



## Keio Business School

# The Heisei Bank, Incorporated

## — Improvement of Business Operations —

“Excuse me, I applied for a withdrawal quite a while ago. Is it ready yet?” It was one Friday toward the end of the month, and one of the multiples of the “5th or 10th”, days when many kinds of payments are due. The bank lobby was crowded with customers. There were long lines of waits in front of the ATMs, and each of the customers sitting near the service counter had been waiting for well over fifteen minutes. Mr. Shibata, acting manager of Heisei Bank, Inc.’s Mita Branch, who had just finished his studies at a graduate school of business administration in Japan, looked over the scene, and put together some of the issues he felt needed to be addressed.

“Generally speaking, from the customer’s point of view, things take too long at the bank, and all the transactions are complicated because of the numerous forms that are involved. Although some statistics indicate that bank employees enjoy short annual working hours, their work load is by no means small, taking into consideration the so-called “service” (unpaid) overtime. In fact, even though the service counter closes at 3pm every day, and most bank staff paying visits to customers will return by 4 o’clock, it is not unusual at our branch for all employees to remain in the office until past 8 o’clock. The liberalization of the finance industry is making gradual but steady progress, and we will soon be required to compete against securities firms and other financial institutions. In order to prevail against such competition, strategies, including expanding business and supplying a wider variety of financial products, are essential. However, I cannot help thinking that even more important is the simplification of business operations to enable more man-hours to be spent on customer service. At the same time, while I look for answers in technical books, all I have discovered is that the methods and concepts for analyzing and improving the clerical operational procedures typically seen in banks are by no means well-established.”

### The Mita Branch

The Mita Branch of the Heisei Bank occupies the first floor of a tall office building in front of JR’s Tamachi Station. The staff consist of 8 officers including one branch manager, one branch sub-manager, and 6 acting branch managers, and 11 staff including some supervisors, 19 people in total. These 19 are 13 males and 6 females. The organization of the branch is divided into functional units as shown in Appendix 1. The sales section handles teller services at the counter and takes care of the ATMs. The customer service section is in charge of acquiring new deposits and gaining new loans by means of what is called “outside work,” and the financial loan section is in charge of granting loans and managing repayments.

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This case study was jointly compiled by Hirokazu Kono, Associate Professor at Keio University Business School, and Akihiro Shibata, graduate of the 15th class of Keio University Graduate School of Business Administration. The case was drawn up as a material for class discussions, and is not meant to show the adeptness or the appropriateness of administrative situations. Proper names and some numerical figures in this case may have been changed. (December 1994)

The Mita Branch is in a fairly advantageous location, situated in front of a station in an urban center. But the area it serves is an old business district, consisting mainly of medium and small firms, and personally managed businesses (clothing stores and restaurants), with large companies located here and there. Also, the area features branches of the other major city banks, as well as the local trust bank, which is good at taking intimate care of medium and small companies, and has laid a firm foundation in the area, making it difficult to find new business contacts. Since there are many schools in the area, and also because it is in front of the station, the branch has a good number of customers. From the point of view of the amount of deposit per customer, and the amount of money involved per transaction, however, the customers are small-scale in most cases, usually handling only a small amount of money. The counter and ATMs are usually very crowded on "5th or 10th" days at the beginning or the end of the month.

### **What Makes Bank Operation More Complicated**

At the Heisei Bank, the working hours are supposed to start at 8:40 and end at 17:15. Not only at Mita branch, but at all the other branches, however, most of the branch staff come to work by 8 o'clock in the morning and are rarely able to leave their desks before 7 o'clock in the evening. In fact, in most of the branches, many staff meetings are scheduled for just after 8 in the morning. A meeting of all the staff is usually held just before 9 o'clock, so the staff are required to prepare for the start of banking hours (taking the necessary documents out of the safe, etc) in between those meetings.

Also, during the business hours from 9 to 3, there are days when the bank is very crowded. On such days the customers have to wait for a long time just to deposit or withdraw even small amounts of money, and there are numerous and repeated complaints from customers who cannot wait the nearly 30 minutes needed just to withdraw a couple of ten thousand yen. Furthermore, because the format of the documents, such as the loan application form, is the same regardless of the amount of money involved, even for a little amount of money, it is necessary to fill out the complex forms flawlessly and impress a legal document seal in the necessary spaces, and submit them to the bank together with a verification certificate for the legal document seal impression, together with other necessary documents which the customer has to gather and submit to the bank by him/herself.

In addition to the above mentioned complex procedures, in order to manage a bank these days it is also necessary to improve the budget figures to cope with the economic slump. City banks especially are announcing restructuring plans to reduce the number of employees, and focus on fewer branches. "We will reduce the number of employees by 3,000 to 20,000, and close or integrate 50 manned offices (Sakura Bank)." "We will hold back on the hiring of new graduates, and basically stop opening new branches (Sumitomo Bank)." Such statements are frequently seen in newspapers and magazines. The Heisei Bank itself has just recently issued a management policy stating that it will "reduce the entire number of employees by 2,000 by the end of the 1995 fiscal year." In response to this series of restructuring plans, Mr. Shibata observed as follows:

"The original objective of restructuring the bank is to improve the efficiency of the overall business activity, so that the bank can be profitable even under adverse conditions where bad debts increase and deregulation is expected in the future. Reducing the number of employees drastically,

however, will accelerate the already heavy work load for bank operations, and may increase the burden on the employees. I think it is important that rather than simply reducing the staff just to cut costs, we review the operations and remove unnecessary work before doing any reducing.”

Three major factors are making bank operations complicated, as Mr. Shibata mentioned in his examples: “operating rules,” “re-examination by a third party,” and “reconciliation,” which he explained as follows:

“The documents used in bank operations, such as deposit rules and loan agreements and contracts, are drawn up under the influence of various laws (Civil Code, Commercial Code, Code of Civil Procedure, Banking Law, Tax Regulations, etc.). However, not all the employees are familiar with these laws, and so there are complete manuals for each kind of bank transaction, showing: 1) what kind of documents are involved, 2) how they should be completed, 3) how they should be processed, and 4) how they should be stored, all on legal basis. This is what is referred to as “Operating Rules.” Every bank has these rules for themselves, revised and modified over the years. Heisei Bank’s Operating Rules consists of 25 volumes, each containing 150 pages.

In banking operations, no matter who we are dealing with, everything must be processed precisely as stated in these Operating Rules. Even if the banker is familiar with the customer, skipping procedures is not allowed, and the operations are regarded as complete only after the processed documents are neatly stored in the safe. As a result, strictly following the procedures stated in the Operating Rules makes operations at the bank more complicated, which in turn means that there are more documents to collect from the customers.

Also, as a part of the bank operations, a branch inspection by the head office(the internal audit department) is administered once a year. If any heretofore unnoticed mistakes are found during that inspection, the branch’s operating performance will be negatively assessed. In order to avoid such a situation, it has become a customary practice to review each operational procedure from the point of view of a third person in the course of daily routine. For instance, when paying out cash at the service counter, the clerk who worked at the computer terminal and removed the cash is prohibited to hand it directly to the customer. The clerk has to have the cash “reexamined” by a third person. On forms, slips, and contracts designated by the bank, there is always a column for the “seal of approval”, requiring a review by a supervisor (an official ranked higher than the acting branch manager). In operations relating to the service counter, one rule states that for payments amounting to more than 3 million yen, the transaction may only be processed after receiving a seal of approval, whether it be the cancellation of a time deposit, or any other kind of deposit. This often results in the documents’ being left untouched for a long time, waiting for the “seal of approval”, even though the computer terminal processing has long been completed for that transaction. This contributes to prolonging the waiting time on the customers’ part. These inspection and approval procedures are often regarded as being the more careful, the better, but by checking over and over again, the flow of operations is often interrupted.”

He continued on:

“And lastly, what we refer to as the reconciliation operations is where we check the money stock daily, a backward-looking operation from the point of view of customer service. To be more specific, all the money that came in and went out in the transactions of the day are divided into denominations and “reconciled.” We are not allowed to complete the day’s work until it is

confirmed that not a single yen is missing. This applies not only to cash but also to what we refer to as important printed matter, such as bankbooks, debentures and bank bills. As for bank books, there is a "balance management book" for each type of bank book, and it is necessary to check the amount remaining after subtracting the amount issued that day from the previous day's balance, and receive the seal of approval from the supervisor. This kind of reconciliation operation is done in the external affairs section as well; they have to make entries in a "management book" for all the bankbooks and debentures that could not be returned to the customers at the service counter, and receive a seal of approval for this book. This reconciliation operation is done daily in all of the sections, and is one of the major factors causing overtime."

### **Business Operation Improvements in the Past**

To change this kind of complicated bank operations, each of the city banks has put into practice a variety of activities. Shorter waiting times at the service counter was an area of special focus for these banks.

