

# Streamlining Service Delivery of Final Duties and Taxes in a Private Banking Corporation

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## ABSTRACT

This paper discusses the actions taken regarding the slow delivery of final duties and taxes in a private banking corporation. The objectives were to eliminate customer complaints and close all the pending transactions to gain customer satisfaction and increase the percentage of clients and transactions served. After observations, a series of interviews, data collection and documentation, and collaboration efforts with the team members involved, the issue was constructed. Various tools were used in planning, constructing, implementing, and evaluating the streamlined process improvement. Process mapping and lean thinking methodology were applied to know which activity should be eliminated. A workflow instruction was formulated, which improved the cycle time. Time and motion analyses were crafted during the implementation to verify each transaction. Pending transactions, follow-ups, and complaints were compared before and after implementation to confirm if the streamlined process improved the service delivery. It was observed that some of the team members were hesitant to change at first, but by using convincing words and data during the team meeting, all members were convinced that streamlining service delivery is a need. After a month of implementation, the record showed that the streamlined process eliminated complaints, reduced follow-up concerns through telephone calls from clients, and decreased pending transactions by 50%. Through this, the relevance of data to support a particular idea is further realized. Furthermore, it was also observed that the streamlined process improvement saved the company time, energy, and even costs. It ensures the fast delivery of products or services, resulting in customer satisfaction.

Keywords: *service delivery, streamline, speed, process improvement, action research*

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## INTRODUCTION

Time or speed is one of the most critical competitive priorities today. Companies in all industries compete to deliver high-quality products as quickly as possible. Today's customers do not want to wait, and companies that can meet their need for fast service are becoming leaders in their industry (Reid & Sanders, 2010).

According to Hatzakis and colleagues (2014), service design must be as rigorous as product design because the customer experiences the service firsthand, much like a product, and comes away with impressions regarding the quality of service. However, Cirpin and Sarica (2014) noted that since service quality does not involve concrete elements, it is an ambiguous and complex concept regarding its comprehension, application, and inspection. Service is a set of non-

tangible activities sold for a specific price to benefit and/or satisfy human needs, which can be wasted easily and cannot be standardized.

Meanwhile, Swar (2012) shows that systemization elements of service delivery are the best predictor of customers' expected service delivery. Thus, the banks should focus more on this dimension of service delivery. Systemization Elements of Service Delivery include: 1) adequate and necessary facilities are available for good customer care; 2) exhibits enhancement of technological capability to serve customers more effectively; 3) highly simplified service delivery process; and 4) customers feel safe, secure, satisfied, and delighted. Parasuraman et al. (1985) identified ten key determinants influencing perceived service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibility. In a later study, the authors reduced the ten factors to five known as RATER: reliability, assurance, tangibles, empathy, and responsiveness (Tanwar, 2013).

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In the Philippines, most banks have various services that assist their clients in their financial obligations. In a particular private bank corporation, the bank serves as an intermediary for payments of final duties and taxes to the Bureau of Customs (BOC). Since it deals with logistics requiring speed, it should be more concerned about how it can transmit the payments to BOC as fast as it can. When time is a competitive priority, the job of the Operations Unit is to critically analyze the system and combine or eliminate processes to save time (Reid & Sanders, 2010). However, aside from system monitoring and releasing payments to the BOC, the account officer in charge is also responsible for accepting calls and answering clients' queries. An alarming increase in follow-ups and pending transactions in the final duties and taxes settlement section was noticed at the end of every banking day, resulting in more client complaints. Arguably, these complaints are acceptable, given that clients have to pay the demurrage fee as a penalty for late payment transfer to BOC. Demurrage charge is applied for shipments wherein customers have exceeded the standard free time or the agreed free days for all containers to remain at the terminal. Figure 1 presents the existing process for handling telephone calls and inquiries of clients.

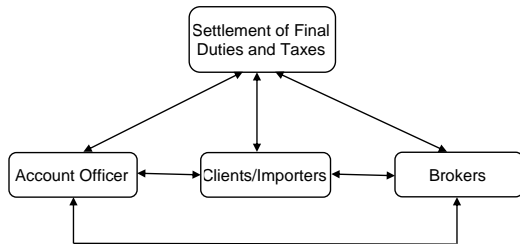


Figure 1. Existing process on telephone calls/inquiry of clients.

