

Dissertation Proposal

MBA-IMC (International Management Consulting)
University of Applied Sciences Ludwigshafen/Rhine,
Institute for International Management Consulting

Title of dissertation

"The bank production system - investigation and analysis of the banks' chances to learn from the industry and its Lean Management approach. Presentation of the basic features of an efficient integrated production system for banks following the basic principles of Lean Management."

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Introduction

*“Perhaps the most important principle on which the economy of a manufacture depends, is the division of labour amongst the persons who perform the work”
(Babbage, 1832, page 166)*

As the above quotation proves, the question of how to best subdivide subordinate tasks into partial, single, and elementary sub-tasks is not a new one. Answering it leads to structures and processes, which will result in organisations and companies with hierarchies and processes. Efficiency is an essential factor for further existence, when organisations or companies try defend their shares in more and more competitive markets.

The German banks are in the middle of a structural crisis, for which the signs have been visible for more than a decade (Bierer/ Fassbender/ Rüdell, 1992, page 500), but which has clearly gained momentum lately. While the reasons for it are discussed quite differently, from different points of view, its consequences and effects are obvious. Basically, the German banking industry suffers from an income that is too low while the costs are way too high - in international comparison (Müller, 2003, page 228 and Walter, 2003, page 6-9). So far, the German banks have tried too often to manage this challenge through adjustments or changes within the framework of the existing structures (Bundesverband Deutscher Banken, 2004, page 8).

In this dissertation it is planned to thoroughly analyse the current situation in the German credit services sector and then enter the present discussion in literature whether it is possible - and if so, how - to achieve the double strategy of higher income and lower costs through an industrialisation of the banking business (Lamberti, 2004 and Licci, 2003 and Sokolovsky, 2004). New structures, based on the division of labour as described by Babbage for the time of the early industrialisation (Babbage, 1832, page 208-217), may possibly be the key to help the weak German banking industry to achieve a significantly higher efficiency. This planned dissertation tries to examine if and how the industry's Lean Production approach (Ohno, 1993 and Shingo, 1993 and Takeda, 1999) can be used as a model here.

Aims and objectives

As stated in the title and introduction of this proposal, the planned dissertation aims to take up the recent discussions about a possible industrialisation of the banking industry, and to outline the main features of a production system for banks, which follows the basic principles of Lean Management, and which will contribute to solving the urgent income and cost problems of German banks.

A structural approach includes the following subordinate goals:

- Achieve transparency with respect to the current situation on the German credit services sector, bring out its problems and major challenges.
- Describe the (philosophical) basic principles of Lean Production, its fundamental goals, principles, concepts, and methods, and its integration into the Lean Management approach, which goes even further

Only after these subordinate goals have been reached, the actual discussion may begin, of whether the industry with its Lean Management approach may serve as a model for the banks (Licci, 2003, page 364).

The expected result of this work comprises of two sub-aspects:

- Outlining of chances, framework conditions, and the limits of the transferability of the Lean approach to banks.
- Layout of the basic features of an efficient production system for banks following the basic principles of Lean Production.

The author wants to state clearly here what the purpose of this planned dissertation is and what not: This work intends to work out basics. It wants to show approaches to an efficient integrated "banking production system", outline basic features, and discuss goals, principles, concepts and methods. It is not a plan, a blueprint, or even a ready-made concept for a new organisation structure in terms of a "new and more efficient bank". For one thing, this would be overconfident considering the scope of this work, and second, it would certainly not help to reach the goals, because every company - and therefore every bank - is different, and therefore there is no universal production system that fits every bank just as there is no universal production system that fits every company, not even in the same branch of business.

Relationship to previous works

If one looks at the existing literature from a problem-based point of view, that means the issue of how to improve the inadequate efficiency on the German credit services sector, one will find numerous publications. Basically, they look at the issue from the aspects of income, cost or processes.

Looking at it from the point of income, it is often criticised that the German bank's considerable use of resources does not produce enough income in an international comparison (Bundesverband Deutscher Banken, 2004, page 9-11 and Capgemini, 2004, page 3 and F.A.Z.-Institut/ Mummert Consulting AG, 2004). On the other side, the high cost structures are made responsible for the inadequate efficiency. Some professional articles take an operational approach to the issue of lasting cost reductions (Skudelyny, 2004, page 25-26), while the majority of authors has already turned to the "real" strategic cost drivers (Broecker/ Klein/ Schmidt, 2002, page 50 and Fischer/ Bongartz, 2002, page 261 and Kullmann, 2004, page 16-17). Then, there are many articles to be found in literature, which look at the inadequate efficiency from a process point of view (Hinrichs/ Weinkauff, 2002, page 14-19 and Kasten/ Schnelle, 2002, page 20), or discuss the chances of process optimisation concepts for the banking sector, such as Six Sigma in the industry (Töpfer, 2004, page 12). All these publications, however, have one thing in common: They are isolated approaches and not integrated concepts. But this does not reduce their usefulness or quality in any way.

