employment level reduction, what was caused with incomes tailing off in the relation up to costs, involving keeping the bank infrastructure above all [Stasiak – Betlejewska, Borkowski, 2007, p. 427].

Banks carry out the action, which are aimed at profitabilities improvement through the cost reduction, for a few years. Banks use the lean management conception, which means the strategy directed on 'slimming down' of existing organization through removing of elements not bringing sufficient profits and introducing the new organizational structure. All action, taken in frames of the lean management conception, make their way towards the optimization of costs and results. *The lean management* in the bank environment is acting under the name as *lean banking*, i.e. „slim bank” [Węclawski, 1998, p. 10]. The rules of „slim bank” are among others:

- Directing the organizational structure to groups of customers, instead of to sectors and regions.

- Diversifying the bank units network according to clients needs, the potential and the calculation of individual groups of customers.
- Applying the logistic principle of the ABC like offering the split level of the service depending on the group of customers (at using the CRM application and *call centers*).
- A simplification and an automation of bank procedures connected with the consultancy and the completion of the transaction (e.g. Internet banking and recalled earlier call – of centers).

Banks use *lean management* in the destination of effective using the market potential by the reallocation of stores and concentrating of action on these market segments, where good prospects for the growth are. At this point, processes carried out at the bank are being subjected to in-depth analysis and they are subject to the streamlining process, into the comprehensive way.

3. Changes in bank organizational structures

Qualitative changes, which resulted from the aspiration of banks to costs lowering, were connected above all with changes of the relation in the organizational structure of the bank that is among operation institutions and the head office as the superior individual.

These changes consisted mainly increase in the significance of the head office. The bank unit concentrated its attention on the completion of actions, which are connected with holding the contact with the customer, however the head office of the bank is taking over functions, carried out so far by units, so as: marketing, the legal service, the personnel politics. It is finding expression in philosophy of action of new bank institutions, which are set to the service of the customer as well as in the course of new channels of distribution, which are limiting the contact of customers with the bank and they are concentrating on the accomplishment of the transaction. A standardization, the employment level reduction and effectiveness growth of employed workers are typical elements for this orientation like *lean management*. Workers of bank units are involved in a sale and a consultancy process, what is finding expression in philosophy of the client service. There is, among others, assigning right persons to appropriate institutions in the right time, what is being transferred for shortening the time of the client service, on average around 15 till 3 minutes [Jadczyk, 2002, p. 37].

The centralization and the automation enabled division of the operation, business functions of the bank organizational structure of the bank into the sector. Substitutions made in frames of the retail bank organizational structure are connected with marking off sell sectors, client departments offering the comprehensive offer for the determined group of clients, appointing the sale by managers and taking over the bank activity by the head office from the scope *back – office*.

Changes in the organization of the operation institutions network led two directions of creating the network of institutions in retail banking. The first direction is connected with banks, which have developed network of institutions, what results from its market functioning tradition, as for example PKO BP S.A., which outside units and the head office also has regions supported by units. The new PKO BP S.A. structure predicts the current network widened against the modernized net of the agency and cash machines. Next the other direction is connected with forming institutions employing a few workers of *front – office*, set to the client service. Units serve here as the operation centre (for example a *Stareo* network in ING BSK S.A., Citibank, the Millennium).

Discussing the problem of organizational changes, it isn't impossible to omit the example of the ING BSK S.A. aspiring to the realization of ambitious commercial purposes in the difficult macroeconomic environment at the beginning of 2003 (implementing the new

concept of action networks of the sale, i.e. sell network management introduction). Bank open implementing two pilot projects in 2003, i.e.:

- *Sell Effectiveness Improvement in Stereo Network*, which consists the basic distribution channel of products and services for retail banking.
- *Corporate Banking Centers Effectiveness Improvement*, destined for big companies service.

