

Behley, Dustin; Leyer, Michael

Working Paper

Evaluating concepts for short-term control in financial service processes

Frankfurt School - Working Paper Series, No. 183

Provided in Cooperation with:

Frankfurt School of Finance and Management

Suggested Citation: Behley, Dustin; Leyer, Michael (2011) : Evaluating concepts for short-term control in financial service processes, Frankfurt School - Working Paper Series, No. 183, Frankfurt School of Finance & Management, Frankfurt a. M.

This Version is available at:

<https://hdl.handle.net/10419/54721>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Frankfurt School – Working Paper Series

No. 183

**Evaluating Concepts for Short-term Control
in Financial Service Processes**

by Dustin Behley and Michael Leyer

ProcessLab

December 2011

Abstract

Financial services are characterised by the integration of customers while the service is being delivered. This integration leads to interruptions and thus delays in the processing of a customer order until for example the customer provides the missing input. Because customer behaviour can only be planned to a certain extent this is a major problem for an efficient control of financial service processes. It would be helpful to know which concept leads to the best solution for a certain situation in controlling the process. A concept contains explicit practical knowledge e.g. using a stand-by-employee or a prioritisation of customer orders with first-in-first-out. As financial services differ from manufacturing processes application knowledge of concepts cannot be transferred one to one. To test concepts regarding their ability to deal efficiently with interruptions by customers short-term simulations should be conducted. Short-term simulation uses the actual state of a process and is not focussing on steady-state results. The research presented focuses on comparing several concepts for short-term control using case-study data of a typical financial service process. For this process a simulation model is built based on process mining. This approach is used to gather information out of documented timestamps of underlying process-aware information systems. Such timestamps allow a historical analysis to build typical scenarios and to gather the actual state of a financial service process as a starting point for a simulation analysis. The depicted concepts are simulated for different typical scenarios points to determine respectively which concept suits best. The results show which concepts suit best in certain situations for the case study conducted.

Key words: short-term control, financial services, business process simulation

JEL classification: C63; D24; G20; M11

ISSN: 14369753

Contact:

Dustin Behley

Am Pfarracker 25
64395 Brensbach

E-Mail: dustin.behley@gmx.de

Michael Leyer

ProcessLab
Frankfurt School of Finance & Management
Sonnemannstraße 9-11
60314 Frankfurt am Main, Germany

E-Mail: m.leyer@fs.de

This article was published in Frankfurt am Main.

Content

1	Introduction.....	4
2	Short-term Control of Financial Service Processes	6
2.1	Production of Financial Services	6
2.2	Mechanisms for Short-term control.....	7
2.3	Related Work.....	10
3	Method.....	12
4	Case-Study	14
4.1	The Loan Application Process.....	14
4.2	Settings of the Simulation Model	18
4.3	Initial Situation	19
5	Experimental Settings	21
5.1	Scenarios.....	21
5.1.1	Scenario 1: Increase of Number of Loan Applications	21
5.1.2	Scenario 2: Decrease of Number of Loan Applications	22
5.1.3	Scenario 3: Vacation Period	22
5.1.4	Scenario 4: Flu Epidemic	23
5.2	Operational Control Mechanisms.....	24
5.2.1	Shortest Operating Time.....	24
5.2.2	Due Date	25
5.2.3	Bottleneck Analysis.....	25
5.2.4	Result Analysis	27
5.2.5	Predetermined Time Slots	27
5.2.6	Shift Schedule.....	29
6	Simulation of Concepts for Operation Control.....	31
6.1	Initial Situation	31
6.2	Scenario 1: Increase of Loan Applications.....	32
6.3	Scenario 2: Decrease of Loan Applications	33
6.4	Simulation 4: Vacation Period.....	35
6.5	Simulation 5: Flu Epidemic.....	37
7	Discussion of Results.....	38
8	Conclusion	44
	References	47

1 Introduction

Achieving a high productivity in service delivery is a main success factor for financial service companies such as banks and insurance companies (Grönroos 2007). At a first glance, operational control to ensure productive financial service delivery appears to be simple. A financial service is only delivered after an order is placed by a customer (either an end consumer or a company). The service is dependent on the customer and his/her input and cannot be delivered in advance (Sampson/Froehle 2006). However, short-term control of financial services is a challenging task as the customer represents a decisive factor while the service is being delivered since it is integrated in the actual financial service delivery activities (Zomerdijk/de Vries 2007). Therefore, customers are, from an operations perspective, a resource which is necessary to provide input (e.g., information on the customer's income situation) during the delivery of a financial service (Lovelock/Yip 1996). There are some financial service processes, such as automated transactional services, which are not characterised by customer integration but these are not in the focus of this paper. Unfortunately, customers often do not behave as expected. They provide incompletely filled out forms, they are late for appointments, or they simply do not know information which is important for the service delivery of a financial service. This results in massive operational problems, i.e., interruptions of processing due to customer input needed (Heckl/Moormann 2010). These interruptions are characterised by time lags (processing of an activity has to wait for customer input) or even loops (processing has to be repeated in a previous activity after receiving customer input). As a result, the planned schedule of a financial service company is disrupted, often leading to longer cycle times. In order to deal with these operational problems, a financial service company has to take action in the short-term by applying short-term control mechanisms.

Short-term control focuses on allocating customer orders to resources so that the customer orders are at the right place at the right time. How well a financial service company is performing this service delivery can be measured in terms of productivity (Bain 1982). Productivity is generally defined as the ratio of output to input (Burgess 1990). There are various possibilities for a definition of inputs and outputs such as cost per employee, profit or number of customers (Johnston/Jones 2004). However, the classic concept of productivity from the manufacturing industry is limited to a corporate perspective. This is insufficient for the assessment of financial service processes, as the customer plays a central role. In this paper, the analysis focuses on productivity from a production point of view. Here, the cycle time, i.e., the time until an output is generated, is a decisive factor beside the internal costs and the number of processed orders. From a customer perspective, the cycle time should be as short as possible. Using this understanding of productivity, the aim is to create the desired output "Number of processed customer orders" in a shorter time period with the same amount of input "employee capacity used." If a service provider aims at increasing his productivity, then he has to reduce the cycle time of customer orders. However, the costs and the number of processes customer orders should be considered as well for the evaluation of concepts for short-term control.

The paper is organised as follows: In Section 2 the theoretical foundation and related work of short-term control in financial service processes is provided. Section 3 presents the method of business process simulation for short-term control applied in this paper. The case study of a

loan application process for which concepts for short-term control are evaluated is described in Section 4. In Section 5 the experimental settings are chosen including scenarios and concepts for short-term control. The results of the simulation runs are presented in Section 6 and discussed in Section 7. The paper concludes with Section 8.

2 Short-term Control of Financial Service Processes

2.1 Production of Financial Services

For a characterisation of services, academic literature provides a number of heterogeneous service types. Distinctions are based, for example, on constitutive characteristics, such as customer integration and immateriality, front and back office activities, or customer interaction and individualisation (Spring/Araujo 2009). However, crucial for the characterisation and classification of services is the selected perspective (Corrêa et al. 2007). In the presented case, non-automated financial services are considered with the aim of analysing the service delivery.

In a service process, the input of the customer order is transformed into an output which represents the process result. Each process result of a service process is a customer order that contains necessary information the activities require for the service delivery (Wernerfelt 1984). The transformation takes place in the activities of the process using the existing resources like customers, employees, and IT systems (Figure 1). These resources are linked to one another through the possible connections of activities resulting in a net of activities which can have several starting and end points (Kim et al. 1996).

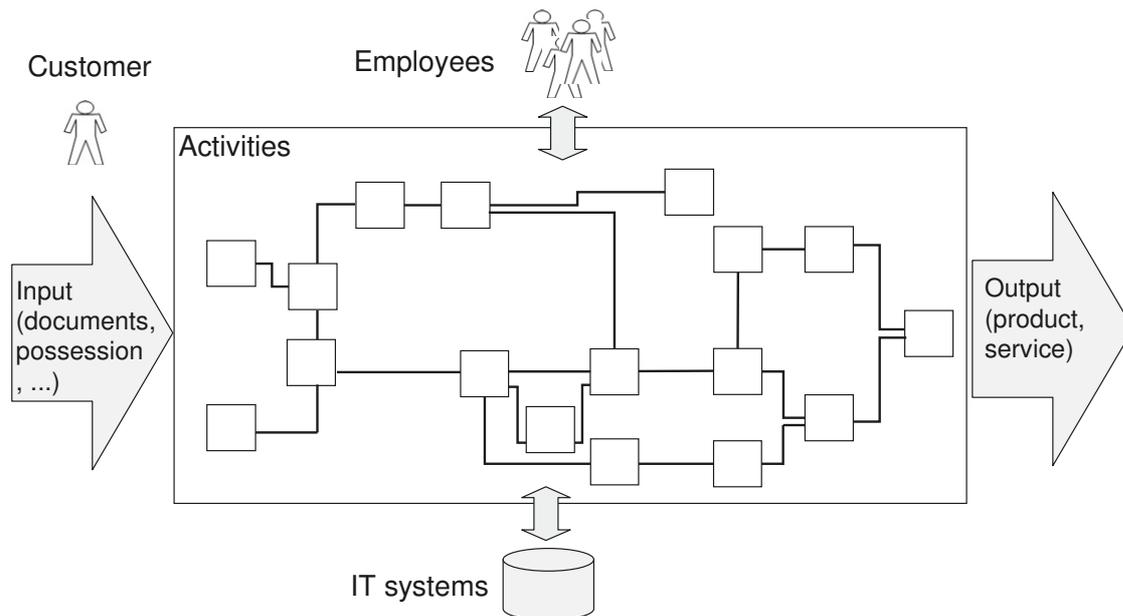


Figure 1: Processing of customer orders in a service process

From an operations point of view, the main object or subject on which the service is performed is decisive. These objects or subjects can be categorised as belonging to one of the following three basic types (Lovelock/Yip 1996):

- **Possession-processing:** The production of a good is done on material good (e.g. laundry) and therefore has a local dependency while the customer integration is only needed at the beginning and end of the process.
- **Information-processing:** The service of an information-based process is the intake and processing of information (e.g. processing of a loan application). In today's world, the local dependency is very low since information can be sent and processed around the world very easily due to internet, email, etc. The integration of the customer depends heavily on the production of service and the information provided by the customer.
- **People-processing:** The production of goods and service is done on the customer (e.g. health care). Since the customer is strongly involved in the process, the local dependency of the customer and the production of the service are high.

These three types are characterised by the local dependence on physical objects, the local dependence on customers and the degree of customer integration. Using this classification, back-office services of financial companies can be characterised as information-processing services. Therefore, the delivery of back-office services, with some exceptions such as a covered loan, has *no local dependency*. In contrast to physical objects or persons, information can be duplicated and easily processed in different places. In addition, the *physical presence* of customers is not obligatorily needed when input from the customers is required during the service delivery. Although customers of back-office processes can be employees of a financial institutions front-office or end-customers, there is no basic difference of characteristics between services for external and internal customers (Maleyeff 2009).

2.2 Mechanisms for Short-term control

The planning and controlling of the service delivery within the processes can be divided into three levels (Heizer/Render 2009; Sheikh 2003):

- Strategic planning of the production schedule based on demand and sales,
- tactical planning of capacities and material needed for production as well as the decision, if parts of the production are outsourced and
- operational planning in the short-term when the production is carried out.

To deal with customer integration the short-term control is of the highest relevance. Leyer and Moormann (2010a) describe three requirements which have to be fulfilled in order to operationally control processes in the financial service industry. First of all, a company has to be able to generate and collect all information and data necessary in order to monitor, measure, and interfere in the process. An appropriate framework has been developed by Heckl (2010) which structures service processes in order to allow an analysis of the combination of the influence of customers and an operational process management. Secondly, all possible operational control mechanisms have to be identified and analyzed. These mechanisms, which have mainly be investigated for the production industry and still have to be converted respectively

adapted to the service industry, will be explained in the next section. Thirdly, the best possible mechanism has to be chosen in case of an operational problem. Simulation is an adequate tool in order to find out which control mechanism fits best for each problem.

In case of operational problems, a process manager (who is responsible for a financial service) has to react and solve the problem in the short-term. As described above, an ongoing monitoring of the state of the customer orders and the resources necessary to perform the production of the financial service is needed. This enables a process manager to take corrective actions immediately. In literature, five mechanisms to act within short-term control can be found (Adam 1998; Daniel/Guide 1997; Soyuer et al. 2007):

- As soon as an order from the customer is received, it has to be *scheduled*. The scheduling includes the determination of the planned values for the above mentioned four general characteristics of an order. In order to define the planned values, one can use either predefined rules as well as or the actual state of order processing in the business services as input factors.
- The *order release* defines the time when a customer orders is processed. As a result, some orders have to wait in line before they are worked on. The determination of the order release can be done at two different stages: either before the service delivery starts or before each activity. The basis for the determination is the predefined planned value, which can be changed according to the necessity.
- In order to define the *sequencing of orders*, a prioritization is needed to define the order in which customer orders are processed compared to other customer orders. As for the order release, the determination of the sequencing of the order depends on a planned value and can be changed before the service delivery starts or before each activity.
- The *sequence of activities* defines the order of process steps which each customer order has to follow. This sequence can only be changed if the second of two activities does not depend on the previous work from process step one.
- A process manager can also influence the *dispatching of the customer orders*. The dispatching defines the allocation of resources to the customer orders respectively to the process steps. The allocation of the resources needed to process the customer orders can be continuously changed for every process step.

Although having many operational control mechanisms available, the surveillance of a business service is very difficult, especially in the short term. The complexity, caused by multiple connected processes a customer order has to follow, the possibility of back loops, and changing process flows from one customer order to another increases with the amount of orders in the system. In order to react immediately and efficiently at operational problems, a process manager has to know which control mechanism fits best for the financial service process. Furthermore it has to be stated that not every mechanism can be applied for a financial service process (Fritsch 2004).

For financial service processes, the control mechanism *scheduling* is a general one and is included in specific concepts for the four other mechanisms. The control mechanism ‘*order release*’ is not very useful. Since application orders are unique and the creation depends on the input of an end customer, a bank does not have the option to store and build up a repository. Therefore, in order to minimize the cycle time respectively the waiting time for the customer, orders are processed as soon as they enter the production line. *Sequencing of activities* is also of low interest for a financial service process since the sequence of process steps cannot be changed or influenced in most cases. Each process step relies on the work and information processed in the previous work step.

The *sequencing of orders* represents a wide field of possible operational control mechanisms for financial service processes. By prioritizing the orders, the sequences of order can be changed and an improvement of the cycle time and processing costs can be achieved. In order to solve the problem of sequencing orders, many methods and techniques have been developed. Nevertheless, experts cannot agree on a single, universal applicable solution, which can be used in every situation (Weilerscheidt, 1996). Instead, the inspected problem, the type of process, and the targeted goal define the correct method. Usually, the production of financial services is done in a multistep and changing process step flow environment. For such an environment, orders will always compete for resources, leading to waiting times which cannot be solved in a polynomial algorithm (Hoitsch 1993). In the literature, the heuristical approach of prioritization is recommended for short-term scheduling. Nevertheless, it can never derive optimal solutions because it is heuristics. Bell (Bell 2006, p. 171) describes heuristics as follows:

“A rule of thumb, simplifications, or educated guess that reduces or limits the search for solutions in domains that are difficult and poorly understood. Unlike algorithms, heuristics do not guarantee optimal, or even feasible, solutions and are often used with no theoretical guarantee.”