A different view on existing works, subject-based, that is an approach that is similar to the subject of this planned dissertation - if and how the industry with its lean approach can serve as a model for German banks - produces clearly less sources in literature.

Besides the classic Lean Production literature, with its roots going back to the now famous MIT (Massachusetts Institute of Technology) research paper on the automotive industry (Womack/ Jones/ Roos, 1992, title: "The Machine That Changed The World"), some books (Benölken/ Wings, 1994 and Müller (Ed), 1994 and Türk, 1996 and Uhle, 1993) and various professional articles (Wieck/ Wünsche, 1993 and Uhle, 1993) regarding the transfer of the Lean Production approach from the industry to the banking sector were published in the beginning of the 90s, creating "Lean Banking". Partly, this lean approach was interpreted as lean in terms of costs only, other publications however have developed concepts, which integrate the most different approaches (Bierer/ Fassbender/ Rüdell, 1992 and Türk, 1996).

After only few publications were made with respect to the efficiency of the credit services sector in the second half of the 90s and the beginning of the new millennium, and other subjects, such as the coping with high credit risks, had moved into the focus (Müller, 2003, page 229), several articles have been published lately that deal with the subject of Lean Banking, ideas that were

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discussed in the early 90s, then known as the "industrialisation" of the credit services sector, again (Lamberti, 2004 and Licci, 2003 and Moormann/ Möbus, 2004 and Sokolovsky, 2004).

Methodology

In order to reach the described goals of the planned dissertation, an inductive approach was chosen. During the outlining of the main features of an efficient production system for banks, the work has taken on a conceptual character, because the literature used came mainly from the industry; it was necessary to adapt the concepts to the conditions in the credit services sector and to develop own thoughts - partly in the course of the discussions with the experts.

Starting point for the author of this work will be a focused, subject-related literature research. This is to gain an overview of the entire subject, with all its aspects. Further, it is the basis for the description of the initial situation and the challenges of the German banking industry, the description of the basic principles of Lean Production, the introduction of the Lean Banking approach in the early 90s, and finally, the latest theories with respect to improving the efficiency by applying industrialised structures, concepts, and methods.

In order to confront the knowledge gained in studying the literature with practical experiences, the author intends to discuss his thoughts with experts. These discussions and interviews must be thoroughly prepared to produce the desired results, because the interview partners have the most different knowledge and experience backgrounds.

On the one side, the author intends to speak with proven experts and executives, and with management consultants from the banking sector, the majority of whom will most certainly not be proven experts of Lean Production. The author will provide them with information on the basic principles of Lean Production to prepare them for the interview. On the other side, the author intends to speak with production specialists and consultants from the industry, who in turn will not have much knowledge about the organisational structures in banks - and especially the relevant strict and limiting statutory rules and regulations. Here too, the author will provide the interview partners with preparatory information.

For a maximum benefit from the discussions, the author will develop a discussion guide for his own use, but conduct the interviews freely otherwise (Niedereichholz, 2003, page 39), using open and direct questions. The answers will be recorded and analysed. This will certainly increase the work load, but will also improve the quality of the results.

The author would like to limit the number of expert discussions to a maximum of 10, and in-depth questioning will definitely be first priority over a broad range of topics. He thus follows the principle of concentration in gaining data (Niedereichholz, 2003, page 38). The subsequent thorough data analysis will

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serve the linking, plausibilisation, and synchronisation of the interview results with the results of the literature research.

The above description of the method for preparing the planned dissertation does deliberately exclude some of the alternative options. The reasons why the author has decided against these other approaches are briefly listed below:

- A limitation to an exclusive literature research was ruled out because - as described in above chapter - the literature currently available in this regard, production systems in banks, has only currently evolved from lively discussions, and there is only little practical experience in this industry.
- Instead of the maximum number of 10 expert discussions, it would have been possible to use a more wide-spread form of data collection - for example written interviews, or workshops, group discussions, and creative meetings. An advantage would have been the possibility to link the ideas of the different participants, of course. Besides the timing and scheduling problems, the author has also decided against this method for personal experiences, among other things because of the often rather broad instead of in-depth discussions.
- For the same reason, the rather superficial discussions, the author has decided against standardised interviews, and opted for the more time-consuming - with respect to the result analysis - open interview technique.

When reflecting the planned method for preparing the dissertation, and the options that have not been chosen critically, one will have to take into consideration the following method-related weak points when evaluating the results.

- The small number of expert discussions will certainly include only a small spectrum of possible problems or solutions in connection with the designing of efficient bank production systems.
- At the same time, with this limited number of interview partners, there is the danger that - for personal or business reasons maybe - important data or information is held back, which would have been helpful for this work.

