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in Engineering and Management

The value generation in the Bank
Organization and process performance monitoring
Intesa Sanpaolo case study

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Executive Summary

In this project work, the aim of the writer is to assess the Companies' Organizational Structures and the Monitoring Activities, describing the several types and the characteristics of organizational models, the analytical methods for monitoring purposes and how the organizational choices impact on the performance dimension.

Where there is a social or economic system that pursues certain goals, in fact there is always an organizational configuration. This pattern represents the combination of tools to pursuit objectives, then, the strategic and operational instrument of action, influenced by the surrounding environment and by different endogenous and exogenous variables.

The organizational structure finds its expression through the graphical representation of the organigram, that provides the fundamental information concerning the organizational design and the type of model used.

The usage of organizational structure is essential in any company, be a product or service firm. In the specific case of banks, the structuring assumes a peculiarity and a complexity, given the qualification of the bank as a service company. This complexity, usually makes the Groups prefer vertical analysis within the individual unit, but companies, to be competitive, must redesign their organization according to a transversal vision, reviewing the modalities of interaction between structures.

The theme of organization is then analyzed in the specific case of Intesa Sanpaolo, a leader banking Group in Italy. The pattern, the classification, the functionality of structures and the relationships among them will be described in detail.

In the second part of this project work, an innovative project, promoted by Intesa Sanpaolo, will be presented, aimed to a new representation of the Bank. The goal is to provide the Group with a new exemplary representation of processes, from an end-to-end perspective along the entire supply chain, namely transversal to the organizational structures (from operational points to central units). At the same time, it allows the introduction of measurement and monitoring tools for the absorption of the workforce and for the organization, together with the process performance monitoring (measured as efficiency, effectiveness and quality).

This project work will focus on the last aspect of the entire project, that is the one related to the organizational monitoring and the processes and structures performance monitoring. Nevertheless, it will present interactions also with the world of dimensioning.

The methodology and the tools introduced enable, in addition to the usual precise analysis, the possibility to carry out further surveys, comparing structures and processes, trends analysis and correlations among different variables, with the objective of supporting strategic business decisions also with Advanced Analytics and simulations in a "What-if" perspective.

The implementation of these initiatives will guarantee an integrated view and more information to the Management, regarding the achievement of the objectives of the Plan. Moreover, it will be possible to intervene with recovery actions for processes with worse performance, such as process re-engineering, the adoption of virtuous behavior observed in structures with better performance, rather than the use of solutions of robotics or artificial intelligence, in order to activate a virtuous circle of continuous improvement.

The data used are organized in a Business and Visual layer, the latter developed with a market intelligence business product, allowing the construction of navigable dashboards and logical views by organizational structures, processes and various other dimensions. This solution has ensured greater speed of implementation and greater efficiency in the organization of data compared to more traditional choices, making Intesa Sanpaolo the first mover.

The project won the operational innovation award at the eighth edition of the ABI Innovation Award for Banking Services.

1 The Organization

1.1 Characteristics of the organization

“There is always an organizational configuration when there is a social or economic system that pursues certain goals. This configuration represents the combination of tools and therefore the strategic and operational instrument to achieve specific objectives”¹.

The organization arises from the need to reduce uncertainty through the optimization of available resources. But there will never be a perfect organizational approach or theory capable of synthesizing organizational processes and phenomena. The organization is also a place where humane resources play an important role and where the decisional aspect is a minimal, but a concrete element, in a context of uncertainty characterized by many factors that limit the rationality of the decision-making process.

Thinking about the impossibility or the inability to be able to:

- know everything or possess necessary information for a perfectly rational decision;
- identify all the technical, social and economic variables that make the organizational decision effective and efficient;
- predict all possible alternatives, their effects and consequences.

An organization is characterized by a group of individuals who perform independent activities to achieve certain goals and which maintain stable and predictable behavior. We can thus consider three dimensions that contribute to the formation of behavior patterns that we can observe in organizations:

- Complexity
- Formalization
- Centralization

¹ D. Callini, *Leggere le organizzazioni*, Angeli, Milano, 2003, pp. 7

The complexity of an organization depends on the number of activities, functions, resources and types of interdependence among them. The degree of formalization refers, instead, to the intensity of policies, procedures, formal and written rules, which constrain operational and management choices, while the term centralization concerns to the distribution of power and control within the organization.