However, prioritization rules are often used in practice. The concept of each prioritization rule is quite easy: Depending on the applied rule, each order is assigned to a priority in which they are processed respectively which defines the order in which they have to wait in line (Schneider et al. 2005). Since there are many possibilities to prioritize orders, many prioritization rules have been developed in order to structure and speed up the production process. Prioritization rules are differentiated by the impact of the system, meaning if they are just applied locally (e.g. shortest or longest operating time) for each process step or for the whole production system (e.g. shortest or longest cycle time). If they are applied locally, the priority changes each time an order arrives at the next process step while a globally applied prioritization rule defines a priority at the beginning of the process and does not change it throughout the system. The advantage of such prioritization rules is the ease of implementing, the very low time required for computing, an easy administration, and the flexible application (Gierth 2007). Nevertheless, it is important to understand that prioritization rules never lead to the optimal solution, they can only approximate it. Furthermore, a prerequisite of all prioritization rules is that two or more orders must arrive at a process step simultaneously or be waiting in a queue behind in-process work (Bassett/Todd 1994). This basic requirement is given in the loan application process. In case of financial service processes, prioritization rules which ap-

ply for the whole production system cannot be used. Although applicable for a process in the manufacturing industry in which the process manager knows beforehand the exact process step order and can therefore calculate the e.g. remaining cycle time or the overall cycle time, such calculations are not possible in a loan application process. Due to the already mentioned back loops and the interaction with the customer one cannot determine which order can be processed faster than the others. Therefore, only the prioritization rules, which have to be applied locally, are of interest.

The last short-term control mechanism, the *dispatching of customer orders*, can also be applied on financial service processes. The dispatching of customer orders respectively the capacity management involved can be influenced by changing the schedule of the employees or by defining predetermined timeslots for working on customer orders within the financial service process under analysis. If a process manager wants to change the dispatching of orders to apply operational control, a closer look has to be taken on the capacity management. Managing the organizational or process related capacity is one of the most underestimated and poorly performed activities (Yu-Lee 2002). Nevertheless, the capacity of an organization is of high importance since it represents the ability to perform work. Managing capacity involves a variety of different tasks such as defining and controlling the amount of offices, production facilities, warehouses, people, etc. Due to the context of the paper, the only capacity that can be influenced in the field of operational control is the staff. The easiest way, in the context of capacity management, of reducing the cycle time, is to increase the number of workers in each department. Since this solution cannot be applied in the field of operational control, a closer look has to be taken on the allocation of staff to departments, their schedule and their workload.

2.3 Related Work

The field of research in the area of short-term control of services is quite new. According to Johnston (2005), only a few approaches can be found in the literature. Most of the research is done in the field of manufacturing industry, not the service industry. Since the involvement of customers in the production of services is much higher in the service industry, most of the approaches of the manufacturing industry cannot be transferred one to one. They have to be adapted or even changed fundamentally. For a detailed literature review with regard to short-term control see Leyer (2011). In regard to the evaluation of concepts for short-term control the following related work can be found in the literature:

- *Combining incoming orders and capacity management*: In the field of capacity management, much research has been done on how to effectively plan capacity accordingly to the amount of incoming orders. Goodale and Tunc (1998) use common pattern of incoming orders to define the shift schedule. However, the approach is limited to the beginning of the service delivery. The approach by Adenso-Diaz and Gonzalez-Torre (2002) is to model a business process with the average cycle time per process step and their frequencies per day. The goal is to find the minimum capacity required to process the orders respectively a timely adjustment of the capacity based on the incoming orders. Nevertheless, this approach is very complex and can only be applied for the determined time period. All approaches have in common that the depiction of the incom-

ing orders is insufficient since it is either modelled constant or in a predetermined pattern.

- *Estimation of cycle times:* Sabuncuoglu and Comlekci (2002) use an analytical algorithm to project the average cycle time by using the variables (1) amount of orders per process step, (2) overall amount of incoming orders, (3) applied sequence of order processing, (4) utilisation capacity of the process and (5) cycle time per process step. Another approach to estimate the cycle time is to calculate the due date of an order (Moses et al. 2004). The due date is calculated by looking at the availability of resources. Afterwards, the actual finishing date of an order is subtracted from the estimated due date. Approaches in this area lack in accuracy to estimate the cycle time, since only sample and average values are used.
- *Prioritization rules to determine the sequencing order:* Schneider et al. (2005) propose the implementation of prioritization rules to improve the cycle time and therefore can be applied to control operational problems. Nevertheless, most of the prioritization rules cannot be applied on a service process because they require the knowledge of the exact processing sequence and the calculation of the cycle time beforehand. Most of the time, these two parameter cannot be determined prior to the processing.
- *Business process simulation:* Lin und Cochran (1990) simulated operational problems, such as orders with higher priorities or the absences of employees. Although describing operational problems, the processing of the simulation is done on a strategic level. First, the simulation model is put into a steady-state and afterwards the effect of an operational problem is simulated. Although approaches for business process simulation emphasize the importance of simulation in the short-term time horizon, the consideration of short-term factors is limited. Problems such as delays caused by customer integration are highlighted, but is not specified or reflected in the simulation approach. In particular, up to now there is no consideration of customer integration in financial service processes. Therefore, an evaluation of concepts for short-term control is missing so far.

The presented approaches are very useful according to their focus, but are not suitable for an evaluation of concepts for short-term control in financial services. The requirements for such an evaluation and the method applied are presented in the following section.

3 Method

According to Wyann et al. (2007) the focus of traditional simulation experiments is to identify average long-term behaviour over a wide variety of contextual scenarios. On the contrary, within short-term control the process model and process structure remain the same. Only parameters as described in section 2.2 can be changed. The impacts of the changes are analyzed based on the actual state of the system. Furthermore, the application of concepts for short-term control can be tested.

An approach to consider the characteristics of customer integration within operational control has been described by Leyer and Moormann (2010). According to their process laboratory, a simulation model of a financial service process should be built using historic processing data. A process laboratory is an artificial environment which allows a goal-oriented, experimental, computer-aided execution and analysis of processes. The proposed process laboratory consists of four components: (1) The simulation model, (2) the process data, (3) the catalogue of possible mechanisms for action and (4) the experimental system. Figure 2 shows the connections between the components.

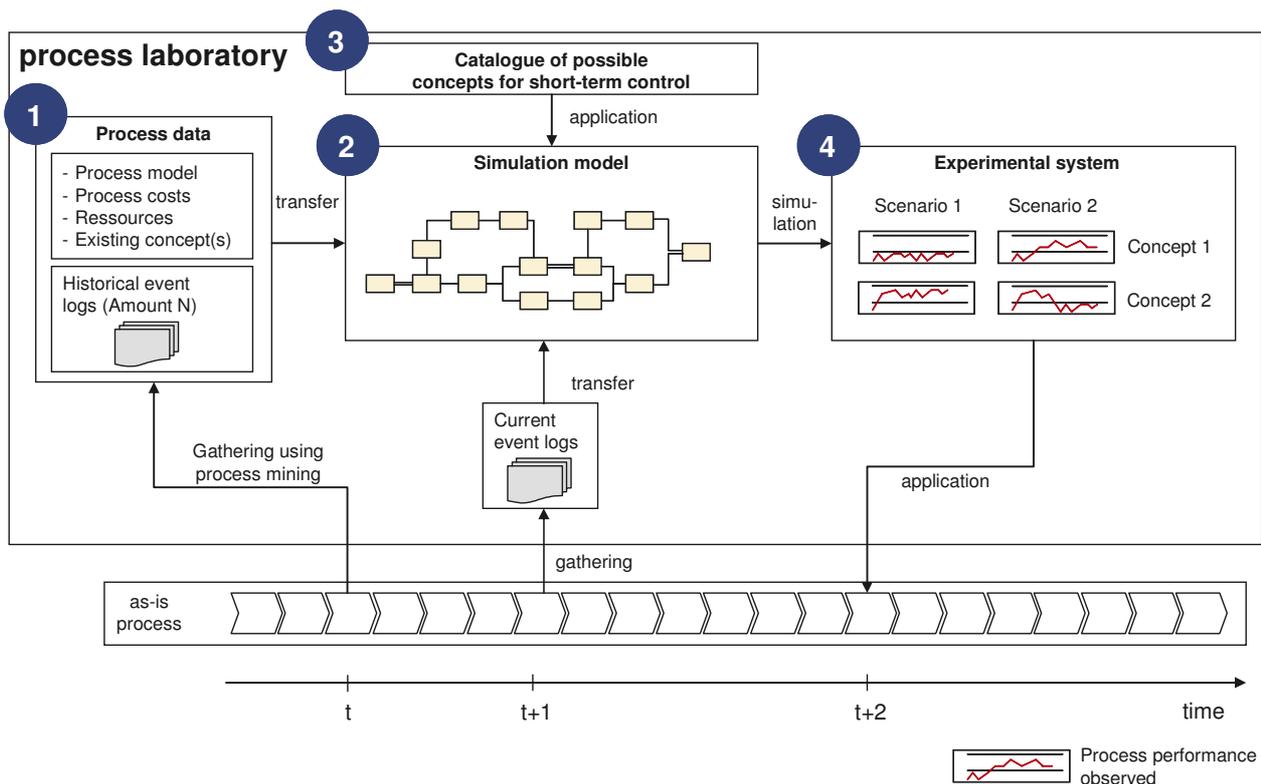


Figure 2: Concept of the Process Laboratory (Leyer/Moormann 2010b)

In the first step (time t), the required data has to be gathered from a production system by extracting historic event logs from a workflow management system. In an event log the information regarding the processing of an application order is saved. One has to make sure that such

data contains enough information about the amount of application processed, the processing and idle items of orders and resources, and the process step sequence each application order went through. The combination of an existing workflow management system as well as a detailed process documentation are of high relevance for the implementation of the process laboratory. With such information, the goal of discovering the distribution of cycle time per process step and the available resource capacity can be achieved. Another important factor, the integration of the customer, which determines the overall cycle time immensely, has to be captured as well. Once the data is available the simulation model can be designed with the use of a discrete event-oriented simulation.

In the second step (time $t+1$) current event logs have to be implemented into the simulation model. This is a basic requirement for an operational business process simulation since operational control mechanisms cannot be tested starting with a blank model.

In the third step (time $+1$), the criteria for a catalogue of possible mechanisms of actions have to be gathered. A detailed analysis of the business process is necessary since not every concept for short-term control can be applied on a process.

In the last step (time $+2$) one has to define the experimental setting, which consists of different (plausible) scenarios, and has to implement them in the simulation model. Based on the operational control mechanisms and the scenarios, experiments can be executed. The results of the experiments have to be compared with the results from the initial process based on key performance indicators such as cycle time or processing costs. The operational control mechanisms have to be combined with every scenario in order to get an overview of the impact of such changes.

This setup can help to find out and understand the impact of possible future scenarios as well as to generally test and analysis operational control mechanisms. After implementing and processing the idea of the process laboratory correctly, the result will be a matrix consisting of the findings for each control mechanism in combination with a scenario. Based on this matrix, a process manager is able to execute the best operational control mechanism quickly in case the state of environment changes suddenly.

4 Case-Study

4.1 The Loan Application Process

In order to simulate possible concepts for operational control a process manager of a financial institute can apply, a loan application process has been chosen. This is a common process in the financial service industry since the granting of loan is a main task of banks and is highly standardized. It is important to highlight that the service ‘lending’ is divided in two business services: The front and back office services. The front office is the part which deals with all the activities that require customer contact and as such functions as the direct interface to the customer whereas the back office comprises all the processes that are carried out remotely from customers and therefore are ‘invisible’ for them (Zomerdijk/de Vries 2007). Due to the division of the front and back office services, the term customer has to be defined more precisely, since different types of ‘customers’ are involved in both services. For the front office, a customer (also termed as end customer) is the person entering a branch and e.g. is applying for a loan while the customer of the back office is the branch and its employees.

The process selected is a real life business service from a mid-sized German bank. It offers the processing of commercial loans for small and middle sized companies without any collateral needed. The business service can be utilized by 34 branches selling loans to companies. In cases that some information or documents from the end customer are missing the branch plays the role of an intermediary, meaning that no direct contact between the end customer and the business service of the back office exists.

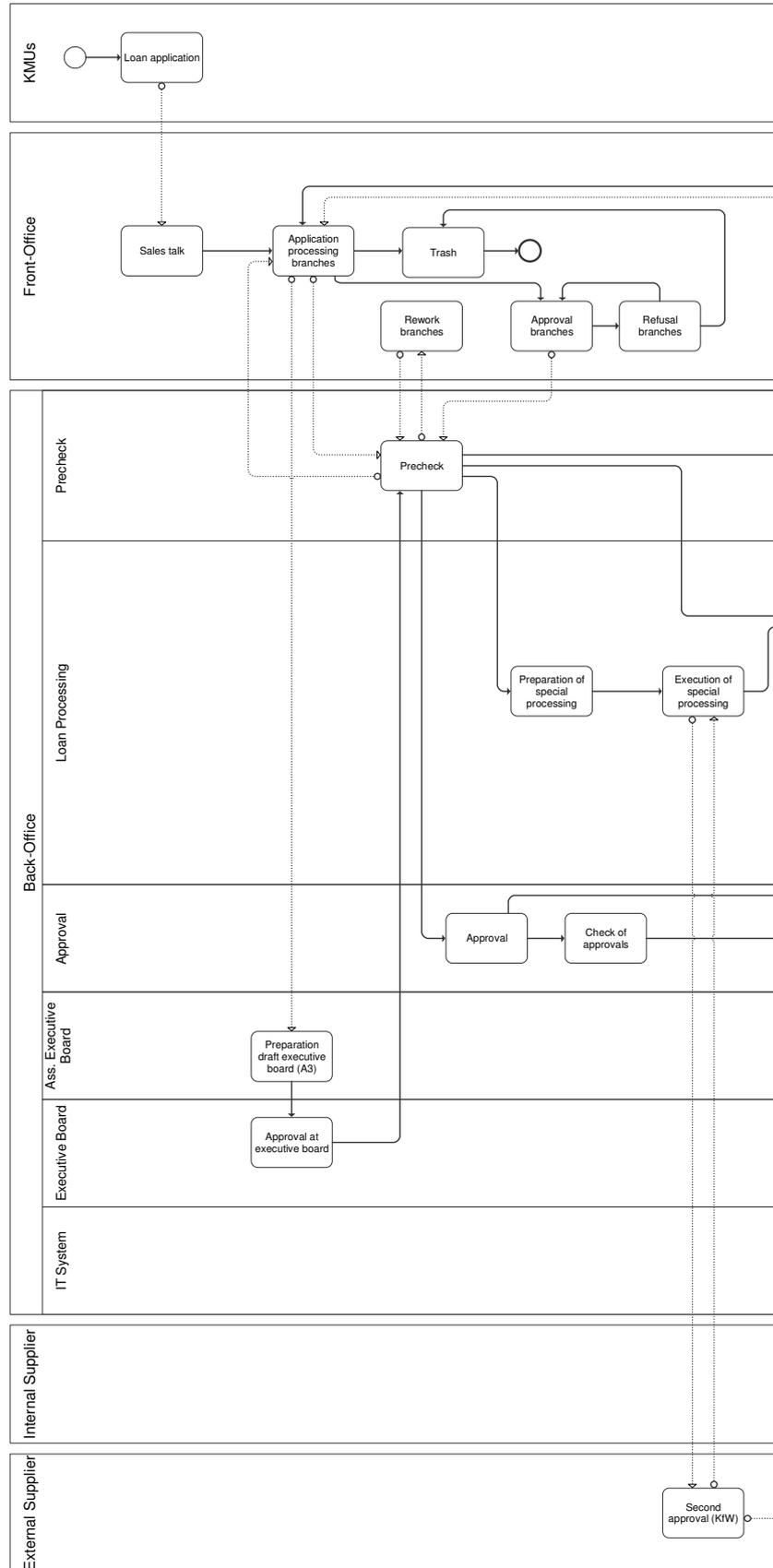
At the beginning of the process, a SME (small or medium sized company) decides to apply for a loan. After talking to the branch employee, the filled loan application is sent to the back office. At this point, the loan application process of the back office begins. The business process of the back office has the following layout: it consists of five departments (Precheck, Loan Processing, Approval, Assistant Executive Board and Executive Board) and some internal and external suppliers. Furthermore an IT-System is modelled as a department since it is responsible for archiving all approved loan applications. The process sums up to 16 process steps in the back office and a total of 30 activities including all departments, with a non-sequential processing order. This means that each application has to find its own way through the process making it impossible to determine beforehand the sequence of process steps of an application. Due to the possibility of back loops, different levels of application quality, and exceptional applications, the time and process steps needed to process an application varies heavily.