Adding to the problem is the absence of proper filing system where special instructions of clients are located. Some of these special instructions include the details to which bank account will the transaction be credited, how will the payment be processed, and the specific person to contact in case of problems. Details such as these are essential in every transaction, that is why it is important not to miss any of these (Table 1).

Urgency is needed, especially with the payments of taxes to government agencies. Final duties and taxes, if not collected on time have consequences: 1) an hour or a day delay resulted in a loss of our client's money; penalties like storage fees are too costly. 2) not paying duties and taxes hinders the release of goods at the port, affecting the production or deliverables to customers.

The above situations can affect the bank by losing potential revenue. Aside from that, clients can

quickly exit and seek the competitors' services if the bank cannot satisfy or exceed their expectations. They might have lost their clients if the issue was not properly handled or resolved. It was also an opportunity loss. Positive informal communication (word-of-mouth) is very significant in gaining prospective customers. These unsatisfied clients can bad mouth the bank to other importers.

In summary, the main issue is the slow delivery of service in settlements of final duties and taxes. The objective is to eliminate complaints and close the pending transactions. The goals are to gain customer satisfaction since they will not be penalized and increase the percentage of clients and transactions served.

## METHODOLOGY

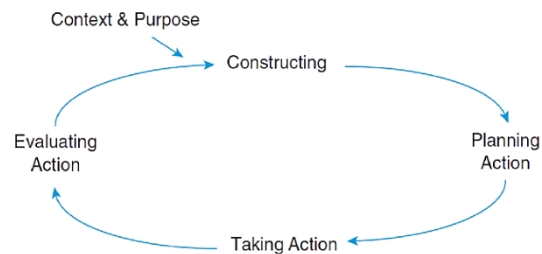


Figure 2. Action research cycle. (Coghlan & Brannick, 2010).

Action research is used to address the issue of the company. An action research cycle (Figure 2) comprises a pre-step, context, and purpose, and four basic steps: constructing, planning action, acting, and evaluating action (Coghlan & Brannick, 2010).

Data collection began with an observation. Data was gathered from company reports to confirm the observation. The researcher validated her observations with the other members of the team. She also conducted informal interviews with several clients and account managers, researched related papers and books on service delivery improvement, and obtained data.

In addition to observations, interviews, and pertinent documents, the researcher kept a journal, which assisted her in documenting her reflections. She kept a journal using Schein's observation, reaction, judgment, and intervention (ORJI) approach. It concerns what happens in mind and how it influences covert behavior. One observes (O), reacts emotionally to what he or she has witnessed (R), analyzes, processes, and makes judgments based on the observations and feelings (J), and intervenes to effect change (I) (Coghlan & Brannick, 2010).

Table 1. Summary of Issues regarding Slow Delivery of Service in Final Duties and Taxes Settlements.

Manifestations	Consequences	Proposed Interventions
<p>Clients make a follow-up. Massive phone calls were received</p>	<p><b>Minor:</b> Disappoints and irritates the clients</p> <p><b>Major:</b> Clients can shift to other banks</p>	
<p>Clients complain as their transactions were not done on the day, they were required to pay</p>	<p><b>Minor:</b> Duties and taxes were not collected on the given time allowed clients to pay</p> <p>Lodgments expire and pass the given days allowed clients to pay</p> <p><b>Major:</b> Clients pay corresponding penalties i.e. storage fees and demurrage because of the delay</p>	<p>Review the process flow and eliminate unnecessary tasks</p> <p>Manage Client Information/ special instructions</p>
<p>There were bulk of unclosed/pending for approval transactions at the end of the day</p>	<p><b>Minor:</b> Stressful to the employee handling the responsibility</p> <p><b>Major:</b> Loss of potential revenue to the bank</p>	

### Streamlined Process Improvement (SPI)

SPI is a systematic way of using inter-functional teams to analyze and improve the way the organization operates by improving the effectiveness, efficiency, and adaptability of the organization's process. It is sometimes called *process redesign* (Harrington, 2012). This methodology focuses on setting new, higher performance levels rather than process variation. The improvement approach used by the streamlined process improvement (SPI) methodology is a five-phase process improvement approach called PASIC (Planning, Analyzing, Streamlining, Implementing, and Continuous Improvement). (Figure 3).