Plan of Work

Step	Task	Start	End
1	Collection of literature		
1.1	General collection of literature by author	2000	02/2005
1.2	Focused subject-related literature research	06/2004	10/2004
2	Preparing dissertation		
2.1	Drafting and handing in of dissertation proposal	10/2004	
2.2	Selection and contacting of interview partners, scheduling of appointments, planning of trips, if necessary	10/2004	
2.3	Preparing the informative documentation for the interview partners of the planned expert interviews	10/2004	
2.4	Drafting of discussion guide for expert interviews preparing myself for the discussions	10/2004	
2.5	Approval of dissertation proposal	11/2004	
3	Drafting dissertation		
3.1	Analyse collected literature sources	10/2004	11/2004
3.2	Conducting and analysing of expert interviews	11/2004	
3.3	Thorough analysis of data and information	10/2004	11/2004
3.4	Drawing of conclusions, linking results from literature research with results from expert interviews	11/2004	
3.5	Drafting of dissertation	12/2004	01/2005
3.6	Review	01/2005	
3.7	Final draft of dissertation, hand in dissertation	02/2005	

Remarks to the work schedule:

- In addition to the formal work schedule, there will be further informal scheduling talks with the dissertation supervisor, Prof. Dr. Christel Niedereichholz.
- A prerequisite for meeting the above tight schedule is the utilization of the authors remaining leave for this year, and the support of the author's employer, which will be discussed more detailed in the chapter below.

Resources required

For this dissertation project the main resources will be:

- **University libraries**

University of Applied Sciences Heilbronn
University of Applied Sciences Ludwigshafen/Rhine
University of Mannheim

In addition to a huge number of books, numerous complete collections of subject-related trade magazines are available in the universities' catalogues and data bases.

- **Personal network**

The author has worked as a management consultant for banks for 4 years, during which he was able to make contacts with several experts, specialists, and executives in the banking industry, and from other financial service providers.

Moreover, he is still in contact with former fellow-students from his business administration studies, some of which work or worked in the automotive industry or for consultancies in the field of production and logistics.

Linking these two personal networks of experts with totally different backgrounds as to knowledge and experience should produce synergies that benefit the objective of this work, and this is what the author intends to achieve with these expert interviews.

- **Internet**

Keyword searches with search engines such as www.google.de, www.yahoo.de, or www.msn.de.

Focused search for studies or professional articles on websites of associations such as the Bundesverband der Deutschen Banken (www.bdb.de), the Deutscher Sparkassen- und Giroverband (www.dsgv.de), or the Bundesverband der deutschen Volks- und Raiffeisenbanken (www.bvr.de), or on the websites of renowned national or international management consultancies in the financial services industry such as McKinsey&Company (www.mckinsey.de), Boston Consulting Group (www.bcg.com), Roland Berger (www.rolandberger.com), A.T. Kearney (www.atkearney.de), Capgemini (www.capgemini.com), or Mummert Consulting (www.mummert-consulting.de).

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▪ **Personal collection of related materials**

Since 2000, the author has collected literature that is directly or indirectly related to the subject matter of the planned dissertation. By now, he owns numerous books and newspaper articles, which can be used in further literature research activities at the above mentioned university libraries.

▪ **Discussions with the dissertation supervisor**

During the time the dissertation will be prepared, the author is greatly supported by his employer, who will grant him additional leave days, and will also reimburse the travel expenses for the trips to the libraries and the expert interviews. It was also agreed that the author may use the employer's technical equipment, such as copiers, fax machines or printers for free.

The dissertation will be prepared with a laptop computer, using the Microsoft Office programs Word, Excel, and PowerPoint.

Bibliography

The following literature was used for a detailed examination of the entire topic and subject of the planned dissertation from different points of view, and to precisely work out the actual goals of the work.

Not all of the books and magazines have been completely analysed yet, many more literature resources are known to the author, and many others will be identified and analysed in the course of the preparation of the dissertation. So, the following literature list cannot be considered the final list:

Babbage, C. (1832)

On the economy of machinery and manufactures (2nd edition), Knight, London

Benölken, H./ Wings, H. (1994)

Lean Banking - Wege zur Marktführerschaft

(Lean Banking - Guide to market leadership), Gabler, Wiesbaden

Bierer, H./ Fassbender, H./ Rüdell, T.

"Auf dem Weg zur schlanken Bank (Ways to a lean bank)"

Die Bank no 9, September 1992, p 500-506

Bösch, G. (1992)

Produktionsmanagement im Bankbetrieb - Wettbewerbsfaktor Back-Office:

Strategie, Organisation und Kultur (Production management in banking - competitive factor back-office: Strategy, organisation, and culture), Haupt,

Bern/Stuttgart/Vienna

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Broecker, T./ Klein, D./ Schmidt, M.