Once an application has entered the business process, it has either to be pre-checked by the Pre-checker or to be approved by the executive board, if it is an exceptional application. Within the pre-check step, the completeness and integrity of the necessary documents and information are inspected. In case of irritation the application has to be sent back to the customer leading to several back loops. Otherwise, the application can be approved by a back office clerk, checked for approval, or prepared for special processing depending on the quality and completeness of the application. In some special cases further information has to be requested by external suppliers, in this case the KfW (Kreditanstalt für Wiederaufbau). Once the application has been approved, further processing respectively working steps such as some

rework activities or termination are needed to complete the loan application. During the processing, back loops can be caused by missing information such as a signature from the end customer. Furthermore an application can also be cancelled throughout the process. After some final checks the processed application is archived. A high level overview of the loan application process can be found in figure 3.

Back office and front office services are directly connected since all information needed to process a loan application have to be delivered to the back office by the branch employees, who can be regarded as an intermediary between back office and the end customer. Besides personal information, documents and signatures, end customers might have to hand in further or missing information during the processing of a loan application which can always lead to back loops and delays in the service delivery.

Evaluating Concepts for Short-term Control in Financial Service Processes



4.2 Settings of the Simulation Model

Data from the underlying workflow management system was gathered for seven months. Within this time period, the service process was applied from the beginning to the end to 266 customer orders. Unfinished orders were left out. The process model was built employing the 'heuristic miner' tool of the software ProM, which allows for analysing event logs. This algorithm provides the best results for real life data (Weijters et al. 2006). The result of a conformance check showed a conformance of 93 per cent, which can be seen as sufficient for a representative model of the service process (Rozinat/van der Aalst 2005). The model of the service process derived from the gathered event logs (and additionally validated with the process owner of the bank) is the one depicted in Figure 2.

The stream of incoming loan applications are based on a time schedule which is derived from the real data. Thus, typical patterns for the different scenarios have been identified. By applying the random generator function, the actual time a loan application arrives at the process is not a fixed time but rather a time horizon, e.g. between 9 am and 11am. The defined timeframes rely on the real data and need to be adjusted depending on the simulated scenario.

Working times of each activity are determined based on the historical data. To ensure a reflection of the varieties of working times occurring in reality, the working time was implemented as statistical function. The best fitting statistical functions were chosen by applying the Kolmogorov-Smirnov Test of Goodness of Fit (Yazici/Yolacan 2007).

The resource of the process is the employees of different departments. For each department it is defined how many employees are available and which percentage of their working time is assigned to the process. Additionally, the time until an employee is available to perform his/her work if he/she is requested, is taken into account. In sum, the departments have different time schedules, meaning that they work at different hours throughout the week. Since the employees have many tasks and responsibilities besides the processing of the loan application, their availability for the loan application process is limited. The availability of employees ranges from 5 % (Executive Board) to 85 % (Loan Processing). In order to be able to finish their previous tasks, which are unrelated to the loan application process, a delay of 15-25 minutes, representing the time between the income of the order and the start of processing of a resource, has been modelled. An exception to the rule is the 'IT-System', which has been classified as 'equipment'. The resource IT has an unlimited availability in terms of processing loan applications at the same time. As bug fixes, system upgrades, or batch jobs are performed over night the system is fully available during working hours.

For each type of resource costs are assigned, too. The costs for employees are calculated by a fixed amount for each minute working on the processing of loan applications. The costs per minute vary for each department. Regarding the IT-System no costs are assigned. This simplification derives from the argument that the variable part of IT costs is relatively small and therefore performance differences in the operations process do not affect the IT costs.

Due to the setup of the process, a process manager can only influence the activities in the departments 'Precheck', 'Loan Processing', 'Approval', 'Assistant Executive Board' and 'Ex-

ecutive Board'. Every interaction with the customer relies on the willingness of the customer to cooperate. The response time and delivered information cannot be estimated beforehand. Therefore no operational control mechanism can improve the behaviour of the end customer. The same applies to internal and external suppliers. Since the process manager is responsible for the loan application process only, he cannot influence the response time and the quality of information delivered by internal suppliers as well as by external suppliers such as the KfW.

In order to simulate the loan application process (the simulation tool iGrafx was used), the generator has to be configured to project the terminating behaviour necessary for operational control. In this context, a terminating model has the feature of a clear start and end date (Reijers/van der Aalst 1999). Furthermore, the actual state of the system has to be represented, that implies that loan application orders reflecting the respective scenario have to be in the system when starting to simulate. Therefore, the following setup of the generator has been chosen: The simulation has been conducted over a time period of one year with a start-up phase of ten months. This means that the first ten months are simulated to fill the process with orders and to represent a realistic state of the system according to the chosen scenario. The measurement of results is only performed for the last two months. The simulation has been conducted a thousand times in order to get a representative average value. The simulation tool offers an incorporation of statistical influences by conducting a set of randomized simulation runs. This setup of the generator has been applied for all operational control concepts in each scenario.

4.3 Initial Situation

The initial situation is based on the historical data of the whole seven months. Table 1 displays the results of the initial simulation.

Cycle Time (in days)			Working Time (in days)			Waiting Time (in days)			Processing Costs (in €)			Processed Orders
∅	Median	σ	∅	Median	σ	∅	Median	σ	∅	Median	σ	∅
18.22	7.46	34.50	0.16	0.13	0.25	18.05	7.34	34.32	207.78	178.98	176.20	121.10

Table 1: Results of Initial Simulation

On average, the processing of a loan application takes 18.22 days. By looking at the standard deviation one can see that the results are spread out over a large range of values. Since the median is at 7.46 days, indicating that much more than half of the loan applications are processed below the mean, extreme outliers must be the reason for the difference of more than 10 days between the mean and the median. These outliers can be seen in Figure 4. Here, one can see that 830 out of 1000 loan applications are processed below the mean. Hence, it is essential for a process manager to find control mechanisms to operationally reduce the outliers.

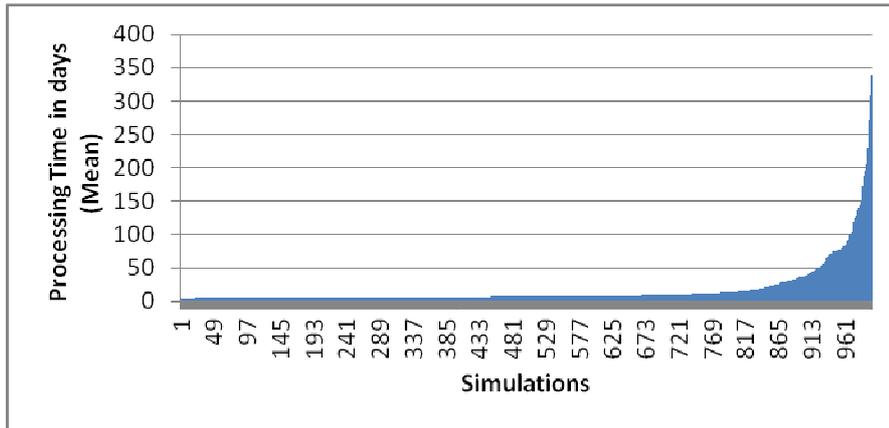


Figure 3: Graphical display of Initial Simulation

The cycle time composes the working time and the waiting time. While the working time represents the time in which resources are actually working on processing the loan, the waiting time includes all effects preventing the production of the service, such as waiting for resources (e.g. if resources are busy processing other loans) or inactive times (e.g. times out of schedule such as weekends, nights, etc.). The working time is with a mean of only 0.16 day much lower than the mean of the waiting time (18.05 days). This huge difference is on the one hand caused by the fact that much of the inactive time is due to the nature of the opening hours of a bank (nights and weekends increase the inactive time immensely). On the other hand, the standard deviation is much higher for the waiting time than for the working time (34.32 compared to 0.25), meaning that the extreme outliers of the cycle time must be caused by the waiting time. Therefore, a process manager has to think about the reduction of the waiting time and its standard deviation first. In the following, operational control mechanisms serve mainly the goal of reducing the waiting time. Therefore, no differentiation will be made between waiting time and working time since the working times are mainly untouched.

Furthermore, the processing costs per loan application (costs arise if resources are processing loans only) are €207.78 with a standard deviation of €176.2. This is caused by the variety and unchangeable rework needed due to the back loops in the process. Nevertheless, the median is relatively close to the mean. Taking the average of 1000 simulations performed, the initial setup of the process is capable of processing 121.1 loan applications.

5 Experimental Settings

5.1 Scenarios

In order to not perform entirely random simulations that reflect reality insufficiently, prior to the start of the simulation, four different states of environment have been determined. The scenarios are based on typical patterns of the historical data. A further advantage of this approach is that the relevant characteristics of the different operational control mechanisms can be observed intensely, since many uncontrollable influences can be eliminated beforehand. The downside of such an approach is the risk of neglecting certain dependencies respectively to overlook operational control mechanisms behaviours. Nevertheless, categorizing simulations in different scenarios is a useful tool to focus on the crucial problem.

In order to simulate the scenarios, the corresponding parameter configuration had to be implemented. These parameters have been gathered from the real data. Thus, repeating different scenarios with the same setup as well as the same starting position for each operational control mechanism is guaranteed. Furthermore the time exposure to configure and simulate different operational control mechanisms is minimized. In the following, the scenarios will be explained and the parameter configuration for the four scenarios is shown in table form.

5.1.1 Scenario 1: Increase of Number of Loan Applications

This scenario should reflect an increase of the number of loan applications. Such an increase can be caused by a marketing initiative or a special offer for a limited time. It has been chosen to find out the stability and resilience of the loan application process architecture (this includes the layout of the process as well as the amount of employees). The goal of this scenario is to elaborate the impact of the increase of loan applications on the workload of the employees in the back office and to signalize the bottleneck of the loan application process.

Since this scenario takes place outside of the vacation period one back office clerk is on average on vacation throughout the year reducing the workforce in the department “Loan Processing” from 12 to 11 on average. Furthermore the following amount of loan applications have to be processed in this scenario (Table 2).

Weekday	Time	Number of applications
Monday	10 am – 6 pm	5
Tuesday	9 am – 12 pm	3
	2 pm – 6 pm	2
Wednesday	9 am – 10 am	3
	2 pm – 6 pm	1
Thursday	9 am – 11 am	1
	5 pm – 8 pm	3
Friday	10 am – 12 pm	2
	2 pm – 3 pm	3

Table 2: Number of Loan Applications in Scenario 1

5.1.2 Scenario 2: Decrease of Number of Loan Applications

In this scenario the bank faces a decrease of the number of loan applications. This is a quite common phenomenon if a bank faces e.g. negative reporting or if it misses to offer prices which are in line with the market. Comparable to scenario 1, one goal of this state of environment is to test the overall loan application process architecture. Furthermore, a decline of loan application should increase the idle time and therefore it is very interesting for a process manager to find out how to process the applications as fast as possible and still have a solid resource workload.

This scenario reflects, compared to scenario 1, the other side of the extreme. Thus, the average amount of back office clerks is as well reduced to 11 and the following amount of applications has to be processed in this scenario:

Weekday	Time	Number of applications
Monday	12 pm – 5 pm	2
Tuesday	3 pm – 7 pm	1
Wednesday	3 pm – 4 pm	1
Thursday	3 pm – 8 pm	2
Friday	8 am – 5 pm	0

Table 3: Number of Loan Applications in Scenario 2

5.1.3 Scenario 3: Vacation Period

The third scenario reflects a situation each company is exposed to: especially during the summer and winter school vacations many employees want to have a few days off in order to spend time with the family. In such a situation a process manager has to ensure that loan applications are still processed smoothly and that a high throughput rate can be guaranteed. The goal of this scenario is to find out which operational control mechanism is the best in case of a reduction of the work force.

In order to simulate this scenario, the reference value is not the result of the initial simulation. Since the initial situation simulates the average result of both time periods (during vacation period and outside vacation period), the best operation control mechanism can only be determined if simulating the vacation period and non-vacation period separately. The absence rules and numbers of application per period which have been simulated are displayed in the tables 4 to 6).

Period	Department	Absence of employees
During Vacation Period	Loan Processing	3
	Approval	1
Outside Vacation Period	Loan Processing	1

Table 4: Absence of Employees per Department (Scenario 3)

Weekday	Time	# of applications
Monday	11 am – 1 pm	1
	3 pm – 5 pm	1
Tuesday	8 am – 9 am	1
	2 pm – 3 pm	1
Wednesday	9 am – 4 pm	1
Thursday	12 pm – 2 pm	1
	5 pm – 7 pm	1
Friday	8 am – 9 am	1
	10 am – 2 pm	1

Table 5: Number of Loan Applications During Vacation Period (Scenario 3)

Weekday	Time	Number of applications
Monday	10 am – 12 am	1
	2 pm – 3 pm	1
	5 pm – 6 pm	1
Tuesday	9 am – 12 pm	1
	2 pm – 3 pm	1
	4 pm – 6 pm	1
Wednesday	8 am – 11 am	1
	12 pm – 1 pm	1
	4 pm – 5 pm	1
Thursday	9 am – 11 am	1
	12 pm – 3 pm	1
	5 pm – 8 pm	1
Friday	8 am – 10 am	1
	12 pm – 2 pm	1
	3 pm -4 pm	1

Table 6: Number of Loan Applications Outside Vacation Period (Scenario 3)

5.1.4 Scenario 4: Flu Epidemic

The decisive difference between this scenario and the vacation period is the fact that in case of a flu epidemic the process manager cannot control the number of employees remaining to process the loan applications, while during a vacation period a process manager can determine that e.g. only a maximum of 30% of the workforce is allowed to take leave. Therefore this scenario reflects an extreme situation in which the main goal is to keep the business running as good as possible and not to create dead ends. Hence this state of environment has the potential to cause a breakdown of the whole business service and is therefore in special interest of a process manager.

Since a flu epidemic can happen throughout the year, the number of processed loan application is the same as in the initial simulation. The scenario considers a case in which half of the working force of each department is sick. Table 7 lists the exact number of absent employees.

Department	Absence of employees
Loan Processing	6
Approval	1

Table 7: Absence of Employees per Department (Scenario 4)

5.2 Operational Control Mechanisms

A loan application process of a bank is a very complex production environment. Due to the possibility of back loops and the unpredictability of the order of process steps a loan application runs through, a process manager cannot determine beforehand the cycle time for a single loan application. In addition, the complexity increases due to the waiting lines for each process step. Mathematically speaking, for n orders waiting in line for processing, $n!$ possibilities of different orders of processing arise (Domschke/Drexl 2005).

In the following, the chosen concepts for short-term control and the reasoning for selecting them will be explained. The first four concepts can be assigned to sequencing of orders while the last two ones belong to dispatching of orders.

5.2.1 Shortest Operating Time

The first operational control mechanism implemented is the prioritisation rule ‘shortest operating time’ (SOT). By definition, SOT allocates the highest priority to the order in the waiting line of a process step with the shortest cycle time of a single process step. Dulger (1993) describes the rule as static and local, which tries to speed up the flow of the order through the production process and therefore minimizes the cycle time. This rule has been chosen since it is one of the most often applied in practice (Gierth 2007). It is also the prioritization rule, based on the experiment conducted by Hoss in (1965), with the best result in maximizing the capacity utilization and minimizing the cycle time. On the downside, it is also the worst prioritization rule in regard to scheduling variance. In case of a high and frequent input of orders into the process, orders with a very low priority will have an extreme long idle time causing a huge cycle time variance.

Not affected by the prioritization rule SOT are the departments ‘Assistant Executive Board’, ‘Executive Board’, and ‘Archive’. These departments are responsible for one process step in the loan application process only, leaving no room for improvement based on prioritization for the process manager. Furthermore, the departments ‘Internal Supplier’ and ‘External Supplier’ are also excluded from the operational control mechanism since the process manager cannot determine the sequencing of orders in departments he is not responsible for respectively for other companies. The same holds true for the department ‘Customers’ since the branch, its employees, and the end customer cannot be controlled by the process manager.

5.2.2 Due Date

The second prioritization rule implemented is called earliest due date (EDD). In this rule, orders are prioritized based on their due dates. The rule is very simple: The earlier the due date is, the higher is the priority (Shah et al., 2007). It is often used in practice to shorten the cycle time (Pinedo, 2005).

