Staffing Models in Retail Bank Branches Worldwide – Summary & Insights

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The study focused geographically on Western Europe and North America. Test cases were looked for in banks across France, Spain, Portugal, the UK, Ireland, Germany, Austria, Italy, the Netherlands, Denmark, Sweden, Cyprus, Greece, Belgium and the US.
Methodology

Primary Sources:

- Search was conducted using several profiles:
  - **Industry experts**: former bank advisers, staffing and HR experts
  - **Bank employees** from O&M, Business Development and Strategy
  - Staff in **advisory firms** in target countries
  - Staff in leading **software companies** in this area

- Throughout the study, contact was made with a total of **about 150 POCs** across Western Europe and the US

Secondary Sources:

- Studies on banking trends
- Online and bound banking and HR magazines
- Blogs and academic papers
Study Definitions

- **Staffing Process**: defining staffing parameters and appointing heads of staffing. Resource allocating, determining responsibility levels, authorities, interfaces and indexes.

- **Staffing Model**: determining weighted parameters and model uses.

- **Staffing System**: operative technological platform for analysis according to staffing model settings.
Main Insights

- The staffing model and process are a direct product of the banks’ service strategy (top-down).
- 7 main staffing model parameters have been identified, most of which focus on client needs.
- Coverage ratio is the most common staffing parameter, forming a basis for making the most of client profitability using the staffing model.
- Coverage ration is based on clear segmentation, branch and client profitability, scope of financial activity and workload.
- Banks make staffing models according to positions (banker / teller / adviser), and also combine several staffing parameters in each model.
- Staffing process is part of the HQ-branch dialogue, forming a basis for discussion rather than a deciding factor necessarily.
- Not every bank has a staffing system, but of those that use one, it only serves as a technologically enabling platform.
Selecting the staff who will engage in staffing at the bank and the parameters by which staffing will be measured are both a direct product of strategically defined staffing goals deriving from the general structure of the bank's business goals and above all, from creating profitability.
Main considerations underlying staffing strategy:

- **Internal considerations:**
  - Manpower management strategy in branches
  - Client segmentation policy
  - Branching strategy
  - Customer service policy

- These considerations combine with **external considerations** such as regulation, trade culture and the consumer attributes and habits of market sector

- **“The Branch of the Future”:**
  - Less branches, **smaller branches**
  - **Less staff** in each branch and/or **versatile staff**
  - **Increased automation** and self-service solutions
  - Focus on **consultation and sales**, especially with wealthy clients

All strategy considerations, especially branching and client segmentation, directly affect the choice and structure of staffing models.
Workflow: the staffing process

At setup of model

- Defining bank’s aims & goals
- Defining staffing parameters

Operator
- Ongoing control once every 1-3 months
- Product vs. inspection round

Staffing Meeting
- Of all levels (HQ, business units, HR)

Every 6-12 months

Head of Staffing
- Making decisions
- Getting budgets

Branch Managers
- Implementation
- Making requests for ad-hoc changes

Strategic Factors

Process undergone once every few years
Process undergone regularly
Main staffing model parameters around the world and how common they are:

- The main profit-making parameters found in banks’ staffing models around the world are:
  - **Client considerations** as a primary parameter
  - **Employee considerations** as a secondary one, mostly in relation to tellers and back office workers
- Staffing models worldwide often combine several parameters of both kinds

**Client considerations** are the most common of staffing model parameters in banks that have updated their staffing models in recent years.
Main staffing model parameters around the world and how common they are

- There is a difference between staffing model parameters common in U.S. banks and those common in Western European ones:
  - Emphasis on no. of transactions made combined with no. of clients expected and employee efficiency
  - Emphasis on client coverage ratios and no. of expected clients combined with no. of transactions made per position

- The difference is mostly due to hiring policies in North American bank branches
Client coverage ratio as the most common staffing model parameter

- Client coverage ratio was found to be the most common staffing model parameter in Western Europe for banker and adviser positions.

- The coverage ratio is based on the various segments of clients in the client database, so that clients in higher segments are attended to by bankers with lower client coverage ratios.

- The client segmentation policy is a manifestation of the bank’s business goals within the staffing model; it aims to dedicate more time to serving clients the bank views as potentially more profitable.

- Forecasts based on expected no. of clients that are regularly updated are considered very important; the no. of clients belonging to a certain branch determines the number of employees allocated to it.

Coverage ratio is the most common staffing model parameter when model is used to make the most profit out of clients; the coverage ratio is based on clear segmentation, branch profitability and scope of financial activity required.
Staffing model sub-models:

- In most financial institutions studied there are staffing sub-models for various bank positions
- Whether these exist greatly depends on the job definitions of bank employees
- The most common sub-models in Western Europe for various positions at the bank are*:
  - **Management positions** – employee coverage ratios, there is a branch manager in every (2) branch(es)
  - **Teller positions** – no. of transactions
  - **Back-office positions** – no. of transactions
  - **Banker positions** – client coverage ratios
  - **Adviser positions** – client coverage ratios
What is the business value of a staffing model?

- **Triggers streamlining and cuts costs** – significantly less resources, especially minimizing manpower by investing in automation for the long term.
- **Higher client satisfaction in various bank segments** – client needs are better met by creating an optimal balance of employees per client.
- **Triggers inspection of branch performance and employee habits & efficiency** – a reliable picture of the goings-on in branches can be obtained, mostly in banks where advanced staffing systems have been implemented, allowing for employee analysis and meeting clients’ needs in various cross-sections.
  - In banks that do not have staffing systems, other systems collect data for examining bank branch and employee performance.

Banks view staffing models as manifestations of their visions for clients, and attempt to optimize client needs vs. no. of employees required as much as possible in order to make the best possible profit.
The Staffing System

- One of the areas in which great diversity and differences can be found between banks is the systems supporting the staffing process and model.
- Whereas all banks have a core banking system for making transactions, the level of system support given in matters of branch manning and efficiency measuring is not constant.
- Some banks have no direct reference to manning on their systems, while others adopt outside software that can extract data from the main system or independent software (that are mostly nit designed for the banking world).
- Very generally speaking, North American banks tend to adopt outside software more often than West European ones.
- The largest software companies include GMT and Verint.
Staffing system generations:

- Staffing systems can be divided into several “generations” according to their data collection and analysis options and their level of technological complexity:
  - **1st Generation**: manual control based on observations
  - **2nd Generation**: computerized control over no. of transactions and activation of statistics model on periodical data (day, week, month)
  - **3rd Generation**: computerized control over no. of transactions and activation of staffing models using complex algorithms. Such systems measure data online using technological means based solely on computer stations
  - **4th Generation**: Online control. Such systems measure actual duration of transactions using advanced technological means such as voice and video analytics
Means of evaluating parameters within the staffing system:

- Since the 1\textsuperscript{st} generation of systems:
  - Evaluation teams in branches – still a central method of evaluation in banks worldwide
  - Bankers and tellers count how many clients come to the bank
- From the 2\textsuperscript{nd} generation forth – evaluation is based on the transactions made on employee’s computer
- From the 3\textsuperscript{rd} generation forth the time it takes an employee to make a transaction can be measured (rather than just the number of transactions), statistics on common transactions may be obtained and information on how efficient the employee is when making them
- As part of the 4\textsuperscript{th} generation there is video and voice analytics – an innovative method that combines the use of cameras and microphones to evaluate various parameters such as no. of clients, average time clients stay at the bank and so on. This method is not widespread.
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