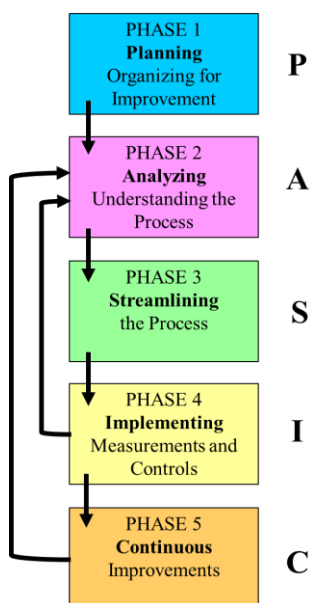


Figure 3. The Five Phases of the SPI Methodology (Harrington, 2012).

A streamlined approach (Phase III) was taken to improve the process effectiveness and resolve the slow delivery of final duties and taxes service. It focuses on eliminating the seven types of waste, in which case, processing wastes is one. These are operations, activities, and tasks that do not add actual value, which include: inspection operations, duplicate activities, unused outputs, unnecessary storing of information, redundant records and files, and rework operations.

## RESULTS AND DISCUSSION

The data collection process is summarized in Table 2. Intervention is a series of sequentially planned actions or events designed to assist an organization in increasing its effectiveness. Interventions purposefully disrupt the status quo; they aim to shift an organization or subgroup to a different and more effective state (Cummings & Worley, 2009).

**November 3-14, 2014.** During the unit monthly meeting, the Assistant Manager (AM) discussed the matter with one of the accounts with the LC opening division. The settlement unit sent the wrong amount to BOC.

Carmen (not her real name) had overseen duties and taxes for over two (2) decades. She formerly had one assistant. However, she was left alone in settlements because most in the section were rotated and trained for a different responsibility every six months. For the most part, it looked manageable because the role of her assistant had previously been distributed to other section members.

During the meeting, the AM requested that the researcher handle the final duties and taxes. She would oversee sending emails and calling clients and account officers. On the other hand, Carmen would handle

payment, debiting clients, and crediting them to the Bureau of Customs. It will commence on November 10, 2014.

When the insider action researcher began handling settlements, she learned how complex the job was. Clients sent her a variety of complaints and follow-ups. She became the focal person for queries and transaction updates after becoming the person in charge of monitoring and settling duties and taxes. She believed she was unfit for the role during her first two weeks. Though she knew, she was still in her adjustment stage. However, after two weeks, she realized that when she had already adjusted to work, the situation lessened, but there were still complaints and follow-up (Figure 4).

As presented, the number of follow-ups from the clients consisted of similar clients, account officers, and brokers who called within a week. Some clients were ready to wait, while others wanted their transactions completed as soon as feasible. There were also several missed special instructions. The area of final duties and taxes settlement interacted with many clients with specific instructions. Some customers had auto-debit arrangements. Some preferred to be reached personally.

Some preferred account numbers from which payments were debited. They overlooked several special instructions because they were scattered over multiple files. The number of missed transactions or complaints represented the complaints about payments supposedly sent to BOC and those who paid demurrage and storage fees.

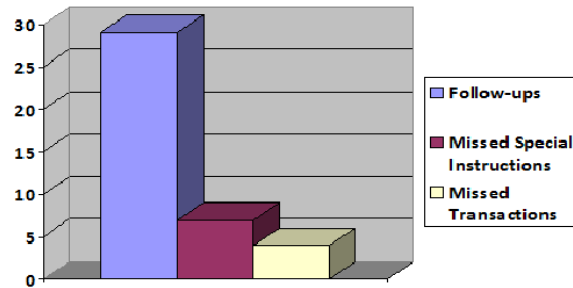


Figure 4. Frequency Report on follow-ups and complaints of clients.

Table 2. Data generation and intervention.