The rule is mostly used if a service has to be delivered up to a due date. In the case of a loan application process, no fix due date is existent. Customer do not get the information when the loan application will be processed. Rather, the information provided is a time range in which the order will be processed. Based on the different paths through the process, the possibility of back loops and the interaction necessary with the end customer to produce the service, the cycle time varies heavily from one loan application to another. In this context due dates are used to control the priority based on the cycle time elapsed for a single loan application. As a result of the initial simulation and the real data provided, the average cycle time is 18.215 days. In order to include outlier in the prioritization rule, the priority is set from 1 to 40, meaning that an application that takes more than the double of the average cycle time the rule will no longer be applied respectively the priority does not increase anymore. This figure has been chosen based on efficiency. Analyzing the results from the initial simulation, it can be stated that only very few loan applications exceed the threshold of 40 days. Therefore, the results of the simulation would not significantly change if implementing a higher number of priorities.

5.2.3 Bottleneck Analysis

In order to find the third operational control mechanism, a bottleneck analysis has been performed. By definition, a bottleneck is generally recognized as resources, machines, or utilities, which heavily limit the performance of a production system (Wang et al., 2005). A bottleneck analysis has been chosen since it tackles the problem of a production system, especially in combination with a discrete event simulation (Stanford-Smith et al., 2002). Furthermore, it is 'a key ingredient for improving the performance of the production network' (Wang et al., 2005).

Generally, a bottleneck occurs when the workload (e.g. required hours) increases relative to the capacity (available hours), leading to an incline of the time jobs wait in a queue (Hyer and Wemmerlöv, 2002). The bottleneck is the resource with the highest load-to-capacity ratio. Hence, there will always be a bottleneck in a process. It is important to find the bottleneck since it reduces the overall cycle time of the production system. Thus, a bottleneck directly influences the output of the production system. According to Hyer and Wemmerlöv (2002), bottlenecks can be identified by looking for the most utilized resource or machine in a process. Furthermore, an indication for a bottleneck can also be huge backlogs in an office or many unused containers of material waiting to be dispatched.

In order to find the bottleneck in the loan application process, the average cycle times of each process step has been analyzed. Therefore, the loan application process has been simulated a hundred times. Each time, the number of loan applications and the average cycle time per

process step have been collected. Afterwards the percentage of the time consumption of the average cycle time has been calculated. Table 8 shows an extract of the outcome of the bottleneck analysis.

Process Step	Count	Average cycle time (in hours)	Count * Average cycle time	Percentage
18_1_Pre-Check	130	197.57	25684.1	0.4672257
Rework Branch	50	146.71	7335.5	0.1334419
18_2_Pre-Check	35	196.73	6885.55	0.1252567
18_3_Pre-Check	16	206.27	3300.32	0.0600369
Talk with Customer	11	264.31	2907.41	0.0528894
Application Processing Branch	8	175.16	1401.28	0.025491
18_4_Pre-Check	8	161.52	1292.16	0.023506
Etc.				

Table 8: Bottleneck Analysis

As seen in table 8, the process step ‘18_1_Pre-Check’ consumes almost 50% of the total average cycle time. This figure has been calculated by multiplying the count of orders and the average cycle time per process step and dividing the result by 18.215 days, the overall average cycle time. One has to remember that adding the average cycle times per process step does not lead to the overall average cycle time since a loan application does not pass through all process steps, e.g. if a loan application does not need a back loop it can only be processed by one of the four process steps ‘18_Pre-Check’. It is important to multiply the average cycle times per process step with the count since process steps, which are consumed quite rarely but have high average cycle times, might consume less overall average cycle time than process steps which have a lower average cycle times but a higher count, e.g. ‘18_3_Pre-Check’ compared to ‘18_2_Pre-Check’.

By analyzing the results it can be seen that out of the seven process steps with the highest percentage four of them are process steps ‘18_1-4_Pre-Check’ and three are process steps involving the customer. As mentioned before, a process manager does not have by definition the possibility to control the process steps involving the customer. Hence, the bottleneck analysis highlights impressively that the process step ‘18_Pre-Check’ increases the average cycle time heavily and therefore has to be improved.

In the literature, many approaches can be found to reduce a bottleneck. The probably most effective method is to increase the capacity (e.g. buy another machine or hire new employees) or to redesign the process in order to avoid the bottleneck (Anderson, 2007). Since this approach is by definition a strategic consideration, it cannot be used for operational process control. Another technique suggested by Anderson is to optimize the process by maximizing the condition for the resource. This can either be done by using the existing staff to reduce the

bottleneck or by optimizing the sequence of orders. Since using existing staff is a strategic technique as well, a process manager can only reduce the bottleneck by changing the sequence of orders or by an optimal allocation of resources.

In the case at hand, the process step '18_Pre-Check' is done by the department 'Precheck'. Due to the fact that only one resource is allocated to the department, the option of improving the allocation of resources can be abolished. The only operational control mechanism a process manager has in order to reduce the overall cycle time is to find the optimal sequence of orders. As already described previously, a very efficient way of sequencing orders is by allocating the resources to orders based on the average cycle time. For such a situation, the literature suggests the prioritization rule SOT. Nevertheless, based on the finding from the real data, there are more loan applications with the characteristics of consuming the highest average cycle time. In this special case logic dictates that it might be useful to process the loan applications with the highest average cycle time first in order to avoid the building up of a huge waiting line which increases the overall process time.

Hence, two operational control mechanisms have been implemented and tested. The first one sequences the order based on the shortest cycle time, called 'shortest first' and the second one based on the longest cycle time, called 'longest first', in process step '18_Pre-Check'.

5.2.4 Result Analysis

The next operational control mechanism has been found by analyzing the output data of the initial simulation. As mentioned above, the average cycle time per loan application is 18.215 days. Depending on the arrival day, this means that two to three weekends, on which no processing of loan application is done, elapse. Therefore the outcome of the result analysis is to find a way to reduce the number of weeks in order to decline the total cycle time.

The reduction of weekends used can be achieved by prioritizing the loan application orders based on their arrival date. By prioritizing the orders higher at the beginning of the week, e.g. priority one for loan application orders arriving Mondays and priority five for those arriving on Fridays, the chances rise that most of the order are processed without exceeding the second weekend. On the downside, loan application order arriving at the end of the week will probably have a longer cycle time then before due to the low priority.

5.2.5 Predetermined Time Slots

In a bank as in every other company, employees have to do a series of different tasks. Only in very rare cases, employees are assigned to a single task or a single process. If taking the example of a pre-checker in the loan application process, his primary task is to precheck loan applications but he also has to do some administrative work. A more extreme example is the department 'Executive Board', whose only task in the loan application process is to approve loans but the majority of his tasks are unrelated to the loan application process, such as representing the bank, developing strategic options, etc. Hence, an employee does not spend 100% of his working hours on just one task. Therefore, the time available for the loan application process mismatches the office hours. Furthermore an employee does not drop everything

when a loan application arrives; the order is not processed immediately but has to wait until the employee finishes his previous work. The time between the arrival of the order and the processing by the employee is called ‘response time’. Therefore, one has to take in consideration, if thinking about the number of employees assigned to a process respectively department, that the time spent in the bank and the time spent for the loan application process might differ immensely.

The idea behind the operational control mechanism ‘Predetermined Time Slots’ is to change the structure of the schedule. While in the initial schedule employees have to process arriving loan application orders ad hoc (with a response time up to 25 minutes), predetermined time slots are set in which no other tasks than working on the loan application process is done. The advantage of such a schedule is that employees can concentrate on one task and that arriving orders skip the response time. On the downside, if an order arrives at a time that mismatches the predetermined time slots, the waiting time might be longer than in the initial setup.

Therefore, it is important to determine the time slots in which most of the loan applications arrive. Since most of them arrive later in the day, the time slots have been set at the end of the day, too. In order to calculate the timeframe which can be fixed for the loan application process, the time available (in percentage) has been calculated into hours. A list of the predetermined time slots can be found in table 9 and 10.

Day	Office Hours	Availability	Predetermined Time Slot
Monday	8:30 am – 12:30 pm 1:15 pm – 6 pm	5%	5:33 pm – 6 pm
Tuesday	8:30 am – 12:30 pm 2 pm – 4:30 pm	5%	4:10 pm – 4:30 pm
Wednesday	8:30 am – 12:30 pm 2 pm – 4:30 pm	5%	4:10 pm – 4:30 pm
Thursday	8:30 am – 12:30 pm 2 pm – 6 pm	5%	5:36 pm – 6 pm
Friday	8:30 am – 12:30 pm 2 pm – 4:30 pm	5%	4:10 pm – 4:30 pm

Table 9: Implementation of Predetermined Time Slots (Departments: Assistant Executive Board and Executive Board)

Day	Office Hours	Availability	Predetermined Time Slot
Monday	8:30 am – 12:30 pm 1:15 pm – 6 pm	85%	9:48 am – 12:30 pm 1:15 pm – 6 pm
Tuesday	8:30 am – 12:30 pm 1:15 pm – 4:30 pm	85%	9:35 am – 12:30 pm 1:15 pm – 4:30 pm
Wednesday	8:30 am – 12:30 pm 1:15 pm – 4:30 pm	85%	9:35 am – 12:30 pm 1:15 pm – 4:30 pm
Thursday	8:30 am – 12:30 pm 1:15 pm – 6 pm	85%	9:48 am – 12:30 pm 1:15 pm – 6 pm
Friday	8:30 am – 12:30 pm 1:15 pm – 4:30 pm	85%	9:35 am – 12:30 pm 1:15 pm – 4:30 pm

Table 10: Implementation of Predetermined Time Slots (Departments: Precheck, Loan Processing, Approval)

As shown in table 9, the executive board and executive assistant spent only little time working on the loan application process. In this case it might be better for those two departments to work, as in the initial setup, on an ad hoc base. Therefore the operational control mechanism has been implemented with two varieties. In the first one, all departments are assigned to the new time schedule as shown in table 9 and 10. The mechanism is called ‘Predetermined Time Slots incl. Executive Board’. In the second one, only the departments which spent the majority of the day working on the loan application process are assigned to the new time schedule, untouched the departments ‘Executive Board’ and ‘Assistant Executive Board’, called ‘Predetermined Time Slots excl. Executive Board’.

5.2.6 Shift Schedule

The operational control mechanism ‘Shift Schedule’ is an evolution of the previous control mechanism. As described above, the weak point of the control mechanism ‘Predetermined Time Slots’ is that if a loan application arrives in the early morning, the order has to wait long until a resource starts processing it. In order to eliminate this problem, a shift schedule can be implemented to cover most of the working hours. According to Gärtner et al. (2008), shift schedule can have huge positive economical impacts on a company. Although covering most of the working hours, the drawback of the idea is that the number of employees who are able to process loan applications is reduced since at least two shifts are necessary to cover the working hours.

In order to be able to implement a shift schedule, logic dictates that at least 2 employees have to be in the same department respectively having the same tasks. Since one resource is assigned to the departments ‘Assistant Executive Board’, ‘Executive Board’, and ‘Precheck’ only, a shift schedule can only be implemented for the departments ‘Loan Processing’ and ‘Approval’. By looking at the average distribution of arriving loan application, the allocation of employees to the time shifts has been defined. Table 11 gives an overview of the implemented shift schedule.

Day	Office Hours (Shift 1)	Number of staff (Loan Processing / Approval)	Office Hours (Shift 2)	Number of staff (Loan Processing /Approval)
Monday	9:48 am – 12:30 pm 1:15 pm – 6 pm	7/1	8:30 am – 12:30 pm 1:15 pm – 4:41 pm	5/1
Tuesday	9:35 am – 12:30 pm 1:15 pm – 4:30 pm	7/1	8:30 am – 12:30 pm 1:15 pm – 3:24 pm	5/1
Wednes- day	9:35 am – 12:30 pm 1:15 pm – 4:30 pm	7/1	8:30 am – 12:30 pm 1:15 pm – 3:24 pm	5/1
Thursday	9:48 am – 12:30 pm 1:15 pm – 6 pm	7/1	8:30 am – 12:30 pm 1:15 pm – 4:41 pm	5/1
Friday	9:35 am – 12:30 pm 1:15 pm – 4:30 pm	7/1	8:30 am – 12:30 pm	5/1

			1:15 pm – 3:24 pm	
--	--	--	-------------------	--

Table 11: Shift Schedule

As done for operational control mechanism ‘Predetermined Time Slots’, two versions of this control mechanism have been implemented. Since the departments ‘Assistant Executive Board’, ‘Executive Board’, and ‘Pre-Check’ cannot be transferred to a shift schedule due to the minimum number of personnel, the same question has to be asked: Is it better to assign a fixed time slot to those departments that should work ad hoc, as it is implemented in the initial situation? Therefore, the first version does not touch the setup of the departments, meaning that they still work ad hoc with a defined response time up to 25 minutes. This version is called ‘Restricted Shift Schedule’. In the second version, these departments are assigned to the same schedule as implemented in operational control mechanism ‘Predetermined Time Slots’, called ‘Shift Schedule’.

6 Simulation of Concepts for Operation Control

6.1 Initial Situation

In the first simulation run, the operational control mechanisms have been tested with the scenario of the initial situation. As shown in table 12, all implemented operational control mechanisms reduced the average cycle time. While the control mechanism ‘Predetermined Time Slots’ and ‘Shift Schedule’ (in all their versions) reduced the average cycle time by approximately one day only, the ‘Result Analysis’ reduced the average cycle time by almost seven days. All the reductions were mainly achieved by reducing extreme outliers, which is proven by the reduction of the standard deviation. By reducing the outliers and processing the loan applications more efficiently, the median has been reduced up to half a day.

Concepts for short-term control		Cycle time (in Days)			Processing Costs (in €)			Processed Orders
Mechanism	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean
Initial Situation		18.22	7.46	34.50	207.78	178.98	176.20	121.10
Shortest Operating Time		13.12	7.06	21.70	194.59	177.98	83.33	109.76
Earliest Due Date		15.40	7.45	28.44	213.77	181.03	281.80	110.40
Bottleneck Analysis	Longest First	13.39	7.20	20.76	202.18	177.18	171.66	117.08
	Shortest First	13.68	7.19	23.44	204.00	177.78	139.68	108.00
Result Analysis		11.36	7.00	15.05	196.59	178.18	76.32	115.15
Pre-determined Time Slots	Incl. Executive Board	17.14	7.70	29.93	212.27	178.59	251.77	117.01
	Excl. Executive Board	16.69	7.64	27.72	201.27	177.84	117.29	119.40
Shift Schedule	NR restriction	16.63	7.67	29.11	200.54	180.06	123.16	119.16
	Restricted Shift Schedule	16.99	7.63	30.37	202.93	179.45	111.88	119.46

Table 12: Results of the initial situation

The control mechanisms, which have the most success in reducing the average cycle time, are the worst in the average of processed orders. While in the initial process, an average of 121.1 loan applications have been processed, the application of the control mechanism ‘Bottleneck

Analysis – Shortest First’ resulted in an average processing of only 108 loan applications. The overall picture shows that by applying prioritization rules (Result Analysis, Bottleneck Analysis, SOT, EDD) the amount of processed loan applications is reduced. This effect is mainly caused by the fact that loan applications with a low priority might stuck in the process leading to a relatively low number of loan applications processed (due to the lead time of 10 months for the simulation, many orders with low priority can be generated and not being processed). Hence, the assumption made in section 5.2.1 that prioritizing orders will reduce the throughput rate has been proven.

Furthermore, the lowest processing costs have been achieved by applying the ‘Shortest Operating Time’ and the ‘Result Analysis’, reducing the average costs per piece by approximately €13. The decline has mainly been caused by reducing the standard deviation which can be proven by the fact that the median of all operational control mechanisms are nearly the same. One exception is the control mechanism ‘Earliest Due Date’, which increased the average cycle time due to the increase of outliers (increase of standard deviation by more than €100).

6.2 Scenario 1: Increase of Loan Applications

The effect of an increase of loan applications has been tested in the second simulation run. In the initial situation, the average cycle time has been 33.14 days, average processing costs have been € 230.26 and on average 189.3 loan applications have been processed in 1000 simulations.