"Asahi Bank will implement a new system, where data on the number of customers visiting the branch and their waiting times will be automatically gathered by the computer in the branch offices nationwide from March next year. Since the day and time slot for congestion differs for each branch location, the number of clerks at the service counter will be dynamically increased or decreased according to the number of customers coming to the branch. Asahi Bank sees the average waiting time being shortened from 6 minutes to 4 minutes once the new system is implemented.

In the new system, an adapter will be attached to the number ticket issuing machine to store and transfer information, and it will record the number of visitors and their waiting times onto a floppy disk. This will make it possible to see the changes in the number of visitors from day to day or hour to hour. Asahi Bank says that more customers are beginning to complain about the long waiting times at the service counter, especially in the suburban residential areas. All the city banks are putting greater efforts into shortening the waiting times by, for instance, telling their customers which days will be more crowded. The Asahi Bank, however, will be the first to implement this new system." (April 7, 1994, *Nihon Keizai Shimbun*)

"After 3 o'clock in the afternoon, at the service counter at Sakura Bank's branches, the machine that issues number tickets during business hours starts to print out the waiting times for that day. Sakura Bank will have installed these measurement devices in all of its near-700 branches and sub-offices by the end of March, measuring the time it takes from the time the customer takes the ticket until he/she is called. After the service counter closes, the machine puts together a bar graph showing the waiting time by time zones and by tellers, based on the accumulated data. By analyzing the results, it is possible to objectively see the work efficiency. It makes it possible to place more tellers on duty during the times when the customer visits concentrate. According to one survey, only 15% of the customers feel dissatisfied when they have to wait for 5 minutes, while 50% of them start to feel irritated after 10 minutes' wait. In the 20 branches that implemented this system in '93, the average waiting time was reduced to 4 minutes, from 7 minutes before the installation." (April 20, 1994, *Nihon Keizai Shimbun*)

In addition to shortening the waiting times for service counter operations, to cope with the recent awareness of customer satisfaction (CS) and higher needs for reduced working hours, Heisei branches are holding a monthly “Operational Improvement Meeting,” the equivalent to “QC activities” in manufacturing plants. In these meetings, discussions took place on finding ways to improve operations in the work front. Appendix 2 shows excerpts of what has been discussed in the “Operational Improvement Meetings” at the branches.

The following are some ideas common to the improvement ideas listed in the appendix:

- Enhance the abilities of the employees, and enable them to handle more work with a smaller number of people.
- Try to speed up the operations.
- Delegate operations that are overwhelming the existing staff to other sections and divisions.
- Let machines handle manual operations.
- Make various management charts and check the activity status and the results.

As regards these ideas, Mr. Shibata was thinking as follows:

“I think there are basically two ways to approach operational improvements. One is “control approach,” which is a method to solve the problem by cleverly manipulating what already exists instead of changing the given framework. The characteristics of this approach are that although it is effective for short-term problem-solving, it just deals with the people and the organization, leaving the underlying problems untouched. The other is an “improvement approach,” where they try to attain the desired results by changing the work methods themselves rather than the method of management. This, in contrast to the control approach, will often result in long-term fundamental problem-solving.

If the operational improvements in the bank are actually effective, the employees at the front work lines should feel that their work has become less intense. However, even though Operation Improvement Meetings are held every month, their work is becoming rather more complex. They cannot free themselves from situations such as working overtime to put together documents for Operational Improvement Meeting for “overtime reduction” the next day. Reducing the number of employees by restructuring will only result in heavier work loads for the employees, if they just install time measuring devices and fail to change in any way the work being done. Also, as liberalization proceeds in the finance industry, securities firms and trust banks are working their way into the field of short-term financing, where ordinary banks once dominated. Under such circumstances, if the banks’ *raison d’être* remains the outdated “security and certainty,” I cannot avoid feeling that banks will gradually become irrelevant. I think it is very important that we grow out of a control mode of thinking and shift towards an approach stressing improvement which makes our work easier, by putting our hands to the core of the operations, reducing the number of forms involved and reviewing operational procedures.”

## **An Image of Leaner “Slim” Work**

To promote operational improvement at the Mita Branch, Mr. Shibata consulted the branch manager, got his approval and support, assigned himself leader and initiated a project team consisting of two other acting branch managers in charge of other sections, plus one clerk from each of the three sections. In the very first meeting for the project, Mr. Shibata set the project goals as “Concepts of leaner “slim” work, and the study of the improvement approach,” and explained his idea of “slim” work to the members as follows:

“When thinking about the meaning of leaner “slim” banking operations, it is important to take into consideration both the viewpoint of the customers and the bank employees. My personal idea of lean bank operations is, frankly speaking, a situation where the transfers of the documents, objects, and information used for the operation are minimal, and the employees do not have to use any extra energy. What is important is that each of the employees can complete their work within, say, 70% of their capacity, and use the remaining 30% to do what they are really supposed to be doing (dealing with their customers), and work that directly supports it (drawing up proposals to be shown to the customer), so that they can always positively execute forward-looking operations. Once this kind of “slim work” is accomplished, the work load of the bank employees will be reduced, which will at the same time lead to shorter waiting times on the customers’ side.

It is not hard to imagine that those who are conservative would be reluctant to adopt the idea of making bank operations “slimmer”. Some will say that any ideas for improvement which will violate various laws or operational rules should be rejected, from the point of view of the mission of the bank in society, such as security and certainty, for instance. If we are bound by such legalistic restrictions, some important concepts that may become valuable in the future may be denied, and our ideas will be confined. Also, still others may say that if investigation process is slimmed down, it will result in the increase of bad debts. However, the bad debts now infesting the banks were made under the old methods of investigation, and making operational method more secure will not solve the problem. It’s not that easy.”

Mr. Shibata continued on, summarizing the objectives of the project as follow:

“The two operations that our customers complain most about are the long waiting times for withdrawals at the service counter, and loan applications from new customers (loans of operating funds to medium-sized companies). So, in this project, I would like to focus on these two operations and use them as a model. When considering the improvement approach or concepts, please refer to the following guidelines:

- (1) Try to propose a method that will enable concepts for improvements to come up as systematically as possible.
- (2) Propose an approach for improvement which can be implemented by operations other than the two models, and that will help enhance the efficiency of the entire bank operations.
- (3) Don’t worry about evaluation of costs and effects of the conceptual plan or its relation to the Operating Rules until later; for the time being, do not think of these issues as something to even think about.

- (4) The proposed improvement approach should be simple and easy enough for everyone to understand. It should be made clear, so that even new employees without the specialized knowledge of production management and information systems can understand things.
- (5) Make sure that this activity will stimulate the consciousness of all the staff and make them pro-activate. If possible, project members should be able to enjoy the attraction of the improvement activities.

Also, I have been told by the Branch Manager to report in two months on the analysis of the present operations and the outline of improvement procedures, and in the two months after that, to list as many concepts concerning operational improvements as possible, regardless of whether they are feasible.”

### **Summary of the Interim Report**

The project team lead by Mr. Shibata, the acting branch manager, started to work enthusiastically right after the kick-off. They did research on improvement approaches targeting production management in factories, and they discussed the possibility of adopting those methods to operations in the bank, which is basically desk work. They also analyzed the present state of the two model operations. They then combined their efforts into an interim report, which is found in the latter half of this paper, and submitted it to the branch manager.

Mr. Shibata was reading over the interim report he himself had submitted, and was pondering on how they could put into practice the ideas for making the two model operations “slimmer”. He was also thinking that he wanted to generalize the improvement approach that his project team was proposing, and apply it to the other operations in the branch so as to improve them. But at the same time, he was thinking about many things. How can the improvement plan co-exist with restrictions such as the Operating Rules? What is the mutual relationship between the three kinds of improvement plan proposed by the team? How can Mr. Shibata make rules for the descriptions of the products and limit the boundaries of work units? What does “basic transformation” and “sub-transformation” mean, and how can they be described? How can a concept for improvement be evaluated? What is the relationship between the improvement plans and the reengineering, which is attracting great attention from the business society? The issues that needed to be considered were going around and around in his mind.



## **Interim Report**

### **1. Literature On Approaches to Problem-Finding and Improvement**

There are two basic methods used in problem-finding and improvement idea discovery at a production site: the analysis-oriented approach and the design-oriented approach. In the analysis-oriented approach, the task in question is divided into steps with the focus on process, task, and motion. Then either the 5W1H questions (Why, What, Who, When, Where, How) are asked, or the principle of ECRS (ELIMINATE, COMBINE, REARRANGE, and SIMPLIFY work steps) is implemented, and a plan for improvement will arise. The analysis-oriented approach is based on ideas which have already been established as methodology, such as the principles of motion economy, and Therblig Checklist. For this reason, although analysis can easily be conducted by anyone, breakthrough improvement plans are hardly ever conceived even when much time is spent on the analysis.