Date	Activities	Data Collected
2nd – last week of November 2014	Observation	Non-stop follow-up from clients Complaints on the non-passed transactions
1st week of December 2014	Telephone Interviews with clients, brokers, and account officers Process Mapping Generating and analyzing data from reports	Expected time of delivery Process flow Bulk of pending transactions
2nd week of December 2014	Collaboration with LC Opening Section Joint Diagnosis of the problem	Confirmation of my observations Generated the issue of slow delivery of service Projected process flow
3rd week of December 2014	Joint action Planning with AVP, AM, ISDP Trainee and the other FD assistant	Gained approval on the suggested process improvements Suggestions on how to communicate more effectively the lodgments to clients
January 2015 onwards	Implementation of the suggested process improvement to enhance service delivery Time and motion analysis	Streamlined process Workflow instruction Standard Time
1st to 2nd week of February 2015	Evaluation: Observation Analyzing data	No more complaints Less phone calls Less pending transactions Suggestion on Lead Time

Table 3. Process Flow Analysis in final duties and taxes settlements

<b>Accounted Person</b>	<b>Process</b>
<b>Main Processor</b>	<ol style="list-style-type: none"> <li>1. For Balut: Receives summary of advance copy of incoming transaction</li> <li>2. Monitors lodgments on the system</li> <li>3. Email branches/calls clients about the lodgments</li> <li>4. For Balut: Checks first if lodgments are on the summary of advance copy through PAS5 reference number; check if there is change in amount, then call and dictate.</li> <li>5. Receives confirmation to debit</li> <li>6. Checks if details in the confirmation to debit/DCA/authority to debit is correct</li> <li>7. Checks and writes the special account number if any</li> <li>8. Prints and endorses documents for processing of payments</li> </ol>
<b>Branches' employees</b>	<ol style="list-style-type: none"> <li>1. Receives information of lodgments</li> <li>2. Confirms to client if okay to debit</li> <li>3. Optional: waits for instruction to debit</li> <li>4. Emails final duties and taxes if okay to debit</li> </ol>
<b>For Balut Branch:</b>	<ol style="list-style-type: none"> <li>1. Checks if lodgments appeared match the amount and reference number in the advance copy</li> <li>2. Dictates to client the reference numbers and amount (change in amount or the same amount) that appeared on the system</li> <li>3. Waits for confirmation to debit/authority to debit</li> <li>4. Emails final duties and taxes settlements the amount and reference number that is okay to debit</li> </ol>
<b>Payment processor</b>	<ol style="list-style-type: none"> <li>1. Debits client's savings or checking account/apply checks or DCA</li> <li>2. Credits BOC account</li> </ol>
<b>Approver</b>	<ol style="list-style-type: none"> <li>1. Checks if the information in the documents are consistent to one another</li> <li>2. Releases payment entries and payments to BOC</li> </ol>

**December 1, 2014.** Telephone interviews were also used to obtain information from clients, account officers, and brokers. Most clients wanted their transactions completed on the same day because their containers could only stay at the port for a certain period. Some wanted to pay as soon as possible.

Branch assistants were also interviewed. Balut Branch was one of them. Balut, Tondo is located near Manila's port area and has the most clients among all Private Bank branches in the Philippines. They account for 35% of all settlement unit transactions. The branch daily faxes a summary of expected transactions for advance checking. Some transactions, however, do not display on the system on the same day. Some appeared a week later since some cargos had not yet arrived. Every day, the settlement section had to monitor these transactions and the lodgments on the BOC system. It was time-consuming since they still had to confirm these expected transactions once they appeared on the system before processing and transferring them to BOC. As a result, it is a non-value added (NVA) activity in the process. NVA are non-value-added activities that do not contribute to achieving external customer needs and might be discontinued without compromising the

product, service function, or business (Harrington, 2012). The process flow is shown below (Table 3).

Finally, an analysis of the data on hand was conducted. The weekly pending transactions averaged roughly 50 items (Figure 4). Payments awaiting confirmation must be monitored the following day every day. This means more work for the next day. These lodgments were not transmitted because some do not have funds; others have not yet arrived at the port or have not maximized their free time. However, much was because the settlement unit missed some orders and did not notify clients.

### **Planning**

The data collection was completed in time for the December 8, 2014, meeting. The observations were conveyed to the team. All the members of the team agreed with her observations. The majority also experienced the same complaints from the clients. When the researcher showed the customer reports, such as the number of complaints and missed special instructions and transactions, it bothered the AVP.



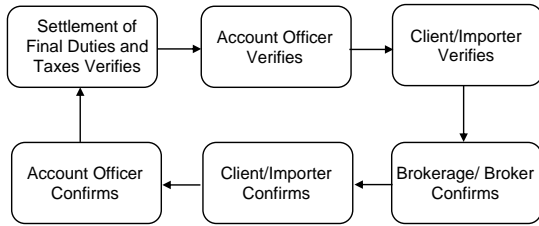


Figure 5. Projected scenario on telephone calls/inquiry of clients.