In this scenario, the best operational control mechanism in regard to average cycle time is the ‘Result Analysis’, reducing the same to 17.92 day, a reduction of 46%! Also, both versions of the ‘Bottleneck Analysis’ and the mechanism ‘Shortest Operating Time’ reduce the average cycle time immensely. Obviously, if looking at the ‘Bottleneck Analysis’, it does not really matter if processing loans with the longest or shortest cycle time first, since mean, median and standard deviation are nearly the same, as long as they are ordered the cycle time can be reduced. Furthermore, this result shows clearly that process step 18 has an overwhelming impact on the processing time since the results of the mechanisms ‘Shortest Operating Time’ and ‘Bottleneck Analysis’ are nearly the same. The difference between those mechanisms is that in SOT, orders are prioritized in each process step while in the mechanism ‘Bottleneck Analysis’, orders are only prioritized in the bottleneck (process step 18). If applying the control mechanisms ‘Predetermined Time Slots’ and ‘Shift Schedule’, standard deviation increases. The control mechanism ‘Restricted Shift Schedule’ inclines mean, median, and standard deviation.

The most expensive control mechanism is ‘Predetermined Time Slots – Excluding Executive Board’ (€267.74) with a standard deviation of €726.31. The cheapest one is ‘Shortest Operating Time’. The standard deviation has been reduced enormously compared to the initial situation (€75.21 to €365.32). Also the results of the ‘Bottleneck Analysis’ are very good. The big difference of the standard deviation of the two control mechanisms ‘Bottleneck Analysis – Longest First’ and ‘Bottleneck Analysis – Shortest First’ (€87.78 to €164.93) are caused by a few very extreme outliers which distort the result.

Again, all prioritization rules reduce the number of processed orders. The control mechanism ‘Bottleneck Analysis – Shortest First’ is able to process 24 orders less compared to the initial setup and the control mechanisms ‘Predetermined Time Slots’ and ‘Shift Schedule’.

Concepts for short-term control		Cycle time (in Days)			Processing Costs (in €)			Processed Orders
Mechanism	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean
Initial Situation		33.14	11.03	47.83	230.26	182.80	365.32	189.30
Shortest Operating Time		21.93	8.48	32.19	195.70	179.40	75.21	170.20
Earliest Due Date		28.65	10.43	43.71	226.66	186.96	319.56	171.06
Bottleneck Analysis	Longest First	22.71	9.02	36.06	197.70	181.22	87.78	176.33
	Shortest First	22.06	8.62	31.06	203.00	178.45	164.93	165.22
Result Analysis		17.92	8.31	22.72	201.36	182.14	120.20	184.24
Pre-determined Time Slots	Incl. Executive Board	32.67	10.87	48.67	230.11	184.30	411.90	189.71
	Excl. Executive Board	33.68	10.92	48.66	268.74	184.36	726.31	189.26
Shift Schedule	No Restriction	32.59	10.76	48.50	230.50	184.33	365.16	189.10
	Restricted Shift Schedule	34.76	11.14	47.92	219.89	182.93	364.31	189.04

Table 13: Results of Scenario 'Increase of Loan Applications'

6.3 Scenario 2: Decrease of Loan Applications

In the next scenario, the impacts of a decrease of loan applications have been simulated and the operational control mechanisms have been tested. All control mechanisms have been able to undercut the cycle time of the initial situation (9.94 days) and the average processing costs (with the exception of ‘Predetermined Time Slots – Incl. Executive Board’).

The best operational control mechanism in regard to average cycle time is the ‘Result Analysis’ with an average of 7.36 days. This result is caused by a big reduction in the standard deviation. Generally, the median of all control mechanisms are very close, indicating that the less loan applications arrive, the less impact does a control mechanism have.

The same holds true for the number of processed orders. While the maximum number of loan applications can be processed in the initial situation, the impact of applying prioritization rules on the number of processed loan application is little. The reason is that if only a few new orders arrive the chances increase that orders with a low priority are processed as well.

Due to the little number of loan applications, the cheapest way of processing is done by implementing a shift schedule. For this control mechanism, the cycle time lacks one processing day in average compared to the best operational control mechanism and it also has the second highest number of processed orders and a very low processing costs standard deviation (€97.86). Nevertheless, the median processing costs are very close for all operational control mechanisms.

Concepts for short-term control		Cycle time (in Days)			Processing Costs (in €)			Processed Orders
Mechanism	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean
Initial Situation		9.94	5.99	19.98	204.77	172.52	212.14	52.84
Shortest Operating Time		7.65	5.98	8.68	197.04	173.96	106.57	50.26
Earliest Due Date		8.21	6.08	13.96	196.14	172.19	136.08	49.96
Bottleneck Analysis	Longest First	7.56	6.03	8.33	189.81	172.30	65.60	51.55
	Shortest First	7.61	5.94	9.86	193.47	173.05	110.66	50.45
Result Analysis		7.36	5.85	7.92	194.74	172.35	100.69	51.33
Pre-determined Time Slots	Incl. Executive Board	8.47	6.14	10.62	206.63	173.23	287.89	52.20
	Excl. Executive Board	8.93	6.09	12.66	199.75	171.62	162.57	52.05
Shift Schedule	No Restriction	8.39	6.11	12.54	189.45	170.44	97.86	52.23
	Restricted Shift Schedule	8.97	6.23	15.18	204.02	171.81	142.70	52.08

Table 14: Results of Scenario 'Decrease of Loan Applications'

6.4 Simulation 4: Vacation Period

In the first scenario (outside vacation period), all implemented operational control mechanisms reduced the average cycle time (Table 15). The ‘Result Analysis’ declined the average cycle time from 21.48 days to 10.39 days. In addition, every control mechanisms reduced the median and standard deviation. All versions of ‘Predetermined Time Slots’ and ‘Shift Schedule’ have the worst results. The results of average processing costs are comparable to those for the average cycle time. Again all operational control mechanisms reduced the mean, median, and standard deviation of the processing costs. The best results have been achieved by implementing the ‘Result Analysis’, reducing e.g. the mean by approximately €32 and the standard deviation by €315! The number of processed orders is again reduced if applying prioritization rules (‘Shortest Operating Time’, ‘Earliest Due Date’, and ‘Bottleneck Analysis’).

Concepts for short-term control		Cycle time (in Days)			Processing Costs (in €)			Processed Orders
Mechanism	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean
Initial Situation		21.48	7.79	40.25	227.20	180.24	376.94	126.65
Shortest Operating Time		12.25	7.17	18.54	198.52	177.12	149.35	117.17
Earliest Due Date		15.68	7.39	26.07	213.81	180.03	255.44	118.76
Bottleneck Analysis	Longest First	14.04	7.17	23.08	207.80	178.04	223.82	122.53
	Shortest First	13.27	7.10	21.09	200.02	176.04	152.72	115.75
Result Analysis		10.39	6.97	12.08	195.45	178.99	62.02	122.33
Pre-determined Time Slots	Incl. Executive Board	17.88	7.69	27.93	204.21	179.26	143.18	125.31
	Excl. Executive Board	17.65	7.74	29.88	203.99	178.58	121.36	125.98
Shift Schedule	No Restriction	20.33	7.81	36.93	225.51	180.55	348.30	128.89
	Restricted Shift Schedule	17.58	7.51	31.31	208.95	178.88	187.08	124.55

Table 15: Results of Scenario ‘Outside Vacation Period’

In the second scenario for the simulation of a vacation period, the operational control mechanisms ‘Predetermine Time Slots’ and ‘Shift Schedule’ do not reduce the average cycle time (Table 16). Due to the reduction of staff, implementing a shift schedule of defined time slots

worsens the situation. Although the ‘Result Analysis’ leads to the best result in regard to mean, median, and standard deviation of the cycle time, the reduction, especially for the median, is marginal. The same holds true for the processing costs. Here, the cheapest way of processing loan applications is by implementing the mechanism ‘Shortest Operating Time’. Nevertheless, the differences in regard to the median are negligible. In addition, no huge differences can be seen for the number of processed orders. An exception to the rule is the control mechanism ‘Shortest Operating Time’, which reduces the number of processed orders by 4.5.

Concepts for short-term control		Cycle time (in Days)			Processing Costs (in €)			Processed Orders
Mechanism	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean
Initial Situation		12.17	6.81	22.89	213.40	179.96	354.14	78.33
Shortest Operating Time		9.53	6.59	13.78	198.75	178.68	92.81	72.78
Earliest Due Date		10.86	6.86	17.54	204.93	181.63	127.85	76.04
Bottleneck Analysis	Longest First	9.85	6.70	14.25	204.19	177.74	290.41	75.99
	Shortest First	10.01	6.62	15.75	202.02	178.70	155.32	74.74
Result Analysis		9.66	6.51	14.96	200.91	179.62	89.85	75.27
Pre-determined Time Slots	Incl. Executive Board	12.32	7.01	22.17	206.29	181.21	114.34	79.60
	Excl. Executive Board	12.58	6.95	25.16	207.55	179.08	171.35	77.71
Shift Schedule	No Restriction	12.24	6.89	22.08	227.27	181.56	555.81	77.04
	Restricted Shift Schedule	12.31	6.98	21.98	206.78	179.99	160.93	77.67

Table 16: Results of Scenario 'During Vacation Period'

By comparing the results of the scenario ‘During Vacation Period’ and ‘Outside Vacation Period’, one can see that the ‘Results Analysis’ delivers the best results in all investigated figures. Furthermore, the control mechanisms ‘Predetermined Time Slots’ and ‘Shift Schedule’ should only be implemented if a sufficient number of staff is available. Although the mean of cycle time almost doubles in the initial situation between both scenarios, the cycle time median changes by only one day. This implies that extreme outliers are mainly caused if the amount of arriving loan applications rise. As expected, the average processing cost re-

mains nearly the same for both scenarios. Since the increase of cycle time is mainly due to an incline of waiting time and not working time (for which the resources are paid for), the mean, median, and standard deviation of the processing cost should remain close.

6.5 Simulation 5: Flu Epidemic

The last scenario simulated is a flu epidemic (Table 17), in which the number of arriving loan applications is unchanged but the number of staff is reduced to its half (per department). In such a scenario, the initial process has processed an average of 117.98 loans with an average cycle time of 18.34 days, leading to an average cost of €208.73. Besides the control mechanism ‘Shift Schedule’, all operational control mechanisms reduced the average cycle time. Since the median increase by almost 4 days compared to the initial situation (7.61 days) and the standard deviation remains nearly the same, it can be stated that in such a situation the amount of employees is just too little to implement a shift schedule.

Concepts for short-term control		Cycle time (in Days)			Processing Costs (in €)			Processed Orders
Mechanism	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean
Initial Situation		18.34	7.61	33.64	208.73	178.67	177.04	117.98
Shortest Operating Time		12.90	7.18	22.27	195.09	177.76	103.51	110.10
Earliest Due Date		15.67	7.54	26.52	206.31	179.79	115.81	110.95
Bottleneck Analysis	Longest First	12.68	7.23	18.19	202.57	178.46	164.23	115.15
	Shortest First	13.79	7.26	21.51	195.49	175.62	116.31	109.59
Result Analysis		11.10	7.02	12.97	196.57	178.42	65.42	115.72
Pre-determined Time Slots	Incl. Executive Board	16.06	7.44	29.73	199.57	178.86	102.54	118.46
	Excl. Executive Board	16.76	7.55	30.44	211.97	178.82	282.50	118.44
Shift Schedule	No Restriction	21.12	11.38	31.43	201.97	178.92	90.42	119.43
	Restricted Shift Schedule	17.53	7.72	28.30	207.45	178.65	187.59	118.54

Table 17: Results of Scenario 'Flu Epidemic'

The best results with regard to processing can be achieved via the control mechanism 'Result Analysis', which reduces the average cycle time by more than 7 days. Also the median is reduced by 0.59 days and standard deviation can be declined by 21 days. Furthermore, the control mechanisms 'Shortest Operating Time' and both versions of the 'Bottleneck Analysis' achieve very good results in regard to the mean, median and standard deviation of the cycle time. Besides the control mechanism 'Predetermined Time Slots – Excl. Executive Board', all control mechanisms reduce the average processing costs. Although the median are very close for each control mechanism, the standard deviation varies heavily ('Result Analysis': €65.42 and 'Predetermined Time Slots – Excl. Executive Board': €282.5). The cheapest mechanism is the implementation of the prioritization rule 'Shortest Operating Time', which also processed the least loan applications.

7 Discussion of Results

In this section, the simulation results are discussed. All simulation results have been collected in one table per investigated parameter (cycle time, processing costs, and processed orders). The results are documented in the Tables 18, 19, and 20.

Concepts for short-term control		Initial Situation			Increase of Loan Applications			Decrease of Loan Applications			Outside Vacation Period			During Vacation Period			Flu Epidemic		
Concept	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation
Initial Situation		18.22	7.46	34.50	33.14	11.03	47.83	9.94	5.99	19.98	21.48	7.79	40.25	12.17	6.81	22.89	18.34	7.61	33.64
Shortest Operating Time		13.12	7.06	21.70	21.93	8.48	32.19	7.65	5.98	8.68	12.25	7.17	18.54	9.53	6.59	13.78	12.90	7.18	22.27
Earliest Due Date		15.40	7.45	28.44	28.65	10.43	43.71	8.21	6.08	13.96	15.68	7.39	26.07	10.86	6.86	17.54	15.67	7.54	26.52
Bottleneck Analysis	Longest First	13.39	7.20	20.76	22.71	9.02	36.06	7.56	6.03	8.33	14.04	7.17	23.08	9.85	6.70	14.25	12.68	7.23	18.19
	Shortest First	13.68	7.19	23.44	22.06	8.62	31.06	7.61	5.94	9.86	13.27	7.10	21.09	10.01	6.62	15.75	13.79	7.26	21.51
Result Analysis		11.36	7.00	15.05	17.92	8.31	22.72	7.36	5.85	7.92	10.39	6.97	12.08	9.66	6.51	14.96	11.10	7.02	12.97
Pre-determined Time Slots	Incl. Executive Board	17.14	7.70	29.93	32.67	10.87	48.67	8.47	6.14	10.62	17.88	7.69	27.93	12.32	7.01	22.17	16.06	7.44	29.73
	Excl. Executive Board	16.69	7.64	27.72	33.68	10.92	48.66	8.93	6.09	12.66	17.65	7.74	29.88	12.58	6.95	25.16	16.76	7.55	30.44
Shift Schedule		16.63	7.67	29.11	32.59	10.76	48.50	8.39	6.11	12.54	20.33	7.81	36.93	12.24	6.89	22.08	21.12	11.38	31.43
	Restricted Shift Schedule	16.99	7.63	30.37	34.76	11.14	47.92	8.97	6.23	15.18	17.58	7.51	31.31	12.31	6.98	21.98	17.53	7.72	28.30

Table 18: Overall Simulation Results - Cycle time (in days)

Table 19: Overall Simulation Results - Processing costs (in €)

Concepts for short-term control		Initial Situation			Increase of Loan Applications			Decrease of Loan Applications			Outside Vacation Period			During Vacation Period			Flu Epidemic		
Concept	Version	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation	Mean	Median	Standard Deviation
Initial Situation		207.78	178.98	176.20	230.26	182.80	365.32	204.77	172.52	212.14	227.20	180.24	376.94	213.40	179.96	354.14	208.73	178.67	177.04
Shortest Operating Time		194.59	177.98	83.33	195.70	179.40	75.21	197.04	173.96	106.57	198.52	177.12	149.35	198.75	178.68	92.81	195.09	177.76	103.51
Earliest Due Date		213.77	181.03	281.80	226.66	186.96	319.56	196.14	172.19	136.08	213.81	180.03	255.44	204.93	181.63	127.85	206.31	179.79	115.81
Bottleneck Analysis	Longest First	202.18	177.18	171.66	197.70	181.22	87.78	189.81	172.30	65.60	207.80	178.04	223.82	204.19	177.74	290.41	202.57	178.46	164.23
	Shortest First	204.00	177.78	139.68	203.00	178.45	164.93	193.47	173.05	110.66	200.02	176.04	152.72	202.02	178.70	155.32	195.49	175.62	116.31
Result Analysis		196.59	178.18	76.32	201.36	182.14	120.20	194.74	172.35	100.69	195.45	178.99	62.02	200.91	179.62	89.85	196.57	178.42	65.42
Pre-determined Time Slots	Incl. Executive Board	212.27	178.59	251.77	230.11	184.30	411.90	206.63	173.23	287.89	204.21	179.26	143.18	206.29	181.21	114.34	199.57	178.86	102.54
	Excl. Executive Board	201.27	177.84	117.29	268.74	184.36	726.31	199.75	171.62	162.57	203.99	178.58	121.36	207.55	179.08	171.35	211.97	178.82	282.50
Shift Schedule	No Restrictions	200.54	180.06	123.16	230.50	184.33	365.16	189.45	170.44	97.86	225.51	180.55	348.30	227.27	181.56	555.81	201.97	178.92	90.42
	Restricted Shift Schedule	202.93	179.45	111.88	219.89	182.93	364.31	204.02	171.81	142.70	208.95	178.88	187.08	206.78	179.99	160.93	207.45	178.65	187.59