ING BSK organizational improvements, implemented in 2003, are a response to changes in conditions of the bank functioning and served the appropriate realization of purposes both commercial, as well as in the scope of the effectiveness of the institution action. In the connection with increased problems, the bank divided *Finance and Management Sector* on two separate sectors: *Finance Sektore* and *Risk Management Sector*. The automatization degree growth of operation area was a premise for consolidation of operational service. Bank closed support units *RCO* in 20 units. Pilot projects results, connected with sell network management conception and risk management, decided about implementing of new organizational solutions like:

- *Regional units – the Financial Funds Administering Teams* were appointed (in order to support the sale of financial services and comprehensive solutions in the scope of administering payments), *departments of the sale supporting* and *the Mortgage Credits Teams* and *the Risk Regional Units* were converted into *the Department of Risk Management*, which were functional in the structure till the end of 2003, and with the day of 1 January 2004 were included into the structure of Risk Sector in the bank head office.
- *Corporate banking centers* – two groups of work desk (*account managers*) were appointed.
- *Regional operational center – the Mortgage Credits Teams* were appointed.

Talking about organizational changes one should also recall the BZ WBK S.A. case, which modified the organizational structure of head office and renamed it to the Centre of supporting the Business in January of 2001 year. New name points new place of central unit in a bank structure and its supporting role in business generating. Implementing works on the bank strategy was a direct stimulus to implement changes for years 2002 – 2005. The efficient accomplishment of strategic tasks required better adapting the organization in order to guarantee the greater concentration on the customer, both procedures simplifying, increasing the coordination and the effectiveness of action by activities and optimizing the pricing structure.

Three new sectors configured basing on previous and newly created individuals of a lower order were appointed:

- a) *Business Strategy Sector* – is responsible for creating of business strategy for retail and institutional area, according to assumptions of strategy „*The first: client*”.
- b) *Sell Sector* – is responsible for sell management in all distribution channels in the way assuring business, sell and financial aims achievement.
- c) *Business Supporting Sector* – supports bank process management through action realization in four crucial area: information technologies, bank operations, units supporting and others.

In 2003, BZ WBK S.A. modified structure of *Business Supporting Center*. The most important events in this area are: creating *Risk Management Sector*, moving *Brand Management Area* from *Business Strategy Sector* under control of Head of Bank Board. These changes pointed meaning, that bank is attaching importance to bank strategy realization (strategy *The first: client*) and safety or effectiveness of organization activity.

4. Optimization of the bank unit network

Optimization of the bank unit network is the one of the directions of bank network organization management in Poland. Fulfilling both economic and marketing expectations through the network of institutions as the whole and its individual elements – operation individuals is main establishing of the optimization of the bank units network. At the same time, aspiring to the state, where the network will be fully to realize appointed functions for it by persons managing the bank through the multi-channel strategy of distribution, is the main task of the optimization [Kowalczyk, 2004, p. 27].

In the second half of the nineties, many banks in Poland developed their network of operation institutions being driven mainly by will of reaching the wide circle of potential customers, taking control of new markets or increasing the participation in the market. The number of bank institutions even was perceived as the source of the competitive majority. In years 1998 – 2002, the number of institutions increased oneself over sixfold. However, within the last years, the development of the bank unit network stopped demonstrating the growth tendency, what is caused among others with growing making interested customers in electronic channels, which using is binding oneself with determined lower costs.

Ensuing, in the analyzed period, organizational structures made impossible the intense development of the bank offer, mainly because of the low transparency and the lack of integration guaranteeing the efficient effect of operation individuals. Moreover, an analysis of the profitability of bank units in years 2000 – 2002 proved, that holding the thick network of bank institutions causes a higher estimate, because banks have to pay for renting out of apartments and they have work costs. As a result, units aren't bringing expected profits and their profitability is reducing from the year to the year.