"Zukunftssicherung durch Kostenstrukturoptimierung (Saving the future through cost structure optimisation)" Die Bank no 1, January 2002, p 50-53

Bundesverband Deutscher Banken (Ed)

Banken 2004 (Banks 2004)

Capgemini (Ed)

World Retail Banking Report 2004

F.A.Z.-Institut/ Mummert Consulting AG (Ed)

Branchenkompass 2004 Kreditinstitute (Industrie trends 2004 Banks)

Fischer, T. R./ Bongartz, U.

"Bankmanagement 2002: Die Kostenherausforderung (Bank management 2002: The cost challenge)" Die Bank no 4, April 2002, p 260-264

Gill, J./ Johnson, P. (2000)

Research methods for Managers, Sage, London

Hinrichs, B./ Weinkauff, W.

"GPO beginnt im Kopf (GPO starts in your head)"
Bankinformation no 9, September 2002, p 14-19

Kasten, L./ Schnelle, J.

"Modell für den Verbund - Das Prozessmodell der Geschäftsprozessoptimierung (Model for networks - the process model of business process optimisation)"
Bankinformation no 9, September 2002, p 20-24

Kullmann, A.

"Nachhaltig Kosten senken (Reduce costs with a lasting effect)"
Bankmagazin no 4, April 2004, p 15-19

Lamberti, H.

"Industrialisierung des Bankgeschäfts (The industrialisation of the banking business)" Die Bank no 6-7, June/July 2004, p 370-375

Licci, C.

"Kann die Industrie den Banken ein Vorbild sein? (Can industry be used as a model for banking?)" Zeitschrift für das gesamte Kreditwesen no 7, July 2003, p 364-366

Moormann, J./ Möbus, D. (2004)

Wertschöpfungsmanagement in Banken (Added value management in banks), Bankakademie-Verlag, Frankfurt

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Müller, K.

“Die Strukturkrise der deutschen Finanzindustrie - Diagnose: Wie hoch ist das Fieber wirklich? (The structural crisis of the German finance industry - A diagnosis: How high is the fever?)“ Die Bank no 4, April 2003, p 228-233

Müller, M. (Ed) (1994)

Lean Banking (Lean Banking), Ueberreuter, Vienna

Niedereichholz, C. (2003)

Unternehmensberatung Bd. II – Auftragsdurchführung und Qualitätssicherung (Management Consulting Vol. II – Project Realisation and Quality Assurance) (3rd edition), Oldenbourg, Munich/Vienna

Ohno, T. (1993)

Das Toyota-Produktionssystem (The Toyota Production System), Campus, Frankfurt/New York

Saunders, M./ Lewis, P./ Thornhill, A. (2000)

Research Methods for Business Students, Pearson Education, Harlow

Shingo, S. (1993)

Das Erfolgsgeheimnis der Toyota-Produktion (The secret of success of Toyota's production) (2nd edition), mi-Verlag, Landsberg

Skudelny, H.

“Kosten unter Kontrolle (Costs under control)“ Banken+Partner no 4, April 2004, p 25-26

Sokolovsky, Z.

“Industrialisierung der Finanzdienstleister (Industrialisation of financial service providers)“ Zeitschrift für das gesamte Kreditwesen no 2, February 2004, p 6-14

Takeda, H. (1999)

Das synchrone Produktionssystem (The synchronous production system) (2nd edition), mi-Verlag, Landsberg

Töpfer, A.

“Beste Ergebnisse mit Six Sigma (Best results with Six Sigma)“ Banken&Sparkassen no 2, February 2004, p 12-15

Türk, B. (1996)

Von der Lean Production zum Lean Banking (From Lean Production to Lean Banking), Gabler, Wiesbaden

Uhle, C.

“Größe als Effizienzkriterium bei Banken (Size as an efficiency criterion in banking)“ Die Bank no 5, May 1993, p 260-264

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Uhle, C. (1993)

Lean Banking (Lean Banking), Botermann und Botermann, Cologne

Walter, N.

Entwicklungen im Finanzdienstleistungssektor (Developments in the financial services sector), script of lecture at BGK Forum 2003 "Menschen, Märkte, Management", September 2003, Ludwigsburg

Wieck, H.-A./ Wünsche, G.

"Lean Banking für das Filialnetz (Lean Banking for the branch office network)"
Die Bank no 8, August 1993, p 442-446

Womack, J. P./ Jones, D. T./ Roos, D. (1992)

Die zweite Revolution in der Autoindustrie (The second revolution in the automotive industry) (6th edition), Campus, Frankfurt/New York

Form of presentation

The dissertation will be presented traditionally in printed form (DIN A 4). Orthography goes by British English. The dissertation will be submitted to the examination office bound in four copies.