Concepts for short-term control		Initial Situation	Increase of Loan Applications	Decrease of Loan Applications	Outside Vacation Period	During Vacation Period	Flu Epidemic
Concept	Version	Mean	Mean	Mean	Mean	Mean	Mean
Initial Situation		121.10	189.30	52.84	126.65	78.33	117.98
Shortest Operating Time		109.76	170.20	50.26	117.17	72.78	110.10
Earliest Due Date		110.40	171.06	49.96	118.76	76.04	110.95
Bottleneck Analysis	Longest First	117.08	176.33	51.55	122.53	75.99	115.15
	Shortest First	108.00	165.22	50.45	115.75	74.74	109.59
Result Analysis		115.15	184.24	51.33	122.33	75.27	115.72
Pre-determined Time Slots	Incl. Executive Board	117.01	189.71	52.20	125.31	79.60	118.46
	Excl. Executive Board	119.40	189.26	52.05	125.98	77.71	118.44
Shift Schedule	No Restrictions	119.16	189.10	52.23	128.89	77.04	119.43
	Restricted Shift Schedule	119.46	189.04	52.08	124.55	77.67	118.54

Table 20: Overall Simulation Results - Processed Orders

Every mechanism for short-term control reduces the average cycle time. While the control mechanisms ‘Shortest Operating Time’, ‘Earliest Due Date’, ‘Bottleneck Analysis’, and ‘Result Analysis’ reduce the cycle time independently from the amount of incoming loan applications and the number of staff available, an implementation of a shift schedule can only be suggested if the number of personnel remains the same.

The best results can be achieved with the operational control mechanism ‘Result Analysis’. In all scenarios, the implementation of the control mechanism leads to the best figures in regard to mean, median, and standard deviation of the cycle time. Obviously, prioritizing orders according to the arrival date in order to structure the processing of loans and to avoid the idle time of weekends, especially the extreme outliers can be successfully reduced. Furthermore, very good results can be achieved by prioritizing orders based on their operating time. Both control mechanisms applying this idea (‘Shortest Operating Time’ and ‘Bottleneck Analysis’) reduce mean, median, and standard deviation significantly. It is interesting to highlight that both control mechanisms get nearly the same results, although the ‘Bottleneck Analysis’ prioritizes orders in one process step only (process step 18_Pre-Check) while the rule ‘Shortest Operating Time’ forces one to prioritize orders in each process step. Hence, the process step 18_Pre-Check is of enormous importance if trying to reduce the average cycle time.

Furthermore, it obviously does not matter if structuring orders according to the longest or the shortest operating time. Both versions of the ‘Bottleneck Analysis’ nearly get the same results throughout all scenarios. Therefore, the assumption can be made that the most important task is, after finding the bottleneck, to find a way how to structure the processing order. An unstructured processing of orders leads to huge standard deviations and therefore increases the average cycle time.

Another finding is that the sequencing of orders leads to better results (in regard to cycle time) than changing the dispatching of orders. Although the control mechanisms categorized as ‘dispatching of orders’ (‘Predetermined Time Slots’ and ‘Shift Schedule’) reduce the cycle time as well, since the biggest problem of a huge standard deviation is not as efficiently reduced as done by the control mechanisms categorized as ‘sequencing the orders’, the later should be the preferred operational control mechanism. Also, nearly the same results can be achieved if defining predetermined time slots in which employees can fully concentrate on the tasks for the loan application process or if the work is done on an ad-hoc base, meaning that they change constantly from task for the loan application process and other tasks, such as administrative ones. Since the control mechanism ‘Shift Schedule’ has been a theoretical evolution of the ‘Predetermined Time Slot’, the same reasoning can be applied.

A very interesting fact can be found by comparing the results of scenario ‘Initial Situation’ and ‘Flu Epidemic’ in which the amount of incoming loan applications are the same and only the number of employees are reduced to half per department. Since the average cycle time remains nearly the same per operational control mechanism and scenario, the only logical conclusion is that the process is overstaffed, meaning that the same cycle time can be achieved by less employees. This means that these employees can be used more efficiently for other tasks within the bank.

It can be stated that by increasing the number of incoming loan applications, the standard deviation and therefore the extreme outliers increase leading to a higher average cycle time.

The processing costs have to be evaluated in the context of the number of processed loan applications. Since costs only arise if employees are working on the loan application, the average costs theoretically should not change by increasing or decreasing the amount of processed orders. Nevertheless it can be said that by increasing the number of loan applications, the chances of rework, back loops, etc. increase too, leading to an incline of the standard deviation respectively an increase of the average processing costs. Since all operational control mechanisms, which change the sequence of orders, tend to process less loan application and also reduce the standard deviation, the costs can be reduced partly immensely (up to €35 per loan application). A reason for this can be that long lasting and complex loan applications are assigned to a lower priority and therefore the easier and faster loan applications are processed first. Since the control mechanisms that change the dispatching of order do not change the sequencing, nearly the same amount of loan applications can be processed. Nonetheless, these control mechanisms tend to reduce the standard deviation as well leading to a decline in average processing costs.

The difference in the average processing costs has probably its reasoning in the setup of the simulation. If theoretically extending the simulation time horizon to infinity, the same amount of loans should be processed and since the costs are assigned to the working hours, which have not been changed by the operational control mechanisms, the costs should assimilate. Therefore, if looking at a short-time horizon, costs can be a parameter which should be taken in consideration if deciding for one operational control mechanism or another. For long term decisions other - strategic - instruments should be used.

8 Conclusion

Financial service processes are characterised by customer integration. The customer integration leads to long internal waiting times as the production plan is disturbed. Within this paper the effect of concepts for short-term control to deal with this situation are evaluated. The approach of a virtual process laboratory based on business process simulation was applied. The focus was hereby directed on cycle time, processing costs and number of processed orders for each concept in the different scenarios. The results have been compared to the initial situation and with each other.

In order to get realistic and representative results, each operational control mechanism had to be simulated in each scenario a thousand times. By using a lead time of 10 months and only measuring the last 2 months of a year, an actual state of the system could be simulated. Due to the complexity and size of the simulation model, one simulation run (covering a thousand simulations) took between 60 minutes to 90 minutes. The most important findings of the performed experiments are:

- Independent from any scenario the cycle time median is much lower than the mean, leading to the conclusion that especially extreme outliers have to be reduced by operational control mechanisms.
- All implemented operational control mechanisms reduced the average cycle time for at least one scenario.
- Although the reduction of the cycle time median has been only a little, the mean has been reduced immensely by reducing the standard deviation.
- Changes in the sequencing of orders reduced the average cycle time more than changing the dispatching of orders.
- By implementing the findings of the operational control mechanism 'Result Analysis', the best results in regard to the mean, median, and standard deviation of the cycle time can be achieved.
- The operational control mechanisms 'Shortest Operating Time' and 'Bottleneck Analysis' get nearly the same results, leading to the conclusion that since the outcome of the bottleneck analysis is the implementation of the prioritization rule shortest operating time in only one process step (18_Pre-Check), that this process step is of enormous importance for the reduction of the cycle time.
- Since nearly the same cycle times can be achieved with fewer employees, the loan application process is overstaffed.
- By implementing prioritization rules based on the operating time, less and less complex orders are being processed first reducing the average processing cost in the short-term.

Summarizing the findings it can be stated that there are many possible operational control mechanisms which can be applied to reduce the cycle time and processing costs for each scenario. A process manager should deepen his knowledge and should make preparations in case he has to operationally influence a service process. Due to the volatility of the banking environment, such changes are very likely and therefore increase the need of an early planning and preparation. A process manager should see the advantage of such research activities in order to transform the findings to his own process, simulate them and draw the right conclusion.

However, some limitations should be taken into account. The behaviour of the end customer has not been investigated. The incoming orders have been taken from the real data. Finding a way of planning and structuring incoming orders is a very interesting field of research which would probably lead to better and more accurate results. Although measuring and analyzing the processing of loan applications based on cycle time and costs, the quality of the processed loan applications has not been taken into consideration. Although knowing that quality is very difficult to measure, one approach could be to measure the amount of rework and back loops needed to process the orders. Therefore, it is essential to also investigate operational control

mechanisms which are able to reduce the working time. Since this paper concentrates on the reducing of the waiting time only, the next step would be to reduce operationally the working time in each process step. A further aspect which has been neglected in the simulation conducted is the validation of the simulated results. Finding a method respectively approach which supports the validity and integrity of the results would increase the acceptance from practitioners. The evaluation of the operational control mechanisms has been conducted with one company specific loan application process only.

References

- D. Adam (1998): Produktionsmanagement, Gabler: Wiesbaden.
- B. Adenso-Diaz, and P. Gonzalez-Torre (2002): A capacity management model in service industries, *International Journal of Service Industry Management*, (13:3), pp. 286-302.
- D. Bain (1982): The Productivity Prescription. The Manager's Guide to Improving Productivity, McGraw-Hill: New York.
- G. Bassett, and R. Todd (1994): The SPT priority sequence rule, *International Journal of Operations & Production Management*, (14:12), pp. 70-78.
- S. Bell (2006): Learn Enterprise Systems. Using IT for Continuous Improvement, Wiley: New Jersey.
- T. F. Burgess (1990): A review of productivity, *Work Study*, (39:1), pp. 6-9.
- H. L. Corrêa, L. M. Ellram, A. J. Scavarda, and M. C. Cooper (2007): An operations management view of the services and goods offering mix, *International Journal of Operations & Production Management*, (27:5), pp. 444-463.
- V. Daniel, and R. Guide (1997): Scheduling with priority dispatching rules and drum-buffer-ropes in a recoverable manufacturing system, *International Journal of Production Economics*, (53:1), pp. 101-116.
- W. Domschke, and A. Drexl (2005): Einführung in Operations Research, Springer: Berlin, Heidelberg.
- A. Dulger (1993). Prioritätsregeln für industrielle Werkstattfertigung, Universität Regensburg.
- F. J. Fritsch (2004): Bankklogistik. Lösungsansätze für interne und externe Dienstleister, Erich Schmidt: Berlin.
- J. Gärtner, M. Kundi, S. Wahl, R. Siglär, K. Boonstra-Hörwein, G. Herber, I. Calber, M. Janke, J. Voß, and H.-P. Conrad (2008): Handbuch Schichtpläne. Planungstechnik, Entwicklung, Ergonomie, Umfeld, vdf Hochschulverlag: Zürich.
- M. Gierrth (2007): Hofsteuerung von Speditionsanlagen mittels Methoden der Produktionsplanung, GRIN: Dortmund.
- J. C. Goodale, and E. Tunc (1998): Tour scheduling with dynamic service rates, *International Journal of Service Industry Management*, (9:3), pp. 226-247.
- C. Grönroos (2007): Service management and marketing. Customer management in service competition, Wiley: Hoboken.
- D. Heckl (2010): Steuerung der Performance von Dienstleistungsprozessen. Konzeption eines Frameworks zur Steuerung der Prozessperformance am Beispiel des Kreditprozesses, Logos: Berlin.
- D. Heckl, and J. Moormann (2010): Operational Process Management in the Financial Services Industry, in: *Handbook of Research on Complex Dynamic Process Management*.

Techniques for Adaptability in Turbulent Environments, Wang, M./Sun, Z., IGI Global:Hershey, pp. 529-550.

J. Heizer, and B. Render (2009): *Operations management*, Pearson: Upper Saddle River.

H.-J. Hoitsch (1993): *Produktionswirtschaft. Grundlagen einer industriellen Betriebswirtschaftslehre*, Vahlen: München.

K. Hoss (1965): *Fertigungsablaufplanung mittels operationsanalytischer Methoden unter besonderer Berücksichtigung der Ablaufplanungsdilemmas in der Werkstattfertigung*, Physika: Würzburg, Wien.

R. Johnston (2005): *Service Operations management. From the roots up*, *International Journal of Operations & Production Management*, (25:12), pp. 1298-1308.

R. Johnston, and P. Jones (2004): *Service productivity. Towards understanding the relationship between operational and customer productivity*, *International Journal of Productivity and Performance Management*, (53:3), pp. 201-213.

K. H. Kim, J. W. Bae, J. Y. Song, and H. Y. Lee (1996): *A distributed scheduling and shop floor control method*, *Computers and Industrial Engineering*, (31:3, 4), pp. 583-586.

M. Leyer (2011): *Stand der Literatur zur operativen Steuerung von Dienstleistungsprozessen*, *Frankfurt School Working Paper Series*, No. 170, Frankfurt School: Frankfurt.

M. Leyer, and J. Moormann (2010a): *Facilitating operational control of business services. A method for analysing and structuring customer integration*, *Proceedings of the 2010 Australasian Conference on Information Systems*, Brisbane, Paper 42.

M. Leyer, and J. Moormann (2010b): *Konzeption eines Prozesslabors zur Verbesserung der operativen Steuerung von Dienstleistungsprozessen*, in: Fähnrich, K.-P./Franczyk, B., *Informatik 2010: Service Science. Neue Perspektiven für die Informatik*, Springer: Bonn, pp. 635-640.

L. Lin, and J. K. Cochran (1990): *Estimating simulation metamodel parameters for unexpected shop floor real time events*, *Computers & Industrial Engineering*, (19:1-4), pp. 62-66.

C. H. Lovelock, and G. S. Yip (1996): *Developing global strategies for service businesses*, *California Management Review*, (38:2), pp. 64-86.

J. Maleyeff (2009): *Analysis of Service Processes Characteristics across a Range of Enterprises*, *Journal of Service Sciences & Management*, (2:1), pp. 29-35.

S. Moses, H. Grant, L. Gruenwald, and S. Pulat (2004): *Real-time due-date promising by build-to-order environments*, *International Journal of Production Research*, (42:20), pp. 4353-4375.

H. A. Reijers, and W. M. P. van der Aalst (1999): *Short-term simulation. Bridging the gap between operational control and strategic decision making*, *Proceedings of the IASTED International Conference on Modelling and Simulation*, pp. 417-421.

- A. Rozinat, and W. M. P. van der Aalst (2005): Conformance testing. Measuring the Fit and Appropriateness of Event Logs and Process Models, in: Bussler, C./Haller, A., *Proceedings of Business Process Management Workshops*, Springer: Heidelberg, pp. 163-176.
- I. Sabuncuoglu, and A. Comlekci (2002): Operation-based flowtime estimation in a dynamic job shop, *Omega*, (30:6), pp. 423-442.
- S. E. Sampson, and C. M. Froehle (2006): Foundations and implications of a proposed unified services theory, *Production and Operations Management*, (15:2), pp. 329-343.
- H. M. Schneider, J. A. Buzacott, and T. Rücker (2005): Operative Produktionsplanung und -steuerung. Konzepte und Modelle des Informations- und Materialflusses in komplexen Fertigungssystemen, Oldenbourg: München.
- K. Sheikh (2003): Manufacturing Resource Planning (MRP II). With an introduction to ERP, SCM, and CRM, McGraw-Hill: New York.
- H. Soyuer, M. Kocamaz, and Y. Kazancoglu (2007): Scheduling jobs through multiple parallel channels using an expert system, *Production Planning & Control*, (18:1), pp. 35-43.
- M. Spring, and L. Araujo (2009): Service, services and products. Rethinking operations strategy, *International Journal of Operations & Production Management*, (29:5), pp. 444-467.
- A. J. M. M. Weijters, W. M. P. van der Aalst, and A. K. A. de Medeiros (2006): Process Mining with the Heuristics Miner Algorithm, No. 166, Eindhoven University of Technology: Eindhoven.
- B. Wernerfelt (1984): A Resource-Based View of the Firm, *Strategic Management Journal*, (5:2), pp. 171-180.
- B. Yazici, and S. Yolacan (2007): A comparison of various tests of normality, *Journal of Statistical Computation and Simulation*, (77:2), pp. 175-183.
- R. T. Yu-Lee (2002): Essentials of capacity management, Wiley: New York.
- L. G. Zomerdijk, and J. de Vries (2007): Structuring front office and back office work in service delivery systems, *International Journal of Operations & Production Management*, (27:1), pp. 108-131.