In contrast to this, the design-oriented approach first requires a description of the desirable state of the task, and tries to design new methods for the task based on that concept, rather than starting off with observation and analysis of the present state. Generally speaking, the advantage of the design-oriented approach is that it often results in breakthrough improvement plans, while its disadvantage is that the resulting ideas are often difficult to actualize. To compensate for this disadvantage, a method called “object analysis (Mono-Koto analysis)” has been recently proposed. Using this method, changes that are inevitable to obtain the desired “product” from the “raw materials”, in other words, the transformation that results in added value, is under focus. This change is referred to as the “basic transformation.” The methodology for designing lean (“slim”) tasks that can be realized solely through the basic transformation, or improvement plans to eliminate any steps outside the basic transformation, which will not assist in forming any added value to the present state of operations, have been proposed. This philosophy has already been implemented by some manufacturers and is contributing to improvements such as the epoch-making reduction of man-hours, and the reduction of needs for investment capital.

### **2. Specific Procedures for Improvement**

Based on the above-mentioned results, the projects team proposes the following three methods of improvement. The procedures of each are as follow:

[Method 1] Directly design the task to consist solely of the basic transformation (and sub-transformation).

1. Take an imaginary “snapshot” of the final state of the task, and list all the objects that can be seen in that snapshot.
2. For each of the objects listed in Step 1 above, ask the following questions: “Is this object required by the customer?” and “What are the customers’ needs? Does this object fulfill those needs?” By asking these questions, determine what the “product”, as a result of the task, should be.



3. Decide on what “materials” will be required to produce the “product.” Where no materials exist, there is no element of a “product.” Therefore, first, list up all the “objects” that can become a component of the “product,” and decide on the “materials” in accordance with those “objects.” Then, clarify the characteristics (form factor, number of objects, attributes, etc.) of the “product” determined in Step 2, and the “materials” determined in Step 3. Go over the products and the materials, and describe them as “a product (or material) with such and such characteristics.”
4. Think of the indispensable changes in order to obtain the “product” in Step 2 from the “materials” in Step 3, and list them up as “basic transformations.” A “Basic transformation” is a physical difference between the product and the material, and here, it becomes “the objective of the task.” The characteristics of the product and materials (specifications such as the form factor, amount, and attributes) should comply to the condition in terms of quality, while the characteristics of the product to be made, together with the characteristics of the material, should be clarified. Otherwise, it will become impossible to design a task that will fulfill the quality standards. The smaller the difference between the material and the product, the simpler the basic transformation becomes.
5. Freely design tasks to enable production solely through the “basic transformations.” When doing so, do not take into consideration restrictions such as laws and regulations that exist in actual operations, and do not evaluate the concepts in the improvement. It is important that ideas for task design be freely written down without any criticism. Also, at this stage it will be required design a “conceptual plan” for the lean (“slim”) task, without any intervention from specific methods or procedures.
6. See if there are any problems with actually implementing the ideas from Step 5 above. If there are, consider what is causing such problems, and list as “sub-transformations” the operations required to prevent these problems. For instance, some of the prospective tasks for the sub-transformation category are storage, inspection and verification, which will prevent any trouble for the bank or the customers. Fewer sub-transformations will make it easier to design a lean (“slim”) task when we move to the next step.
7. As in Step 5 above, freely design a task that involves solely the “basic transformations” and “sub-transformations”, and requires as little additional change as possible.

[Method 2] Remove from the present state of work as many steps outside the “basic transformation” as possible.

1. Divide the processes of the present task into steps and analyze them separately. To divide the process into steps, look at the same operations as one step, and describe “who” is doing “what kind of operation” “using what” “for what purpose.”
2. Extract the steps that correspond to the “basic transformation” from the results of the analysis in Step 1 above. All remaining steps can be regarded as excess, since they do not produce any added value in terms of obtaining “product” from the “materials.” Consider the reasons that those steps are necessary, and freely think of ideas to simplify the steps by removing them or by combining them whenever possible.

[Method 3] Focus on the “objects” that are used in the present state of work, and think of substitutes for “objects” which will serve a “lean task”

1. Look at the list made in your analysis of the present state in [Method 2] above, and consider the function of the “objects” that are used in each of the steps. Then consider whether the inconvenience or complexity of those objects affects the efficiency of the work operations. Freely think of ideas to substitute former objects with objects that are “lean” for both the customers and the clerks.
2. Consider whether there is any excessive work caused by objects used in the tasks. Include the work required for preparing or cleaning up afterwards, as involves the task in question. Freely think of ideas for substitutions that enable the elimination of that excessive work.
3. When thinking about Step 1 above, it should be effective to ask, for example, the following questions:
  - (a) Who needs the object?
  - (b) Will there be any inconveniences if the object is eliminated?
  - (c) Can multiple objects be combined into one?
  - (d) Can the structure of the object be simplified?
  - (e) Can the object be made to weigh less?
  - (f) Can the object be resized so that it will be easier to handle?

Also, in your considerations for Step 2, it will be necessary to see if there are any excessive tasks (tasks that do not produce any added value) in any of the entire bank operations, rather than limiting your considerations to the operations being analyzed.

One of the characteristics of the improvement procedures mentioned here is that it is encouraging to discover an idea for a leaner task by clarifying what needs to be done in the task (the basic transformation) without being confined to the actual process of the task being done in its present state. Method 1, where you are encouraged to think freely of a task consisting only of the basic transformation, is a design-oriented approach. Method 2, where the unnecessary steps outside the basic transformations are eliminated from the present process, shows a strong influence from the analysis-oriented approach.

### **3. Analysis of Deposit Withdrawal Operations at the Service Counter**

Table 1 shows a step-by-step analysis of the operations involved when a customer withdraws X yen from the account at the bank service counter. In the far-right column are the objects used in each step. Figure 1 depicts the contents of this table. By looking at Table 1, it can be observed that there are as many as 11 steps in the entire operation, and that many “objects” are involved in each of the steps.

Next, we will define the beginning of this task as “the state when the customer enters the branch office,” and the end of the task as “the state when the customer has withdrawn the money and is leaving the bank.” Figure 2 illustrates the objects that exist at the beginning and at the end of the task. In order to make this task leaner, the “product” and the “materials” for this task

should first be clarified using Figure 2. Next, consider the core “basic transformation” of this task, and whether performing only the “basic transformation” will produce any trouble for the bank or the customer, listing these as “sub-transformations.” Then, discover a way to accomplish the task consisting solely of the “basic transformation” and “sub-transformations,” or clarify what steps in Table 1 and Figure 1 correspond to the “basic transformation”, and discover ideas to eliminate any steps other than those. By doing the above-mentioned tasks, it should be possible to get various ideas to improve deposit withdrawal operations by making it a leaner, “slimmer” job.

#### 4. Analysis of Loan Operations

There are various kinds of loans involved in loan operations, from business funds for enterprises to consumer loans for individuals. The variations become even more diverse depending whether the customer is new or not, whether there will be a mortgage or not, and whether the funds are for operations or equipment. Here, we will make the following assumptions for the sake of convenience and attempt to analyze the loan process.

Loan applicant:	New customer (Company K)
Loan amount:	Y yen
Purpose for the Loan:	Equipment purchase
Prior credit/loan applications:	The Customer Service section (external affairs clerk, non-managerial staff) found a need for funds at a new customer.

Table 2 summarizes the flow of work from the acceptance of the above mentioned loan application to the disbursement of loan funds. In comparison to deposit operations, the characteristics of loan disbursement operations are as follow:

- (1) In loan disbursement operations, since there is always a risk of irrecoverable debt, work called credit background investigation, unique to this operation, is conducted.
- (2) While deposit withdrawal operations may take as long as 30 minutes at most for one transaction, it often takes more than 2 weeks for completion of loan disbursement operations, starting with request for the task (acceptance of the loan application). This can be attributed mainly to the process of requesting managerial decisions, in which the same information is passed along to many people.
- (3) Since it is firmly assumed that strict inspection is a necessary evil to prevent bad debts from occurring, most of the proposed items in operation improvement meetings are aimed at relieving the burden of the employees, and hardly ideas are proposed for improvement plans adopted to the advantage of both the bank clerk and the customer.

The following is a summary of major problems that occur in the course of the present operational procedures, according to the operational steps in Table 2:

##### Step 1: Acceptance of the Loan Application

- (1) Making duplicates of financial statements

In the case of an unlisted company, public disclosure of financial statements is not

required, meaning that the bank must borrow original financial records stored in the company to make duplicates. Three fiscal quarters' worth of financial statements often amount to several hundred pages, including attached documents, and the bank employee in charge of the company has to spend many man-hours making duplicates of these financial statements.

(2) Collecting financial statements

In many cases, medium and small size companies depend on their certified public accountant for everything with regard to financial statements, from document formation to storage, and in such cases the financial statements for the last three fiscal quarters are not always stored inside the company. Because of this, it is not rare for it to take several days to put together all the necessary financial statements.

### **Steps 2 and 3: Drawing Up Internal Memorandum and Circulars**

(1) Retention by the Person in Charge

Since the forms for the internal memorandum require many blanks to be filled in, the internal memo will sometimes be retained by the person in charge until he/she has filled in all spaces.