Based on the researcher's observation, clients follow up and file complaints because there was a problem with service delivery. They concluded the discussion on a note, with everyone agreeing that the slow delivery of service is an issue that must be addressed. They also created a projected scenario, as seen in Figure 5.

The number represents the order or flow of information. Lodgments that occur in the system must be coordinated with the appropriate account officers. These Account Officers will then check with clients whether these lodgments can be transmitted. The clients will check with their brokers to see if the amount is the same as expected. As indicated, information flows clearly from the researcher's unit to the account officers and back to the unit.

Since the team is committed to quality and efficiency, it adheres to the Private Bank's tight protocols and procedures. Everyone should make every effort to ensure that all instructions are documented, especially in final duty and tax settlements involving large sums of money. Written instructions (email), debit-credit advice from branch officers, or client authorization letters must be secured. Before leaving the AVP's office, the latter urged the action researcher to consider improving service delivery in her area.

**December 15, 2014.** The researcher met with the AVP, AM, ISDP Trainee, and Carmen to discuss her proposed action plans. The researcher used the process flow chart to determine the duplication of tasks in settlements and one of the central branches, the Balut Branch. The AVP, AM, and ISDP agreed that checking and validating the material lengthened the procedure. Carmen was first hesitant to eliminate the NVA, but after encouraging words and reports, she accepted. Following the discussion, the AVP stated that she would discuss the matter with the branch manager.

The study also showed that special instructions such as auto-debit arrangement, contact numbers, contact person, and specific account numbers were dispersed over multiple files. Inadequate customer knowledge can also have an impact on process and procedure. As a result, they agreed to integrate all of

these materials. Because Carmen knows most of the clients, the AVP assigned her to assist in consolidating all special instructions and disseminating the file around the group. Understanding the position of a specific service on each continuum and the position of potential sources of competitive advantage (Swar, 2012). Concerning the pending transactions, they also decided that the transactions awaiting confirmation should be confirmed with the account officers via email and phone call at the end of the day.

The action plans were scheduled to be completed on the first working day of January 2015. Because there were only a few working days left before the end of the year, they had work twice as hard to complete the workflow process.

### Implementation

The researcher began compiling all the clients' special instructions on the same day. They completed the workflow instruction in two days with the help of Carmen.

The following day, the AVP relayed her conversation with the Balut Branch Manager. She explained to the latter the job of the settlement division, which is to monitor and release payments on the BOC system and secure authority to debit.

Concerning the follow-up call to account officers and clients, she advised them that the settlement section would only process entries until 3:30 p.m., accommodate payment instructions until 4:00 p.m., and perform follow-up calls within the 30-minute gap.

**January 5, 2015.** The researcher found that several of the queries/calls received were about the status of transactions, and the unit could not guarantee a definite turnaround time. As a result, she created a time and motion analysis. She observed and interviewed each person involved in the process on his or her lead-time. The time and motion analysis would also test the effectiveness of the streamlined process of final duties and taxes service delivery (Table 4).

The processing time is the fastest time the section can complete each activity, while the cycle time considers tasks other than final duty and tax settlements. The time and motion study revealed that each transaction, excluding customer confirmation, can be completed in 1 hour and 10 minutes.

### Evaluation

**January 12, 2015.** The researcher noticed the improved final duties and taxes processing. They shortened the processing time and improved communication with all parties involved. The information flowed smoothly. They also eliminated

complaints, consequently reducing customer anxieties and inquiries. The number of phone calls received was already manageable. It was down to 5 to 10 calls from about 30 received. The researcher could now concentrate on her primary responsibility of monitoring and releasing payments.

She also found that after two weeks of calling account officers and clients for updates on the status of their transactions, they became more diligent about providing them with an update. She provided updates to the AVP regularly and reported her observations.

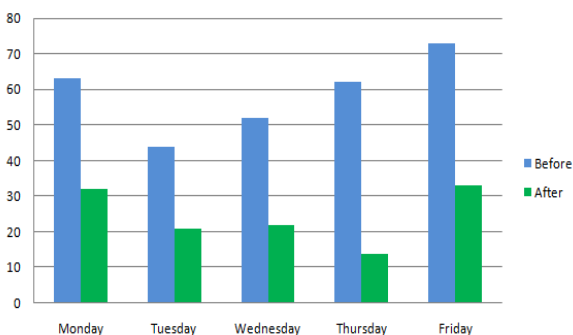


Figure 7. Evaluation on pending transactions.