Frankfurt School / HfB – Working Paper Series

No.	Author/Title	Year
182	Prof. Dr. Carsten Herrmann-Pillath Naturalizing Institutions: Evolutionary Principles and Application on the Case of Money	2011
181	Prof. Dr. Carsten Herrmann-Pillath Making Sense of Institutional Change in China: The Cultural Dimension of Economic Growth and Modernization	2011
180	Prof. Dr. Carsten Herrmann-Pillath Hayek 2.0: Grundlinien einer naturalistischen Theorie wirtschaftlicher Ordnungen	2011
179	Daniel Braun Ratingverfahren: Diskriminanzanalyse versus Logistische Regression	2011
178	Genia Kostka / Ulf Moslener/ Jan G. Andreas Barriers to Energy Efficiency Improvement: Empirical Evidence from Small- and-Medium-Sized Enterprises in China	2011
177.	Horst Löchel / Helena Xiang Li Understanding the High Profitability of Chinese Banks	2011
176.	Prof. Dr. Carsten Herrmann-Pillath Neuroökonomik, Institutionen und verteilte Kognition: Empirische Grundlagen eines nicht-reduktionistischen naturalistischen Forschungsprogramms in den Wirtschaftswissenschaften	2011
175.	Libman, Alexander/ Mendelski, Martin History Matters, but How? An Example of Ottoman and Habsburg Legacies and Judicial Performance in Romania	2011
174.	Kostka, Genia Environmental Protection Bureau Leadership at the Provincial Level in China: Examining Diverging Career Backgrounds and Appointment Patterns	2011
173.	Durst, Susanne / Leyer, Michael Bedürfnisse von Existenzgründern in der Gründungsphase	2011
172.	Klein, Michael Enrichment with Growth	2011
171.	Yu, Xiaofan A Spatial Interpretation of the Persistency of China's Provincial Inequality	2011
170.	Leyer, Michael Stand der Literatur zur operativen Steuerung von Dienstleistungsprozessen	2011
169.	Libman, Alexander/ Schultz, André Tax Return as a Political Statement	2011
168.	Kostka, Genia / Shin, Kyoung Energy Service Companies in China: The Role of Social Networks and Trust	2011
167.	Andriani, Pierpaolo / Herrmann-Pillath, Carsten Performing Comparative Advantage: The Case of the Global Coffee Business	2011
166.	Klein, Michael / Mayer, Colin Mobile Banking and Financial Inclusion: The Regulatory Lessons	2011
165.	Cremers, Heinz / Hewicker, Harald Modellierung von Zinsstrukturkurven	2011
164.	Roßbach, Peter / Karlow, Denis The Stability of Traditional Measures of Index Tracking Quality	2011
163.	Libman, Alexander / Herrmann-Pillath, Carsten / Yarav, Gaudav Are Human Rights and Economic Well-Being Substitutes? Evidence from Migration Patterns across the Indian States	2011
162.	Herrmann-Pillath, Carsten / Andriani, Pierpaolo Transactional Innovation and the De-commoditization of the Brazilian Coffee Trade	2011
161.	Christian Büchler, Marius Buxkaemper, Christoph Schlast, Gregor Wedell Incentivierung des Managements bei Unternehmenskäufen/Buy-Outs mit Private Equity Investoren – eine empirische Untersuchung –	2011
160.	Herrmann-Pillath, Carsten Revisiting the Gaia Hypothesis: Maximum Entropy, Kauffman's "Fourth Law" and Physiosemeiosis	2011

Evaluating Concepts for Short-term Control in Financial Service Processes

159.	Herrmann-Pillath, Carsten A 'Third Culture' in Economics? An Essay on Smith, Confucius and the Rise of China	2011
158.	Boeing, Philipp / Sandner, Philipp The Innovative Performance of China's National Innovation System	2011
157.	Herrmann-Pillath, Carsten Institutions, Distributed Cognition and Agency: Rule-following as Performative Action	2011
156.	Wagner, Charlotte From Boom to Bust: How different has microfinance been from traditional banking?	2010
155.	Libman Alexander / Vinokurov, Evgeny Is it really different? Patterns of Regionalisation in the Post-Soviet Central Asia	2010
154.	Libman, Alexander Subnational Resource Curse: Do Economic or Political Institutions Matter?	2010
153.	Herrmann-Pillath, Carsten Meaning and Function in the Theory of Consumer Choice: Dual Selves in Evolving Networks	2010
152.	Kostka, Genia / Hobbs, William Embedded Interests and the Managerial Local State: Methanol Fuel-Switching in China	2010
151.	Kostka, Genia / Hobbs, William Energy Efficiency in China: The Local Bundling of Interests and Policies	2010
150.	Umber, Marc P. / Grote, Michael H. / Frey, Rainer Europe Integrates Less Than You Think. Evidence from the Market for Corporate Control in Europe and the US	2010
149.	Vogel, Ursula / Winkler, Adalbert Foreign banks and financial stability in emerging markets: evidence from the global financial crisis	2010
148.	Libman, Alexander Words or Deeds – What Matters? Experience of Decentralization in Russian Security Agencies	2010
147.	Kostka, Genia / Zhou, Jianghua Chinese firms entering China's low-income market: Gaining competitive advantage by partnering governments	2010
146.	Herrmann-Pillath, Carsten Rethinking Evolution, Entropy and Economics: A triadic conceptual framework for the Maximum Entropy Principle as applied to the growth of knowledge	2010
145.	Heidorn, Thomas / Kahlert, Dennis Implied Correlations of iTraxx Tranches during the Financial Crisis	2010
144.	Fritz-Morgenthal, Sebastian G. / Hach, Sebastian T. / Schalast, Christoph M&A im Bereich Erneuerbarer Energien	2010
143.	Birkmeyer, Jörg / Heidorn, Thomas / Rogalski, André Determinanten von Banken-Spreads während der Finanzmarktkrise	2010
142.	Bannier, Christina E. / Metz, Sabrina Are SMEs large firms en miniature? Evidence from a growth analysis	2010
141.	Heidorn, Thomas / Kaiser, Dieter G. / Voinea, André The Value-Added of Investable Hedge Fund Indices	2010
140.	Herrmann-Pillath, Carsten The Evolutionary Approach to Entropy: Reconciling Georgescu-Roegen's Natural Philosophy with the Maximum Entropy Framework	2010
139.	Heidorn, Thomas / Löw, Christian / Winker, Michael Funktionsweise und Replikationstil europäischer Exchange Traded Funds auf Aktienindices	2010
138.	Libman, Alexander Constitutions, Regulations, and Taxes: Contradictions of Different Aspects of Decentralization	2010
137.	Herrmann-Pillath, Carsten / Libman, Alexander / Yu, Xiaofan State and market integration in China: A spatial econometrics approach to 'local protectionism'	2010
136.	Lang, Michael / Cremers, Heinz / Hentze, Rainald Ratingmodell zur Quantifizierung des Ausfallrisikos von LBO-Finanzierungen	2010
135.	Bannier, Christina / Feess, Eberhard When high-powered incentive contracts reduce performance: Choking under pressure as a screening device	2010
134.	Herrmann-Pillath, Carsten Entropy, Function and Evolution: Naturalizing Peircian Semiosis	2010
133.	Bannier, Christina E. / Behr, Patrick / Güttler, Andre Rating opaque borrowers: why are unsolicited ratings lower?	2009

Evaluating Concepts for Short-term Control
in Financial Service Processes

132.	Herrmann-Pillath, Carsten Social Capital, Chinese Style: Individualism, Relational Collectivism and the Cultural Embeddedness of the Institutions-Performance Link	2009
131.	Schäffler, Christian / Schmaltz, Christian Market Liquidity: An Introduction for Practitioners	2009
130.	Herrmann-Pillath, Carsten Dimensionen des Wissens: Ein kognitiv-evolutionärer Ansatz auf der Grundlage von F.A. von Hayeks Theorie der „Sensory Order“	2009
129.	Hankir, Yassin / Rauch, Christian / Umber, Marc It's the Market Power, Stupid! – Stock Return Patterns in International Bank M&A	2009
128.	Herrmann-Pillath, Carsten Outline of a Darwinian Theory of Money	2009
127.	Cremers, Heinz / Walzner, Jens Modellierung des Kreditrisikos im Portfoliofall	2009
126.	Cremers, Heinz / Walzner, Jens Modellierung des Kreditrisikos im Einwertpapierfall	2009
125.	Heidorn, Thomas / Schmaltz, Christian Interne Transferpreise für Liquidität	2009
124.	Bannier, Christina E. / Hirsch, Christian The economic function of credit rating agencies - What does the watchlist tell us?	2009
123.	Herrmann-Pillath, Carsten A Neurolinguistic Approach to Performativity in Economics	2009
122.	Winkler, Adalbert / Vogel, Ursula Finanzierungsstrukturen und makroökonomische Stabilität in den Ländern Südosteuropas, der Türkei und in den GUS-Staaten	2009
121.	Heidorn, Thomas / Rupprecht, Stephan Einführung in das Kapitalstrukturmanagement bei Banken	2009
120.	Rossbach, Peter Die Rolle des Internets als Informationsbeschaffungsmedium in Banken	2009
119.	Herrmann-Pillath, Carsten Diversity Management und diversitätsbasiertes Controlling: Von der „Diversity Scorecard“ zur „Open Balanced Scorecard“	2009
118.	Hölscher, Luise / Clasen, Sven Erfolgsfaktoren von Private Equity Fonds	2009
117.	Bannier, Christina E. Is there a hold-up benefit in heterogeneous multiple bank financing?	2009
116.	Roßbach, Peter / Gießamer, Dirk Ein eLearning-System zur Unterstützung der Wissensvermittlung von Web-Entwicklern in Sicherheitsthemen	2009
115.	Herrmann-Pillath, Carsten Kulturelle Hybridisierung und Wirtschaftstransformation in China	2009
114.	Schalast, Christoph: Staatsfonds – „neue“ Akteure an den Finanzmärkten?	2009
113.	Schalast, Christoph / Alram, Johannes Konstruktion einer Anleihe mit hypothekarischer Besicherung	2009
112.	Schalast, Christoph / Bolder, Markus / Radünz, Claus / Siepmann, Stephanie / Weber, Thorsten Transaktionen und Servicing in der Finanzkrise: Berichte und Referate des Frankfurt School NPL Forums 2008	2009
111.	Werner, Karl / Moormann, Jürgen Efficiency and Profitability of European Banks – How Important Is Operational Efficiency?	2009
110.	Herrmann-Pillath, Carsten Moralische Gefühle als Grundlage einer wohlstandschaffenden Wettbewerbsordnung: Ein neuer Ansatz zur erforschung von Sozialkapital und seine Anwendung auf China	2009
109.	Heidorn, Thomas / Kaiser, Dieter G. / Roder, Christoph Empirische Analyse der Drawdowns von Dach-Hedgefonds	2009
108.	Herrmann-Pillath, Carsten Neuroeconomics, Naturalism and Language	2008

Evaluating Concepts for Short-term Control in Financial Service Processes

107.	Schalast, Christoph / Benita, Barten Private Equity und Familienunternehmen – eine Untersuchung unter besonderer Berücksichtigung deutscher Maschinen- und Anlagenbauunternehmen	2008
106.	Banner, Christina E. / Grote, Michael H. Equity Gap? – Which Equity Gap? On the Financing Structure of Germany’s Mittelstand	2008
105.	Herrmann-Pillath, Carsten The Naturalistic Turn in Economics: Implications for the Theory of Finance	2008
104.	Schalast, Christoph (Hrsg.) / Schanz, Kay-Michael / Scholl, Wolfgang Aktionärsschutz in der AG falsch verstanden? Die Leica-Entscheidung des LG Frankfurt am Main	2008
103.	Banner, Christina E./ Müsch, Stefan Die Auswirkungen der Subprime-Krise auf den deutschen LBO-Markt für Small- und MidCaps	2008
102.	Cremers, Heinz / Vetter, Michael Das IRB-Modell des Kreditrisikos im Vergleich zum Modell einer logarithmisch normalverteilten Verlustfunktion	2008
101.	Heidorn, Thomas / Pleißner, Mathias Determinanten Europäischer CMBS Spreads. Ein empirisches Modell zur Bestimmung der Risikoaufschläge von Commercial Mortgage-Backed Securities (CMBS)	2008
100.	Schalast, Christoph (Hrsg.) / Schanz, Kay-Michael Schaeffler KG/Continental AG im Lichte der CSX Corp.-Entscheidung des US District Court for the Southern District of New York	2008
99.	Hölscher, Luise / Haug, Michael / Schweinberger, Andreas Analyse von Steueramnestiedaten	2008
98.	Heimer, Thomas / Arend, Sebastian The Genesis of the Black-Scholes Option Pricing Formula	2008
97.	Heimer, Thomas / Hölscher, Luise / Werner, Matthias Ralf Access to Finance and Venture Capital for Industrial SMEs	2008
96.	Böttger, Marc / Guthoff, Anja / Heidorn, Thomas Loss Given Default Modelle zur Schätzung von Recovery Rates	2008
95.	Almer, Thomas / Heidorn, Thomas / Schmaltz, Christian The Dynamics of Short- and Long-Term CDS-spreads of Banks	2008
94.	Barthel, Erich / Wollersheim, Jutta Kulturunterschiede bei Mergers & Acquisitions: Entwicklung eines Konzeptes zur Durchführung einer Cultural Due Diligence	2008
93.	Heidorn, Thomas / Kunze, Wolfgang / Schmaltz, Christian Liquiditätsmodellierung von Kreditzusagen (Term Facilities and Revolver)	2008
92.	Burger, Andreas Produktivität und Effizienz in Banken – Terminologie, Methoden und Status quo	2008
91.	Löchel, Horst / Pecher, Florian The Strategic Value of Investments in Chinese Banks by Foreign Financial Institutions	2008
90.	Schalast, Christoph / Morgenschweis, Bernd / Sprengel, Hans Otto / Ockens, Klaas / Stachuletz, Rainer / Safran, Robert Der deutsche NPL Markt 2007: Aktuelle Entwicklungen, Verkauf und Bewertung – Berichte und Referate des NPL Forums 2007	2008
89.	Schalast, Christoph / Stralkowski, Ingo 10 Jahre deutsche Buyouts	2008
88.	Banner, Christina E./ Hirsch, Christian The Economics of Rating Watchlists: Evidence from Rating Changes	2007
87.	Demidova-Menzel, Nadeshda / Heidorn, Thomas Gold in the Investment Portfolio	2007
86.	Hölscher, Luise / Rosenthal, Johannes Leistungsmessung der Internen Revision	2007
85.	Banner, Christina / Hänsel, Dennis Determinants of banks' engagement in loan securitization	2007
84.	Banner, Christina “Smoothing“ versus “Timeliness“ - Wann sind stabile Ratings optimal und welche Anforderungen sind an optimale Berichtsregeln zu stellen?	2007
83.	Banner, Christina E. Heterogeneous Multiple Bank Financing: Does it Reduce Inefficient Credit-Renegotiation Incidences?	2007