(2) Retention by Others in Charge of Inspection

If the person in charge of inspection is dealing with customers or working outside the office, the internal memorandum will not be handed down to the next person, and may be left untouched on the desk of the person in charge.

(3) Lead Time Prior to Loan Disbursement Approval

The five people in charge of inspection, excluding the person in charge of the transaction, have not visited their customer, Company K, and therefore, qualitative information can be obtained only from the person in charge, who is usually very busy. There are even situations where the internal memorandum with a note concerning the parts requiring clarification is put back, unnoticed, on the desk of the person in charge.

### **Step 4: Requesting Managerial Decisions**

Managerial decision requests contain various sheets of information, such as the cover sheet, the internal memorandum made in Step 3, the company's financial information, and the description of the company's bank transaction records. On the cover sheet are found the profile of the company, loan disbursement conditions, repayment conditions, and the information on the guarantor, as well as the seals of approval from the persons in charge of inspection, who are all required to place their seals on the cover sheet to show that the request has been circulated. The problems concerning this step are as follow:

(1) Backlog in the Registration Process

For the managerial decision requests, various registration forms are written for each category of content (see Step 4 of Table 2); the data for these are put into the computer, and the results are printed out from the computer and used as the cover. However, the contents of the registration forms must be inspected by the officials and closely inspected by the persons in the Financial Loan Section, other than the person in charge of the

loan disbursement. If these people are not at their desks, the registration process (the process of making the cover sheet) cannot proceed.

(2) Redundant Information Listed in the Circulars

For instance, the company information such as the firm's name or its location is written redundantly on the loan application form, internal memorandum, the cover sheet of the managerial decision request, as well as in the company registry and articles of incorporation collected from the company. There is also a similar redundancy in the transaction status with other banks (see Table 3 for details). Furthermore, among the 144 information items required, 73 (51%) are under the control of Company K, and the information under the control of the bank is a mere 10 items (6%).

**Step 6: Confirmation of Collected Documents**

(1) Uncollected documents

Sometimes, required documents are found to be missing or the wrong documents are collected by mistake. For instance, for a Document of Monetary Consumer Loan Transaction Contract (loan debenture), there are two kinds of documents, depending on the method of repayment, and four depending on the variations in the interest rate. These complications often lead to mistakes in the collection of documents.

(2) Documents Missing Entries

The contract documents for loan disbursement operations and legal document seal impression registrations contain many blank spaces for the address and name or place for a legal document seal impression. These are matched against the verification certificate of seal registration and the duplicate copy of the company registry, and the following mistakes in the documents will result in disqualification:

- The seal impression is too weak.
- There is no backup seal impression.
- There are places where the writing has been traced.
- The kind of company (corporation, limited company, etc.) is written in an abbreviated form.
- Informal kanji characters are used.
- The seal impression on the loan disbursement contract is the one officially registered at municipal offices instead of the one registered at the bank.

In the actual flow of the work, there are many cases where the documents required for the contract are brought in to the bank on the very day of the loan disbursement, and if the person in charge of the transaction is working outside the office when the Financial Loan section staff discovers some mistake, the Financial Loan staff sometimes has to drive to the customer's office to collect the required documents.

**Step 8: Document Storage after Loan Disbursal**

Sometimes, this operation itself becomes a cause for Financial Loan staff to work overtime. There are many documents involved, and on busy days at the end of the month, the staff will have to stay late as 8 o'clock in the evening to sort out the documents

according to the proper storage locations, and physically punch out holes in the papers and bind them together. Now that there is a regulation that defines the time by which the employees must leave the office, these documents are sometimes temporarily bound together with a rubber band for completion the following day.

By going over the items mentioned above, it can be seen that in the loan disbursement operations, many man-hours and much lead time are spent on making managerial decision requests, including duplicating and confirming the contents, as well as the circulars for internal memorandum and managerial decision requests. None of these procedures lead to added value, since they are not directly related to better service for the customers (the companies). Elimination or simplification of these operations should be one key to improvement in this area.

### **The Final State of Loan Disbursement Operations**

Table 4 shows the objects that exist in the final state, after the work flow shown in Table 2 is complete, together with their attributes and the state of storage. The product here is "something that Company K requires," which is "Y yen in cash," or "Y yen in cash deposited in the account designated by Company K", when description includes attributes. The problem, however, of describing the attributes in detail like this is that all the ideas that do not result in the deposit in the designated account will be eliminated. Also, the analysis of the basic transformation and the list of sub-transformations have yet to be considered.

## **5. Comparison with Other Financial Institutions**

In April 1993, the Financial System Reformation bill took effect, and banks, securities companies, and trust banks, which had not been allowed to enter each other's fields of business until then were now free to do so by forming affiliate companies for that particular type of business. Also in June 1993, liberalization of interest rates for time deposits in banks was completed. In the actuality, though, the interest rates for time deposits do not differ much between banks, and there are many restrictions for the banks who wish to take part in securities transactions. For instance, they cannot pay joint visits to the customers, and the timing of their participation in the transactions needs permission from the legislature before it can be decided. Financial liberalization, however, is in steady progress, and it is becoming necessary for the banks to have advantageous competition with securities companies and trust banks, who have been in the other side of the fence until now. In order to do so, and to discover practical ideas for improvement, there should be some use in comparing task procedures with other banks for other types of business for the two kinds of operations in question here. In the following is a summary of the information collected by our team, mainly with loan disbursement operations in view.

### **(1) Trust Banks**

The characteristics of the loan disbursement process at Trust Bank A, which is situated in the city center, are as follows:

1. The managerial decision request consists of two parts, the cover sheet and the attached documents. The components of the request and the kinds and number of the information items listed in the attached documents are almost identical to those used in Heisei Bank.
2. Most of the managerial decision request is handwritten. Only the person in charge of the transaction is involved in drawing up the documents, the Financial Loan Section only deals with clerical work related to the execution of the loan, and they are not involved whatsoever with the managerial decision procedures.
3. Four persons are involved in inspecting managerial decision requests: the Business Negotiation section officer, the Financial Loan section officer, the assistant branch manager, and the branch manager, which is the same as at Heisei Bank. However, since most of the transactions deal with large sums of money, the person who makes the final decision is usually the financial loan manager at the head office, rather than the branch manager.
4. Internal memorandum (unofficial documents requesting decisions) are not used, in contrast with the situation at city banks. The persons in charge of customer relations at Trust Bank A customarily keep records of the visits to the customers on individual "cards" designated for each of the customers, and submit them to their superiors. When a customer applies for a loan, the person in charge writes down the request on the card, and circulates the card to the branch manager. Using these "visiting cards" instead of "internal memorandum" makes it possible to share information among the staff regarding the loan from the negotiations stage with the customer, which is conducive to shorter lead time in the entire process of requesting managerial decisions.

## **(2) Nonbanks**

Company B, which we chose as a target for research, is a nonbank affiliated to a certain bank. Its loan disbursement is usually in large lots, and most of its resources are devoted to transactions related to real estate. The characteristics of its loan disbursement operation are as follows:

1. Documents for managerial decision requests consist only of "loan disbursement consultation documents" and "consultation document attachments." Neither is in cold print, but is rather a duplication of documents made with word processors, and are filled in manually. Also, the attachments for the consultation document are in business letter format, and there are no restrictions on what or how to be written.
2. Since it is an affiliate of a bank, there are two unique items to be filled in for the "loan disbursement consultation document," which is unique to this document:
  - (i) Specifics of the client's financing (breakdown into debts from this nonbank, branches of banks, and others, and its own fund)
  - (ii) The reason for recommendation to Company B

This means that basically, it is assumed that Nonbank B does not accept new transactions and loan disbursements for the amount requested. All transactions are brought in via branches of the affiliate bank, and the loan disbursement amounts are shared with the bank branch.



3. The company rarely deals with operations other than loan disbursement, such as deposit or money order. Therefore, the circulars for managerial decision requests are completed smoothly. Most of the requests reach the person in charge of the final decision (the company president) within two days, including the day the person in charge of the transaction submits the documents.
4. Such documents as the "Purpose of the Loan," "Real Estate for Mortgage," and "Financial Description" are all made by the bank branch, and are then duplicated and attached to managerial decision request for loan disbursement. This contributes to the shortening of the time spent for making of documents to be attached to the request for managerial decision, on which a bank spends many man-hours and time.
5. In short, at Nonbank B, making and circulating the managerial decision requests are done much more smoothly due to the fact that the case has already been approved by the branch of the affiliate bank.

### **(3) Agricultural Cooperative Unions**

Agricultural Cooperative C has its head office located inside the 23 wards of Tokyo, and there are four branch offices in the metropolitan area. There are 30 employees working in the head office. Most of them live in the proximity of the office, and literally conduct sales activities closely tied to the local area. The following shows the characteristics of the loan disbursement operations of Agricultural Cooperative C.