Above observations induced banks to the bank unit network streamlining. So, in 2000 year, there 700 new bank units came into existence. These units are not so big and are equipped with modern technologies. The transition from an old model to standards of the modern banking contributed to coming into existence of many problems of the organizational, technological and social nature in PKO BP S.A.. This bank is surviving cyclical reorganizations having begun from allotting from structure of the National Bank of Poland, by the reform in 1991 or also starting 13 regions in 1994 (that is 13 quasi local banks – of centers of the profit, distinguishing themselves with determined self-reliance). Creating of centers of the profit resulted in financial results improvement in 1996 year. According to the state at the end of 2005, the PKO BP S.A. owned altogether 1,251 institutions, in it in the area of the retail market to cut the sale counted 1,168 units (in it: 12 regional retail units, 537 independent units, 619 units gained control). With respect to the state for the end of 2004 year, the number of institutions with the whole underwent reducing about 15 [Sprawozdanie Zarządu Banku z działalności Powszechnej Kasy Oszczędności Banku Polskiego Spółki Akcyjnej za 2005 rok, Załącznik do Uchwały Zarządu nr 78/C/2006, Warszawa, marzec 2006 r.].

Agency network is specific unit network structure for PKO BP S.A. (the smallest organizational structures existing in general bank unit structure of PKO BP S.A.), what means unit network, which are functioning on the *franchising* rules (like as restaurant network of McDonalds'). The 2005 year was period of big quality changes in PKO BP S.A. organizational structure, which resulting from adapting principles of the bank cooperation with agencies for recordings of the amended act *Bank Law*. In 2005 year, the number of agency, compared with the previous year, reduced about 215 of bank units. There were about 2 150 of agencies, which were cooperating with Bank Zachodni WBK S.A. in 2005 year [Sprawozdanie Zarządu z działalności Banku Zachodniego WBK S.A. z 2003 roku, 24 luty 2004 r.].

The bank ING BSK S.A., in period of 2001 – 2003, reduced 19 bank units, which didn't meet criteria of the profitability, reduced the number of regional units around 15 to 13, as well as

it closed 14 institutions down, in addition into their place it started 6 new departments of STAREO and units of category C. At the beginning of 2003, the bank began implementing *the Program of the Effectiveness Improvement of the Sale in STAREO*, of which a sale growth of services regarded priority and tightening were a purpose of relation with the most income market segments. From the beginning of the April of 2003, the STAREO latest model was tested in 13 chosen branch of a bank. Results of the pilotage decided that the new organization had been implemented in the entire STAREO network. In the latest model of the STAREO, unit sale functions were separated from administrative. The sale staff was excluded from the realization of numerous administrative – operating activities. The part of universal cashier's positions was converted into advisory positions and sellers concentrated on the active sale. Changes in the system of motivating workers and principles of the progress report of units accompanied on sale management conception implementation. New conception of unit organization relied mainly on new computer answers.

Bank BZ WBK S.A., in analyzed period, changed locations of 27 units and closed down 57 ineffective institutions. At the end of the December of 2003, the distribution network of the bank counted 400 units and was divided in three macro-regions (with the seat in Wrocław, Poznań and Warsaw) compound around 14 regions. Reducing the size of the network by 32 individuals, in comparing with the state of the end of 2002, was an effect of the process carried out of the bank streamlining. As a part of the undertaking, operational activity of selected institutions was combined in order to eliminate unprofitable or being active in a zone of the influence of different bank branch. Also a change of the regional structure was an operational research treatment, i.e. the liquidation of three regions and including area subordinate to them into borders of individuals living next door. As a result of taken operations, benefits of the scale were achieved and workers' costs were cut. The project originated long-term operational research action led basing on systematic analysis networks [Sprawozdanie Zarządu z działalności Banku Zachodniego WBK S.A. z 2003 roku, 24 luty 2004 r.].

Elements like as: a small number of personal accounts, the low sale, measured with the deposit increase and monthly incomes from payments and the commission and financial poor results, decided about the liquidation of bank institutions. Decisions concerning the liquidation of institutions were also conditioned with sequence of different factors, to which one should also rank the development of alternative distribution channels, which are without the comparison more efficient as regards the completion of the straightest transactions as well as the insufficiency of the distribution system, caused by the necessity of the service of large amounts of customers in traditional units. However, every decision assuming the liquidation of the point of the client service is a big challenge for the retail bank, because it can both influence the image of the bank and cause loss of the considerable number of customers. And so a necessity of the greater diversification of ways is also becoming essential of reaching customers, i.e. the so-called *multi-channel banking* conception [Jaworski, 2001, p. 143].