**February 9, 2015.** The researcher examined the number of pending confirmations before and during the implementation phase. She then presented the information to the AVP. She was happy that it had dropped by half in just one month (Figure 7). Pending before implementation is represented by blue, whereas pending during evaluation is represented by green. As indicated, pending transactions fell nearly 60% after the adjustment was implemented.

The following day, the AVP called a team meeting to provide an update on the streamlined process of final duties and taxes. She talked about the shortened process and the intention to improve service delivery in final duties and taxes continually. The AVP stated they would continue to streamline their procedure because it saves time, energy, and cost. She pushed them to be more active rather than passive once more.

She also reminded them of one of the bank's core values, initiative or resourcefulness, and encouraged them to initiate improvements. She admitted that she was aware that most of their methods were mature and might not be appropriate today. Especially now that the bank is expanding, employees must deal with a rising number of consumers. Finally, the AVP underlined the importance of streamlining operations to serve clients better.

Table 4. Time and Motion Analysis.

Activity	Process Time (Minutes)	Cycle Time (Minutes)
When the lodgment appears in the Bureau of Custom's (BOC) system, the account officers or the client will be directly informed about the amount and the reference number.	5	5
When the approval or confirmation in the form of email, Debit Credit Advice (DCA) or authorization letter is received, the details will be checked and verified vis-a vis the lodgment. If all details are okay, the payment instruction in the BOC system will be printed and forwarded to personnel 2.	5	10
Personnel 2 will debit the account of client or apply check payment or DCA and credit the Bureau of Customs System. Then she will forward it to the releasing officer, the AVP or the ISDP trainee.	10	30
The Approver will check the details of the transaction, approve the debiting and crediting of the accounts then release the payment in the Bureau of Custom's System	5	10

## CONCLUSION

This insider action research is not only helpful to people in the unit in satisfying final duties and taxes clients. This is also beneficial to any operations managers experiencing the same situation.

Fast service delivery or quality is essential, especially in a service-based business. Beryl and Brodeur (2007) posit that service quality is a critical

success factor influencing an organization's competitiveness. A bank can differentiate itself from competitors by providing high-quality service. As a result, banks must constantly improve their services. There is no guarantee that what is excellent service today will also be applicable for tomorrow (as cited by Onditi, Oginda, Ochieng & Oso, 2012). Moreover, Johnston et al. (2013) noted that the success of service

operations managers is not simply about performing an excellent technical task, such as educating a student, delivering a project on time, or providing a holiday. Sound operations management should lead to better (or more appropriate) services and experiences for the customer, the staff, and the organization – 'triple bottom line.

By using the lean thinking methodology, the researcher proved some of its main benefits: reduced process times and lead times; reduced processing costs per item/customer through increased productivity; increased customer satisfaction; better communication with all the parties in the chain; reduced customer anxiety; and reduced costs resulting from lower levels of complaints or inquiries (Johnston et al., 2013). Hence, if banks and other financial service providers wish to execute their commitments to their clients effectively and efficiently, they should adopt this methodology.

Banks should also constantly examine their processes or procedures to ensure they are still effective today. No matter how good the managers are or how hard the employees try, all the stakeholders will lose if the critical business processes are outmoded and ineffective (Harrington, 2012). Unfortunately, too many managers feel that either they or their employees are the problem when, in truth, it is the processes that are the problem. If anyone is at fault, it is management because the managers have not recognized the need to improve the organization's business processes and have not assigned the required resources to improve them.

The SPI method helped the unit meet customer delivery schedules, improved service quality, and reduced pending transactions. Since SPI had been successfully implemented in big companies such as Corning, Boeing, IBM, LTV, Nutrasweet, Florida Power & Light, and Compaq, and now in the private bank, it has improved the service delivery of final duties and taxes in the subject area, any company, even the smaller ones can use this method in enhancing their process. SPI improves effectiveness, efficiency, customer satisfaction, morale, and adaptability. It also reduces costs, cycle time, variation, interdepartmental conflict, and bureaucracy (Harrington, 2012).

## ACKNOWLEDGMENT

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## CONFLICTS OF INTEREST

The author declares no conflict of interest.

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