1. The number of employees in charge of loan disbursement operations is very small, with only two out of the 30 staff members being dedicated to the task. The amount of loan disbursement transactions is also relatively small.
2. The person in charge of external affairs who accepted the loan disbursement application communicates the details of the transaction to the financial loan section orally, and no such documents as the "internal memorandum," which is used in city banks, exist.
3. The factors that affect the decision to grant the loan are (i) the personality, (ii) the ability to repay debt, and (iii) the mortgage, in that order. To judge the ability to repay debt, they collect the financial statements and income tax reports, which is the same as with ordinary banks and nonbanks.
4. "The person in charge of final decisions" differs, depending on the amount of the loan. (i) the branch manager is responsible for the decisions for smallest amounts, followed by (ii) the union leader and (iii) the board of directors (a council system consisting of 10 members), as the amount becomes larger. The board meeting is held once a month, and when there is an urgent decision to be made, a "judgment meeting" is held accordingly. The judgment meetings are attended by five of the directors, making decisions in place of the board of directors. The loans made under the decision of the branch manager or the union leader are also reported to the board of directors afterwards.

5. While there are only two members in the financial loan section, loan disbursement operations are carried out without any delay, and all staff leave the office by 6 o'clock on average, which is very early for a financial institution. The reason for this kind of leeway can be attributed to items 6 and 7 following:

6. The customers of Agricultural Cooperative C can be divided into the following three categories:

- (a) Regular union members (a depositor who is a farmer)
- (b) Associate union member (a depositor who is not a farmer)
- (c) Non-member (non-depositor)

Among these, only those belonging to categories (a) and (b) are eligible for loans, but in reality, most of the applicants are regular union members belonging to category (a). There are only 1,000 regular members at the head office of Agricultural Cooperative C, and most of them are customers with whom the person in charge of external affairs is familiar. Therefore, when a regular union member applies for a loan, the information regarding that customer is often already shared within the branch, and no extra time needs to be spent even on evaluating the customer's personality.

7. The relationship with the regular union members as customers in particular is very intimate, since they consult the office for income tax reports and exploitation of real estate assets, in addition to the regular operations of the agricultural cooperative, such as deposit, mutual relief and loans. Therefore, the cooperative is in a position to know in a very natural way the income and the owned assets of the customer. This enables seamless communication between the person in charge of external affairs and the financial loan section.

#### **(4) Credit Union Banks**

Bank D is a major credit union bank with a head office in the metropolitan area, and their work flow is basically similar to that of the city banks.

1. The managerial decision request and the documents to be collected are exactly the same as those in Heisei Bank, and they spend much time duplicating processes and calculations of management ratio index.
2. They have a scoring sheet, with which the customers are marked with points ranging from 0 to 100, and then classified into five ranks from A to E according to the score. The results are referred to when making judgments. (It should be noted, however, that a company classified as rank E is not always refused for a loan.)
3. The score is a sum of the following, and the rating is based on the total score:
  - (i) Points based on a managerial index, including the ratio of ordinary profit on sales, turnover of total capital employed, and ratio of owned capital.
  - (ii) Points based on the area in which the customer's office is located, such as the area of major emphasis, the area the branch covers, and other areas.
  - (iii) Points based on other factors such as the amount of deposits and the type of business.

4. There are both the person in charge of external affairs and the person in charge of financial loans for each of the areas of major emphasis, the area the branch covers, and other areas. A complete labor division system is implemented, so that the person in charge of the outside work in the area of major emphasis will pass the transaction to the financial loan section in charge of that same area.
5. As far as operations at the service counter are concerned, no difference can be noted from the Heisei Bank in the flow of work and the kinds of forms involved.

End of Report

**Table 1 Deposit Withdrawal Operations Flow Chart**

Working steps	Purposes (roles)	Objects
(1) At a writing table, a customer enters onto a paper bank application slip: 1. Name 2. Account number 3. Date 4. Amount	(1) The customer expresses his wish to [receive x yen in cash] in the form of information.	Customer Writing table Ball point pen Bankbook Paper slip Legal Document Seal Vermilion inkpad
(2) The customer presents his or her bankbook and the completed paper application slip at the window (counter), and a bank clerk accepts them, offering a carton for conveyance.	(2) The customer conveys to the bank clerk the information prepared in (1) above.	Customer Bank clerk Bankbook Paper application slip Counter Carton
(3) The bank clerk checks and confirms the following two points in front of the customer: 1. Is there any omission or oversight in the information written on the paper application slip. 2. Is the legal document seal on the paper slip identical to the seal registered with the bank. Upon completion of the confirmation, the bank clerk stamps both the receipt stamp and the verification stamp on the paper application slip.	(3) 1. The bank clerk checks the entry contents on the paper application slip. 2. The bank clerk confirms the customer's identity as the depositor. 3. The bank clerk re-confirms the contents of the transaction requested by the customer.	Customer Bank clerk Bankbook Paper application slip Receipt stamp Verification stamp
(4) The bank clerk hands the customer a number ticket from a supply nearby, and enters that number into the column for number ticket on the paper application slip.	(4) The bank clerk hands to the customer evidence of due receipt of the paper application slip, and keeps a record of this.	Customer Bank clerk Number ticket Bankbook Paper application slip Ball point pen
(5) The bank clerk inserts the bankbook into a computer terminal.	(5) The bank clerk sets the terminal mode to process the customer request.	Bank clerk Terminal Bankbook
(6) The bank clerk checks the paper application slip and enters the amount requested on the ten-key pad on the terminal.	(6) The bank clerk enters the amount of the transaction into the terminal.	Bank clerk Terminal Bankbook Paper application slip
(7) 1. The bank clerk inserts the paper application slip into the terminal and presses the [Enter] key. 2. The terminal starts a print out onto the paper application slip, and cash is dispensed	(7) 1. The bank clerk transmits the data on the terminal to the bank's main computer. 2. The custody of the cash shifts from the bank to the customer.	Bank clerk Terminal Bankbook Paper application slip
(8) The bank clerk checks and confirms that the information printed on the paper application slip and the information written by the customer are identical, and then stamps the entry stamp on the paper application slip.	(8) The bank clerk checks and confirms that there are no input errors on the terminal.	Bank clerk Paper application slip Bankbook Cash Entry stamp
(9) The bank clerk places the bankbook and cash on the carton and calls the name of the customer displayed on the bankbook.	(9) The bank clerk calls the customer for visual confirmation before handing over the bankbook and cash.	Bank clerk Bankbook Cash Carton
(10) 1. The bank clerk receives the number ticket from the customer. 2. The bank clerk confirms that the number on the ticket and the number written on the paper application slip are identical. 3. The bank clerk stamps the number ticket collection stamp on the paper application slip, and releases the cash to the customer.	(10) The bank clerk visually confirms the customer's identity as the one authorized to receive the bankbook and cash, and then hands these to the customer.	Customer Bank clerk Bankbook Paper application slip Cash Number ticket Carton Collection stamp
(11) The bank clerk puts the paper application slip into a designated case.	(11) The bank clerk keeps the documents evidencing the bank transaction in his or her custody temporarily to prevent them from being scattered.	Bank clerk Paper application slip Paper application slip case