5. The image of the contemporary bank institution

Because of the fact, that the traditional model of operation units didn't let financial institutions to accomplish essential business purposes i.e. leading the effective and effective sale of services and building long-term relations with income customers, banks began the also gradual restructuring of traditional institutions. It is based mainly on the bank functionality change. These changes are connected with:

- Change of action policy on the operational and strategic level.
- Service zones implementing (self-service zones, equipped with cash machines, multimedia terminals, were being organized).

- Equipping bank workers with the standard, integrated application *front - end* enabling among others: the fast identification of the customer and the work in its context, completion of the transaction in the real time, alteration of sale processes directly by appointed workers of the bank, integration with different distribution channels, providing with the high of the safety.

Application of the class *front – end* is delivering the customer needs on the basis of data and compound marketing analyses. Thanks to that, the seller has, in one application, full information about the served customer. These changes were connected also with procedures of client service. On the base of bank service process analysis, banks reached a conclusion, that as a result of streamlining its, it was possible to shorten the time of the completion of the process: the production, the circulation of documents, the service of customers, even about 40 %. It is possible to reduce its costs even about 50 % [Kulczyński, 2006, p. 31]. Benefits of this type are most often shown by enterprises, which provide with appropriate tools for analysis of processes. However, for the software supplier emphasize, that this is a tool enabling achieving an aim. Thanks to tidying processes up, with the use of the computer tool, more quickly and straighter it is possible to implement the appropriate software hence the expansion and streamlining the computer infrastructure. As a result of the optimization of business processes at many banks, as for example PKO BP S.A., the number of procedures was reduced. Fortis Bank optimized process of the sale, and Volkswagen Bank implemented improvements, which let reduce burdening workers and at the same time implement new services. Banks like: BRE S.A., PKO BP S.A. and ING BSK S.A. also decided about using tools for streamlining business processes.

Besides changes of the number of units, banks started paying attention for new localization of bank units. New points of service are being located mostly in places, close to client, like in:

- Integrated financial centers, shopping arcades, hypermarkets.
- At office blocks, schools, offices.
- Communicative buckled wheels (airports, stations).
- On housing estates.

The banking in shopping centers created the chance of increasing incomes on account of the service of individual customers. It results mainly from the possibility of reaching the large group of clients with the bank offer, at relatively low marketing costs.

The optimization of bank units network was connected also with product specializing. In the effect of its, bank service points came into existence, like: automated multimedia stands (the mBank, ING BSK S.A.), single centers of the consultancy, „flag units” fulfilling the promotional function (the mBank, Eurobank, AIG). Banks modified the image of its units, creating new look of branch, equipped units with new information technologies machines, like mBank did. mBank created multimedia stands, which consist:

- 2 Internet positions, thanks to which the permanent access to calculations was provided at the mBank and it is possible to carry all available operations out across the Internet channel.
- 2 telephone positions, thanks to which it is possible directly to unite from *mLine*, without the need to dial a number (these posts allow to carry operations out in accounts at the mBank, both behind the help of the *Automatic mLine Teleservice*, and directly using the help of the *mLine Operator*).
- Machine for taking money, thanks to which it is possible to pay the cash in to the mBank without the commission (these operations can be made with the card of the mBank and cash payments will be burdened with no commission).
- Cash machine of Euronet for payments of financial means from bills at the mBank.

Philosophy of action of the contemporary retail bank determines sometimes itself with name *mcbanking* (the occurrence is also determined with name *mcdonaldization* of banks, mainly because of the size of the institution and situating it), because of rich equipping with remote devices the access to the bank (cash machines, terminals, phones), the openness of the point, the availability in the most desired places, so as, for example a shopping centre.

6. Conclusion

In 2001 – 2005 years, banks took the sequence of operations, which effects are being seen in organization structures. The elasticity was characteristic of these structures and at the same time these structures underwent flattening. These changes formed activities manifesting itself among others with the optimization of costs in analysis of the bank units profitability. As a result of that optimization, a number of bank institutions was reduced, big changes in their service profile and image were implemented as well as a process of the client service was modernized.

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