Evaluating Concepts for Short-term Control
in Financial Service Processes

82.	Cremers, Heinz / Löhr, Andreas Deskription und Bewertung strukturierter Produkte unter besonderer Berücksichtigung verschiedener Marktszenarien	2007
81.	Demidova-Menzel, Nadeshda / Heidorn, Thomas Commodities in Asset Management	2007
80.	Cremers, Heinz / Walzner, Jens Risikosteuerung mit Kreditderivaten unter besonderer Berücksichtigung von Credit Default Swaps	2007
79.	Cremers, Heinz / Traughber, Patrick Handlungsalternativen einer Genossenschaftsbank im Investmentprozess unter Berücksichtigung der Risikotragfähigkeit	2007
78.	Gerdesmeier, Dieter / Roffia, Barbara Monetary Analysis: A VAR Perspective	2007
77.	Heidorn, Thomas / Kaiser, Dieter G. / Muschiol, Andrea Portfoliooptimierung mit Hedgefonds unter Berücksichtigung höherer Momente der Verteilung	2007
76.	Jobe, Clemens J. / Ockens, Klaas / Safran, Robert / Schalast, Christoph Work-Out und Servicing von notleidenden Krediten – Berichte und Referate des HfB-NPL Servicing Forums 2006	2006
75.	Abrar, Kamyar / Schalast, Christoph Fusionskontrolle in dynamischen Netzsektoren am Beispiel des Breitbandkabelsektors	2006
74.	Schalast, Christoph / Schanz, Kay-Michael Wertpapierprospekte: Markteinführungspublizität nach EU-Prospektverordnung und Wertpapierprospektgesetz 2005	2006
73.	Dickler, Robert A. / Schalast, Christoph Distressed Debt in Germany: What´s Next? Possible Innovative Exit Strategies	2006
72.	Belke, Ansgar / Polleit, Thorsten How the ECB and the US Fed set interest rates	2006
71.	Heidorn, Thomas / Hoppe, Christian / Kaiser, Dieter G. Heterogenität von Hedgefondsindizes	2006
70.	Baumann, Stefan / Löchel, Horst The Endogeneity Approach of the Theory of Optimum Currency Areas - What does it mean for ASEAN + 3?	2006
69.	Heidorn, Thomas / Trautmann, Alexandra Niederschlagsderivate	2005
68.	Heidorn, Thomas / Hoppe, Christian / Kaiser, Dieter G. Möglichkeiten der Strukturierung von Hedgefondsportfolios	2005
67.	Belke, Ansgar / Polleit, Thorsten (How) Do Stock Market Returns React to Monetary Policy ? An ARDL Cointegration Analysis for Germany	2005
66.	Daynes, Christian / Schalast, Christoph Aktuelle Rechtsfragen des Bank- und Kapitalmarktsrechts II: Distressed Debt - Investing in Deutschland	2005
65.	Gerdesmeier, Dieter / Polleit, Thorsten Measures of excess liquidity	2005
64.	Becker, Gernot M. / Harding, Perham / Hölscher, Luise Financing the Embedded Value of Life Insurance Portfolios	2005
63.	Schalast, Christoph Modernisierung der Wasserwirtschaft im Spannungsfeld von Umweltschutz und Wettbewerb – Braucht Deutschland eine Rechtsgrundlage für die Vergabe von Wasserversorgungskonzessionen? –	2005
62.	Bayer, Marcus / Cremers, Heinz / Kluß, Norbert Wertsicherungsstrategien für das Asset Management	2005
61.	Löchel, Horst / Polleit, Thorsten A case for money in the ECB monetary policy strategy	2005
60.	Richard, Jörg / Schalast, Christoph / Schanz, Kay-Michael Unternehmen im Prime Standard - „Staying Public“ oder „Going Private“? - Nutzenanalyse der Börsennotiz -	2004
59.	Heun, Michael / Schlink, Torsten Early Warning Systems of Financial Crises - Implementation of a currency crisis model for Uganda	2004
58.	Heimer, Thomas / Köhler, Thomas Auswirkungen des Basel II Akkords auf österreichische KMU	2004
57.	Heidorn, Thomas / Meyer, Bernd / Pietrowiak, Alexander Performanceeffekte nach Directors Dealings in Deutschland, Italien und den Niederlanden	2004
56.	Gerdesmeier, Dieter / Roffia, Barbara The Relevance of real-time data in estimating reaction functions for the euro area	2004

Evaluating Concepts for Short-term Control in Financial Service Processes

55.	Barthel, Erich / Gierig, Rauno / Kühn, Ilmhart-Wolfram Unterschiedliche Ansätze zur Messung des Humankapitals	2004
54.	Anders, Dietmar / Binder, Andreas / Hesdahl, Ralf / Schalast, Christoph / Thöne, Thomas Aktuelle Rechtsfragen des Bank- und Kapitalmarktrechts I : Non-Performing-Loans / Faule Kredite - Handel, Work-Out, Outsourcing und Securitisation	2004
53.	Polleit, Thorsten The Slowdown in German Bank Lending – Revisited	2004
52.	Heidorn, Thomas / Siragusano, Tindaro Die Anwendbarkeit der Behavioral Finance im Devisenmarkt	2004
51.	Schütze, Daniel / Schalast, Christoph (Hrsg.) Wider die Verschleuderung von Unternehmen durch Pfandversteigerung	2004
50.	Gerhold, Mirko / Heidorn, Thomas Investitionen und Emissionen von Convertible Bonds (Wandelanleihen)	2004
49.	Chevalier, Pierre / Heidorn, Thomas / Krieger, Christian Temperaturderivate zur strategischen Absicherung von Beschaffungs- und Absatzrisiken	2003
48.	Becker, Gernot M. / Seeger, Norbert Internationale Cash Flow-Rechnungen aus Eigner- und Gläubigersicht	2003
47.	Boenkost, Wolfram / Schmidt, Wolfgang M. Notes on convexity and quanto adjustments for interest rates and related options	2003
46.	Hess, Dieter Determinants of the relative price impact of unanticipated Information in U.S. macroeconomic releases	2003
45.	Cremers, Heinz / Kluß, Norbert / König, Markus Incentive Fees. Erfolgsabhängige Vergütungsmodelle deutscher Publikumsfonds	2003
44.	Heidorn, Thomas / König, Lars Investitionen in Collateralized Debt Obligations	2003
43.	Kahlert, Holger / Seeger, Norbert Bilanzierung von Unternehmenszusammenschlüssen nach US-GAAP	2003
42.	Beiträge von Studierenden des Studiengangs BBA 012 unter Begleitung von Prof. Dr. Norbert Seeger Rechnungslegung im Umbruch - HGB-Bilanzierung im Wettbewerb mit den internationalen Standards nach IAS und US-GAAP	2003
41.	Overbeck, Ludger / Schmidt, Wolfgang Modeling Default Dependence with Threshold Models	2003
40.	Balthasar, Daniel / Cremers, Heinz / Schmidt, Michael Portfoliooptimierung mit Hedge Fonds unter besonderer Berücksichtigung der Risikokomponente	2002
39.	Heidorn, Thomas / Kantwill, Jens Eine empirische Analyse der Spreadunterschiede von Festsatzanleihen zu Floatern im Euroraum und deren Zusammenhang zum Preis eines Credit Default Swaps	2002
38.	Böttcher, Henner / Seeger, Norbert Bilanzierung von Finanzderivaten nach HGB, EstG, IAS und US-GAAP	2003
37.	Moormann, Jürgen Terminologie und Glossar der Bankinformatik	2002
36.	Heidorn, Thomas Bewertung von Kreditprodukten und Credit Default Swaps	2001
35.	Heidorn, Thomas / Weier, Sven Einführung in die fundamentale Aktienanalyse	2001
34.	Seeger, Norbert International Accounting Standards (IAS)	2001
33.	Moormann, Jürgen / Stehling, Frank Strategic Positioning of E-Commerce Business Models in the Portfolio of Corporate Banking	2001
32.	Sokolovsky, Zbynek / Strohhecker, Jürgen Fit für den Euro, Simulationsbasierte Euro-Maßnahmenplanung für Dresdner-Bank-Geschäftsstellen	2001
31.	Roßbach, Peter Behavioral Finance - Eine Alternative zur vorherrschenden Kapitalmarkttheorie?	2001
30.	Heidorn, Thomas / Jaster, Oliver / Willeitner, Ulrich Event Risk Covenants	2001

Evaluating Concepts for Short-term Control
in Financial Service Processes

29.	Biswas, Rita / Löchel, Horst Recent Trends in U.S. and German Banking: Convergence or Divergence?	2001
28.	Eberle, Günter Georg / Löchel, Horst Die Auswirkungen des Übergangs zum Kapitaldeckungsverfahren in der Rentenversicherung auf die Kapitalmärkte	2001
27.	Heidorn, Thomas / Klein, Hans-Dieter / Siebrecht, Frank Economic Value Added zur Prognose der Performance europäischer Aktien	2000
26.	Cremers, Heinz Konvergenz der binomialen Optionspreismodelle gegen das Modell von Black/Scholes/Merton	2000
25.	Löchel, Horst Die ökonomischen Dimensionen der ‚New Economy‘	2000
24.	Frank, Axel / Moormann, Jürgen Grenzen des Outsourcing: Eine Exploration am Beispiel von Direktbanken	2000
23.	Heidorn, Thomas / Schmidt, Peter / Seiler, Stefan Neue Möglichkeiten durch die Namensaktie	2000
22.	Böger, Andreas / Heidorn, Thomas / Graf Waldstein, Philipp Hybrides Kernkapital für Kreditinstitute	2000
21.	Heidorn, Thomas Entscheidungsorientierte Mindestmargenkalkulation	2000
20.	Wolf, Birgit Die Eigenmittelkonzeption des § 10 KWG	2000
19.	Cremers, Heinz / Robé, Sophie / Thiele, Dirk Beta als Risikomaß - Eine Untersuchung am europäischen Aktienmarkt	2000
18.	Cremers, Heinz Optionspreisbestimmung	1999
17.	Cremers, Heinz Value at Risk-Konzepte für Marktrisiken	1999
16.	Chevalier, Pierre / Heidorn, Thomas / Rütze, Merle Gründung einer deutschen Strombörse für Elektrizitätsderivate	1999
15.	Deister, Daniel / Ehrlicher, Sven / Heidorn, Thomas CatBonds	1999
14.	Jochum, Eduard Hoshin Kanri / Management by Policy (MbP)	1999
13.	Heidorn, Thomas Kreditderivate	1999
12.	Heidorn, Thomas Kreditrisiko (CreditMetrics)	1999
11.	Moormann, Jürgen Terminologie und Glossar der Bankinformatik	1999
10.	Löchel, Horst The EMU and the Theory of Optimum Currency Areas	1998
09.	Löchel, Horst Die Geldpolitik im Währungsraum des Euro	1998
08.	Heidorn, Thomas / Hund, Jürgen Die Umstellung auf die Stückaktie für deutsche Aktiengesellschaften	1998
07.	Moormann, Jürgen Stand und Perspektiven der Informationsverarbeitung in Banken	1998
06.	Heidorn, Thomas / Schmidt, Wolfgang LIBOR in Arrears	1998
05.	Jahresbericht 1997	1998
04.	Ecker, Thomas / Moormann, Jürgen Die Bank als Betreiberin einer elektronischen Shopping-Mall	1997
03.	Jahresbericht 1996	1997
02.	Cremers, Heinz / Schwarz, Willi Interpolation of Discount Factors	1996

Evaluating Concepts for Short-term Control in Financial Service Processes

01. Moormann, Jürgen
Lean Reporting und Führungsinformationssysteme bei deutschen Finanzdienstleistern 1995

FRANKFURT SCHOOL / HFB – WORKING PAPER SERIES CENTRE FOR PRACTICAL QUANTITATIVE FINANCE

No.	Author/Title	Year
28.	Beyna, Ingo / Wystup, Uwe Characteristic Functions in the Cheyette Interest Rate Model	2011
27.	Detering, Nils / Weber, Andreas / Wystup, Uwe Return distributions of equity-linked retirement plans	2010
26.	Veiga, Carlos / Wystup, Uwe Ratings of Structured Products and Issuers' Commitments	2010
25.	Beyna, Ingo / Wystup, Uwe On the Calibration of the Cheyette. Interest Rate Model	2010
24.	Scholz, Peter / Walther, Ursula Investment Certificates under German Taxation. Benefit or Burden for Structured Products' Performance	2010
23.	Esquivel, Manuel L. / Veiga, Carlos / Wystup, Uwe Unifying Exotic Option Closed Formulas	2010
22.	Packham, Natalie / Schlögl, Lutz / Schmidt, Wolfgang M. Credit gap risk in a first passage time model with jumps	2009
21.	Packham, Natalie / Schlögl, Lutz / Schmidt, Wolfgang M. Credit dynamics in a first passage time model with jumps	2009
20.	Reiswich, Dimitri / Wystup, Uwe FX Volatility Smile Construction	2009
19.	Reiswich, Dimitri / Tompkins, Robert Potential PCA Interpretation Problems for Volatility Smile Dynamics	2009
18.	Keller-Ressel, Martin / Kilin, Fiodar Forward-Start Options in the Barndorff-Nielsen-Shephard Model	2008
17.	Gribsch, Susanne / Wystup, Uwe On the Valuation of Fader and Discrete Barrier Options in Heston's Stochastic Volatility Model	2008
16.	Veiga, Carlos / Wystup, Uwe Closed Formula for Options with Discrete Dividends and its Derivatives	2008
15.	Packham, Natalie / Schmidt, Wolfgang Latin hypercube sampling with dependence and applications in finance	2008
14.	Hakala, Jürgen / Wystup, Uwe FX Basket Options	2008
13.	Weber, Andreas / Wystup, Uwe Vergleich von Anlagestrategien bei Riesterrenten ohne Berücksichtigung von Gebühren. Eine Simulationsstudie zur Verteilung der Renditen	2008
12.	Weber, Andreas / Wystup, Uwe Riesterrente im Vergleich. Eine Simulationsstudie zur Verteilung der Renditen	2008
11.	Wystup, Uwe Vanna-Volga Pricing	2008
10.	Wystup, Uwe Foreign Exchange Quanto Options	2008
09.	Wystup, Uwe Foreign Exchange Symmetries	2008
08.	Becker, Christoph / Wystup, Uwe Was kostet eine Garantie? Ein statistischer Vergleich der Rendite von langfristigen Anlagen	2008
07.	Schmidt, Wolfgang Default Swaps and Hedging Credit Baskets	2007
06.	Kilin, Fiodar Accelerating the Calibration of Stochastic Volatility Models	2007

Evaluating Concepts for Short-term Control
in Financial Service Processes

05.	Griebisch, Susanne/ Kühn, Christoph / Wystup, Uwe Instalment Options: A Closed-Form Solution and the Limiting Case	2007
04.	Boenkost, Wolfram / Schmidt, Wolfgang M. Interest Rate Convexity and the Volatility Smile	2006
03.	Becker, Christoph/ Wystup, Uwe On the Cost of Delayed Currency Fixing Announcements	2005
02.	Boenkost, Wolfram / Schmidt, Wolfgang M. Cross currency swap valuation	2004
01.	Wallner, Christian / Wystup, Uwe Efficient Computation of Option Price Sensitivities for Options of American Style	2004

HFB – SONDERARBEITSBERICHTE DER HFB - BUSINESS SCHOOL OF FINANCE & MANAGEMENT

No.	Author/Title	Year
01.	Nicole Kahmer / Jürgen Moormann Studie zur Ausrichtung von Banken an Kundenprozessen am Beispiel des Internet (Preis: € 120,-)	2003

Printed edition: € 25.00 + € 2.50 shipping

Download:

Working Paper: http://www.frankfurt-school.de/content/de/research/publications/list_of_publication/list_of_publication
CPQF: http://www.frankfurt-school.de/content/de/cpqf/research_publications.html

Order address / contact

Frankfurt School of Finance & Management
Sonnemannstr. 9–11 ▪ D–60314 Frankfurt/M. ▪ Germany
Phone: +49 (0) 69 154 008–734 ▪ Fax: +49 (0) 69 154 008–728
eMail: e.lahdensuu@fs.de

Further information about Frankfurt School of Finance & Management
may be obtained at: <http://www.fs.de>