sample

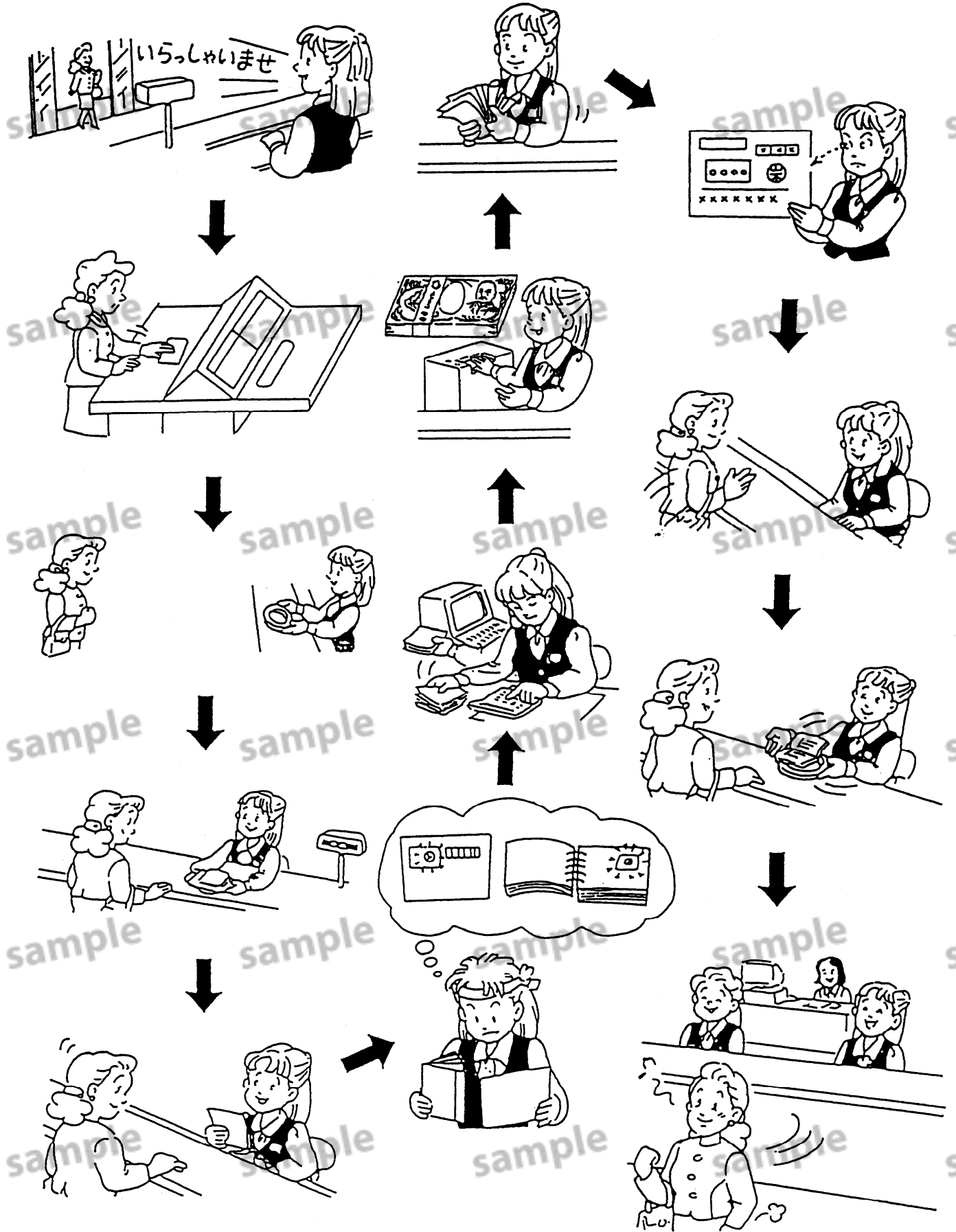
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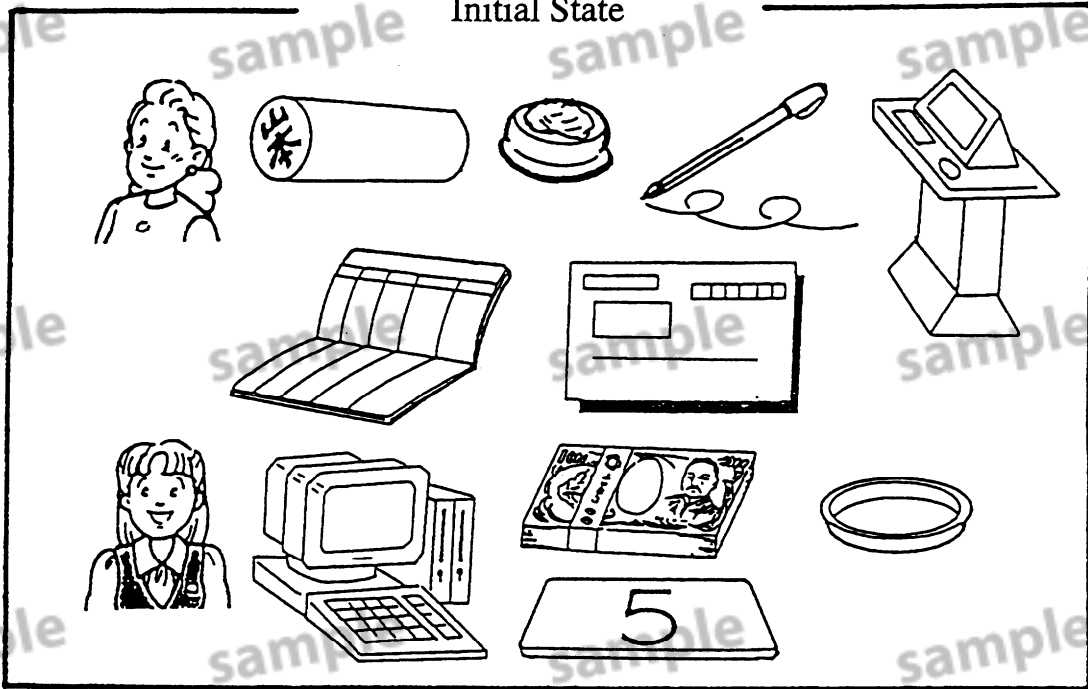
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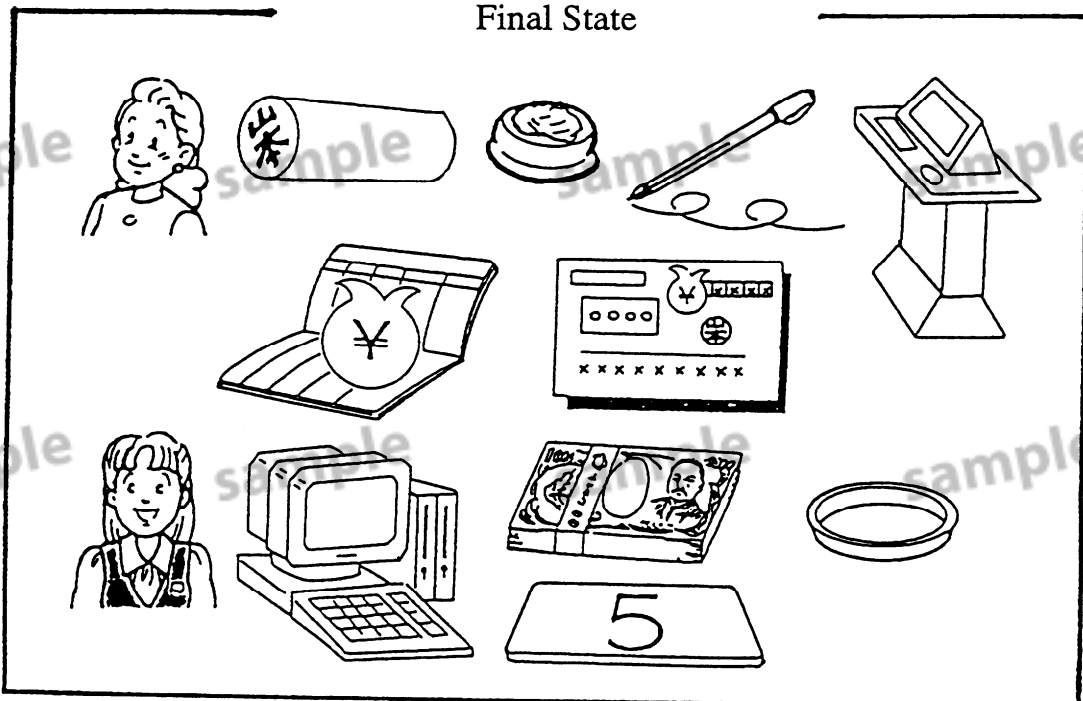
Figure 1 Deposit Withdrawal Flow Diagram



Initial State



Final State



**Table 2 Loan Operations Flow Chart**

No.	Section Involved	Work Steps	Purpose (Function)	Objects Involved
1	Customer Service	The company, meaning the customer, fills out the loan application form, and submits a financial statement for the three most recent quarters to the customer service representative.	(1) The company conveys their desire to receive a loan from the bank. (2) The banker understands the financial status and operational records of the company.	1. Loan Application Form 2. Financial Statement • Financial Position Statement • Profit and Loss Statement • Detailed Statements
2	Customer Service	Negotiator puts together an internal memorandum based on hearings and financial statements from the company.	Inform the accounts section of the application for a loan, as well as of the financial status and operational records from the company, and ask about the availability of a loan.	1. An internal memorandum with the following contents: (A) Outline of the company in question (B) The specifics of the loan (C) The profitability of the deal after the loan (D) Operational records, etc. of the three most recent quarters 2. Financial Statements
3	Finance Section, et al.	Circulate an internal memorandum to the following: 1. Customer Service Representative 2. Customer Service Manager 3. Finance Loan Section 4. Finance Loan Manager 5. Assistant Branch Manager 6. Branch Manager	These five will objectively decide whether the loan to the company in question is appropriate.	Internal Memorandum
4	A. Customer Service	Inform the customer unofficially of loan approval, and have necessary papers filled in, signed, and imprinted with legal document seals.	Collect documents necessary for loan.	1. Bank Transaction Agreement 2. Contract for Monetary Loan Transaction 3. Copy of Registration of Incorporation 4. Corporate Charter 5. Verification Certificate for Company Legal Document Seal Impression 6. Verification Certificate for Guarantor Legal Document Seal Impression 7. Registration of Legal Document Seal Impression (Signed and sealed legal document)
	B. Finance Loan Section	Request managerial decision based on the internal memorandum	Draw up a data summary checking the company's status and the specifics of the loan.	1. Customer File Registration Form 2. Managerial decision request circular 3. Registration of Contracted Interest Earnings 4. Registration of Conditions of Repossession 5. Request for Managerial Decision 6. Financial Information (P/L, B/S) 7. Applicant's Corporate Information 8. Guarantor's Personal Information 9. Bank Statements from other banks 10. F/E Capital Narrative 11. Other Documents (Additional Documents)
5	Finance Loan Section	Circulate the request for managerial decision among the following: 1. Finance Loan Representative (one completing the form) 2. Finance Loan Manager 3. Assistant Branch Manager 4. Branch Manager	Consider the possible loan.	Request for Managerial Decision
6	Finance Loan Section	(1) Confirm that the documents collected by the Negotiation are complete. (2) Check consistency of documents collected and request for managerial decision.	(1) Check that all the required documents have been collected. (2) Confirm that collected document entries match claims at the time of application. (3) Check that the imprint on all documents with the registered legal document seal matches that on the Verification Certificate of Legal Document Seal Impression.	1. Request for Managerial Decision on Loan 2. Internal Memorandum 3. Documents collected from the Customer (company) (1-7 of Step 4A) 4. Circular Documents (5-11 of Step 4B)
7	Finance Loan Section	Deposit the amount of the loan in the company's account.	Allow the company applying for the loan to access the money requested.	1. Loan Execution Order 2. Terminal
8	Finance Loan Section	Store the collected documents, and documents requesting managerial decision, in designated place.	Store the documents.	1. All documents involved in request for managerial decision 2. All the collected documents 3. Circulars 4. Book of records on collected documents 5. Safe



Table 3 Information to be Listed on Circular Approval Forms

No.1

			Loan Application Form	Internal Memorandum	Cover Sheet for Managerial Decision Request	Description of Movable Assets	Financial Information	Corporate Information	Personal Information	Bank Statements	Financial Statements	Copy of Corporate Body Registry	Corporate Charter
Loan Application Form-Attributes of Company K	001	Name of the company	Company K	★	★	★	★	★		★	★	★	★
	002	Name of the representative	Company K	★	★	★		★			★	★	★
	003	Address of the representative	Company K					★				★	★
	004	Type of business	Company K	★	★	★		★				★	★
	005	Location	Company K	★	★	★		★				★	★
	006	Telephone number	Company K	★					★			★	
	007	Date of initiation	Company K						★			★	★
	008	Date of establishment	Company K			★			★			★	★
	009	Company history	Company K						★				
	010	Number of employees	Company K		★	★			★				
	011	Number of shareholders	Company K						★			★	
	012	Composition of shareholders	Company K		★	★			★			★	
	013	Number of shares held	Company K		★	★			★			★	
	014	Number of offices	Company K						★			★	
	015	• Name	Company K						★			★	
	016	• Date of birth	Company K						★			★	
	017	• Profile	Company K						★			★	
	018	Major suppliers and customers	Company K		★				★			★	
	019	• Name of goods	Company K						★				
	020	• Banks used for remittance	Company K						★				
	021	• Ratio of Promissory Notes	Company K						★				
	022	• Terms of Promissory Notes	Company K						★				
	023	Itemized composition of sales	Company K						★			★	
	024	Factories/Offices	Company K						★			★	
	025	• Location	Company K						★			★	
	026	• Major Produce	Company K						★				
	027	• Major banks	Company K						★				
	028	• Heisei Bank Branch in business	Company K						★				
	029	Related companies	Company K			★			★			★	
	030	• Type of business	Company K						★			★	
	031	• Capital stock	Company K						★				
	032	• Controlling shares	Company K						★				
	033	• Volume of sales (for 2 quarters)	Company K						★				
	034	• Net profit (for 2 quarters)	Company K						★				
	035	• Major Banks	Company K						★				
	036	• Heisei Bank Branch in business	Company K						★				
	037	Transactions with other banks	Company K		★	★	★				★	★	
	038	• Long-term loans	Company K		★	★					★	★	
	039	• Short-term loans	Company K		★	★					★	★	
	040	• Discounted bill	Company K		★	★					★	★	
	041	• Loan certification	Company K		★						★	★	
	042	• Money on deposit	Company K		★						★	★	
	043	Employees With Banking Experience	Company K						★				
	044	• Date of birth	Company K						★				
	045	• Previous Bank Employer	Company K						★				
	046	• Final Position	Company K						★				
	047	• Date of employment	Company K						★				
	048	• Present position	Company K						★				

Table 3 Information to be Listed on Circular Approval Forms

No.2

			Loan Application Form	Internal Memorandum	Cover Sheet for Managerial Decision Request	Description of Movable Assets	Financial Information	Corporate Information	Personal Information	Bank Statements	Financial Statements	Copy of Corporate Body Registry	Corporate Charter
Financial Status / Business Record of Company K	049	Volume of sales (for 3 quarters)	Registered Accountant	★	★	★	★						
	050	Sales forecast (for 1 quarter)	Company K	★	★								
	051	Sales forecast (for 3 quarters)	Company K				★						
	052	Gross profit on sales (for 3 quarters)	Registered Accountant				★	★					
	053	Gross profit on sales (for 3 quarters)	Company K				★						
	054	Operating profit (for 3 quarters)	Registered Accountant				★	★					
	055	Operating profit forecast (for 3 quarters)	Company K				★						
	056	Ordinary profit (for 3 quarters)	Registered Accountant	★	★	★	★						
	057	Ordinary profit forecast (for 1 quarter)	Company K	★	★								
	058	Ordinary profit forecast (for 3 quarters)	Company K				★						
	059	Quarterly profit (for 3 quarters)	Registered Accountant	★	★	★	★						
	060	Quarterly profit forecast (for 1 quarter)	Company K	★	★								
	061	Quarterly profit forecast (for 3 quarters)	Company K				★						
	062	Declared earnings	Registered Accountant	★				★					
	063	Transition of monthly sales (for 3 months)	Registered Accountant	★									
	064	Average monthly sales	Registered Accountant		★			★					
	065	Ratio of ordinary profit on sales	Registered Accountant	★				★					
	066	Ratio of quarterly profit on sales	Registered Accountant		★	★		★					
	067	Ratio of owned capital	Registered Accountant	★	★			★					
	068	Dependency on loans	Registered Accountant	★	★			★					
	069	Liquid assets	Registered Accountant	★				★					
	070	Capital assets	Registered Accountant	★				★					
	071	Total capital	Registered Accountant		★			★					
	072	Cash and deposit	Registered Accountant		★			★					
	073	Bills receivable	Registered Accountant		★			★					
	074	Accounts receivable	Registered Accountant		★			★					
	075	Inventory assets	Registered Accountant		★			★					
	076	Fixed assets	Registered Accountant		★			★					
	077	Capital investment	Registered Accountant		★			★					
	078	Current liabilities	Registered Accountant		★			★					
079	Fixed liabilities	Registered Accountant		★			★						
080	Owned capital	Registered Accountant		★			★						
081	Bills payable	Registered Accountant		★			★						
082	Accounts payable	Registered Accountant		★			★						
083	Bills receivable discounted	Registered Accountant		★			★						
084	Short-term loans	Registered Accountant		★			★						
085	Long-term loans	Registered Accountant		★			★						
086	Corporate bonds	Registered Accountant		★			★						
087	Depreciation allowance (for 3 quarters)	Registered Accountant				★	★						
088	Depreciation allowance (3 quarter forecast)	Company K				★							
089	Retained income (for 3 quarters)	Registered Accountant				★	★						
090	Retained income (3 quarter forecast)	Company K				★							
091	Balance of long term liability due for repayment	Registered Accountant				★							
092	Capital investment (for 3 quarters)	Registered Accountant				★							
093	Capital investment (3 quarter forecast)	Company K				★							
094	Required extra circulating fund (for 3 quarters)	Registered Accountant				★							
095	Required extra circulating fund (3 quarter forecast)	Company K				★							
096	Increase/decrease of short-term loans (for 3 quarters)	Registered Accountant				★							
097	Increase/decrease of short-term loans (3 quarter forecast)	Company K				★							

Table 3 Information to be Listed on Circular Approval Forms

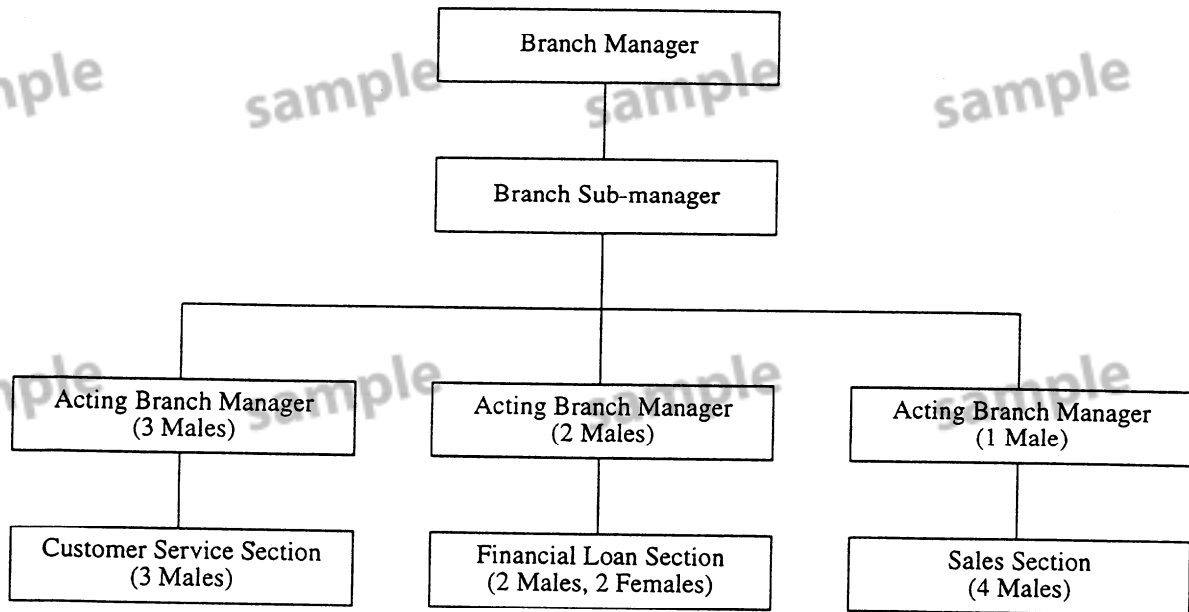
No3

			Loan Application Form	Internal Memorandum	Cover Sheet for Managerial Decision Request	Description of Movable Assets	Financial Information	Corporate Information	Personal Information	Bank Statements	Financial Statements	Copy of Corporate Body Registry	Corporate Charter
Loan Specifications	098	Loan items	Company K	★	★	★							
	099	Loan amount	Company K	★	★	★	★						
	100	Due date/period	Company K	★	★	★	★						
	101	Purpose of the loan	Company K	★	★	★	★						
	102	Repayment method/source	Company K	★	★	★	★						
	103	Expected date of loaning	Company K	★	★	★							
	104	Interest rate	Company K		★		★						
	105	(Details of capital investment) • Purpose, necessity, effect	Company K		★		★						
	106	• Purchase/order from:	Company K				★						
	107	• Amount required	Company K				★						
108	• Payment plan	Company K				★							
109	• Details of fund-raising	Company K				★							
References to Support Examination	110	Transaction history with Heisei Bank	Bank		★	★		★					
	111	Maintenance status after execution of loan	Bank		★	★							
	112	Profit margin forecast after execution of loan	Bank		★	★							
	113	Advantages of loaning	Bank		★								
	114	Motive for exploiting new transaction	Bank		★			★					
	115	Paying-in status of checking account	Bank		★	★							
	116	Status of deposit yield ratio	Bank		★	★							
	115	Deposit/loan profit margin	Bank		★	★							
	118	Shares held by Heisei Bank	Bank			★							
119	Corporate bonds held by Heisei Bank	Bank			★								
Attributes of the Guarantor	120	Name	Guarantor		★				★				
	121	Date of birth, age	Guarantor		★				★				
	122	Address	Guarantor						★				
	123	Years in residence	Guarantor						★				
	124	Starting date of transaction with Heisei Bank	Guarantor						★				
	125	Transaction history	Guarantor						★				
	126	Occupation	Guarantor		★				★				
	127	Employer	Guarantor						★				
	128	• Location	Guarantor						★				
	129	• Position	Guarantor						★				
	130	• Number of employees	Guarantor						★				
	131	• Capital stock	Guarantor						★				
	132	• Date of employment	Guarantor						★				
	133	Family make-up	Guarantor						★				
	134	Relation with Company A	Guarantor		★				★				
135	Details of guarantor Guarantee	Guarantor		★				★					
136	Financial status	Guarantor						★					
137	• Cash/deposit, stocks and bonds	Guarantor						★					
138	• Loan receivable	Guarantor						★					
139	• Real estate	Guarantor						★					
140	• Short-term/long-term loans	Guarantor						★					
141	• Net asset	Guarantor						★					
142	Income, expenditure (for 2 years) (Description of deposits and loans)	Guarantor						★					
143	• Name of the bank, amount of deposit, amount of loan	Guarantor						★					
144	• Description of owned stocks and bonds, real estate	Guarantor						★					

Table 4 "Objects" Remaining at the "Final State" of Loan Process

Objects	Attributes of "Objects"	State of "Objects"
Loan Application Form	The following are listed in the form: Company Name Desired Amount of Loan Desired Duration of Loan Desired Date of Loan Purpose of the Loan Name of the Joint Guarantor	Kept in the designated folder for Loan Application Forms.
Financial Statements	"Circular Seal" of all the staff involved (from the receiving clerk to the branch manager).	Kept in the financial statements folder for Company A.
Bank Transaction Agreement	Signature and officially registered legal document seal impression recorded, as well as the date of receipt, the legal document seal of the receiving clerk and the legal document seal of approval.	Kept in the book of records on collected documents, which is stored in the safe.
Document of Monetary Consumer Loan Transaction Contract	The signature, registered legal document seal, amount of loan and methods of repayment are recorded, as well as the date of receipt, the legal document seal of the receiving clerk and the legal document seal of approval.	
Corporation Charter	Date of receipt, the legal document seal of the receiving clerk and the legal document seal of approval are placed by the bank.	
Duplicate Copy of Corporate Body Registry		
Verification Certificate for Company K's Legal Document Seal Impression		
Verification Certificate for the Guarantor's Legal Document Seal Impression		
Registration of Legal Document Seal Impression (Company K, guarantor)	Both Company K and the guarantor's signature, officially registered legal document seal impression and legal document seal impression registered at the bank are placed, as well as the reception legal document seal, the legal document seal of the receiving clerk and the legal document seal of approval.	Kept in the file for certificates of registered legal document seals.
Circular Documents • Cover Sheet for Managerial Decision Request • Internal Memorandum • Description of Equipment Fund • Corporate Information • Financial Information A-C • Personal Information	Necessary items are filled in and circular legal document seal is placed by the person in charge of settlement.	Kept in the circular documents folder.
Registration/Order Documents • Customer File Registration Form • Managerial Decision Request Registration Forms • Resumption Condition Registration Form • Transfer Account Registration Form • Guarantor Registration Form • Loan Execution Order	Filled in by the Financial Loan Section and printed by the terminal. The legal document seal of the person in charge, the inspection legal document seal and the legal document seal of approval are placed.	Kept in the respective files.
Loan Slip	Amount of loan, name of the account to be paid and its number are printed by the terminal, and the legal document seal of the person in charge and the legal document seal of approval are placed.	Put together by day and kept as a daybook.
Terminal	The power is on and the menu is displayed.	Placed in the designated place in the office.
Y Yen of Cash	Company K is in charge of it.	Deposited in the account designated by Company K.

Appendix 1 Organization Chart of the Mita Branch



**Appendix 2 Agenda and Ideas on Improvement in the Operations Improvement Meeting**

Items for Discussion	Ideas for Improvement
(1) Take measures against insufficient staff	<ul style="list-style-type: none"> <li>• Make “Multi-Tasking Promotion Checksheet.”</li> <li>• Administer “In-house Multi-Tasking Training.”</li> </ul>
(2) Establishing Early Reconciliation System of Accounting	<ul style="list-style-type: none"> <li>• Promote exploitation of “Account Reconciliation Table.”</li> </ul>
(3) Clarify procedures of the daily routine	<ul style="list-style-type: none"> <li>• Make daily schedule adjustment plans between sections.</li> </ul>
(4) Establish assistance system	<ul style="list-style-type: none"> <li>• Discover overtime causal factor for each section. Hold assistance system meetings and make plans.</li> </ul>
(5) Reduce work of mailing customers catalogs and other documents	<ul style="list-style-type: none"> <li>• Consider placing the work under the control of the head office or the Business Center.</li> </ul>
(6) Improve legal document seal impression matching work on credit transfer application form	<ul style="list-style-type: none"> <li>• Consider requesting the credit transfer center to do the matching</li> </ul>
(7) Improve bill-collecting work of the Business Negotiation section (outside work)	<ul style="list-style-type: none"> <li>• Commissioning collection from large customers to other company.</li> <li>• Clarify how to deal with smaller customers.</li> </ul>
(8) Reducing overtime in the Financial Loan Section	<ul style="list-style-type: none"> <li>• Organize work schedule.</li> <li>• Systematize circular document drafting and other references.</li> </ul>
(9) Reduce workload caused by writing reports	<ul style="list-style-type: none"> <li>• Use computers to make reports.</li> <li>• Unify sections issuing reports in the head office.</li> </ul>

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