There is a greater degree of power centralization when decisions are made by top management, which would be suffering from information overload, while the lower levels are constrained by formal rules and procedures. On the other hand, organizations are highly decentralized when most decisions are taken at the lowest levels. However, it is necessary to consider the phenomena concerning the sphere of power and the distribution of authority, the so-called Span of control, determined by the number of employees or structures that report to a manager or to a higher function. The extent of control depends on various factors such as decision-making style, the nature of work activities, the size and the complexity of the organization. “When the level of control is high, the horizontal dispersion of authority increases, leading to flat configuration with few hierarchical levels, while, when the control is low, there will be top-down organizations, characterized by vertical structure with numerous hierarchical levels”². At the end, the complexity, the degree of formalization and centralization are a reflection of the organizational structure and culture.

The relationships among tasks, performed by members of the organization, take the form of rules and procedures, division of labor, hierarchy, policies, and various mechanisms of coordination and control, which represent the set of basic elements of the system, on which the organizational system is structured.

1.1.1 Organization and environment

The environmental change and the degree of uncertainty determine the process of adapting organizations to the external environment and this has a direct impact on culture, internal organizational structure and on the personnel management.

² M. Pilati, H.L. Tosi, *Organizzazione e gestione delle risorse umane*, Egea, Milano, 2002, pp.311-312.

In situations of a stable environment changes are modest. They occur in small variations, with a moderate impact on the structure, on the processes and on the internal organization, while in case of dynamic environment, changes are faster. The goal is to respond to a dynamic, uncertain, constantly changing environment, through flexible organizational structures capable of quickly adapting themselves, but also able to get rid of those bureaucratic constraints generated over time that prevent organizations from growing and changing.

1.2 Organizational planning

The organizational planning finds its expression through the graphical representation of the organigram that provides the fundamental information concerning the organizational design, the activities and the type of model used.

The organizational chart must provide at least the following information:

- the denomination of the unit (Area, direction, division, etc.)
- the function performed (marketing, finance, credits, etc.)
- the name of the unit manager
- the number of people

In addition to the basic information, the organigram allows the identification of the so-called line and staff members. Line organs have the power to take decisions and, as such, are placed along the hierarchical line. The staff bodies, on the other hand, are placed at the side of the hierarchical line as consultant bodies.

Observing an organizational chart, however, it is not possible to recognize the traditional organizational models, which represent the formal and idealistic configuration of organizational units usually called functions, divisions or directions.

These organizational units are created through two processes: differentiation and integration. The differentiation is the process of breaking down all the work activities, which can be achieved by using different criteria, but there is no valid choice in absolute terms and for all the organizational realities. The criterion depends on the environmental conditions and on the managerial preferences. Once the differentiation has been carried out, it is necessary to proceed

with integration, to coordinate the activities through appropriate mechanisms. Also in this case, the choices can be different. The set of decisions related to differentiation and integration, constitutes the basis of organizational planning, as the process of creating internal organizational conditions that facilitate strategic adaptation to the external environment and the implementation of organizational strategy, through the aggregation of all the work activities. Units can be organized on the basis of products or services, techniques used, work performed or projects.

It is also possible to propose two types of process, that lead to the creation of the organizational structure. A first bottom-up approach defines the process as a progressive aggregation of elementary activities, that are necessary to achieve strategic objectives. Adopting this first perspective, however, it is necessary to thoroughly know the final goals of the company, its strategy and the availability of resources (personnel, skills, technology, ICT, financial conditions, etc.).

The logical steps can be summarized as follow:

- identify the tasks that must be performed to achieve the objectives
- define the individual tasks as a content of work to be performed
- assign the tasks to different organizational positions, in relation to the degree of specialization desired and define the professional profile of whom is destined to assume a certain role
- aggregate different positions within organizational units, establishing hierarchical or functional relationships among them.

A second approach, on the other hand, focuses on how the strategic needs contribute to change the already existing roles and structures (from the top to down). Generally, in practice, the organizational design actions are more often a recombination of the existing ones, starting from the top and not from the bottom.

The organizational structure is therefore the product of choices made at three levels, as it is represented in the figure.

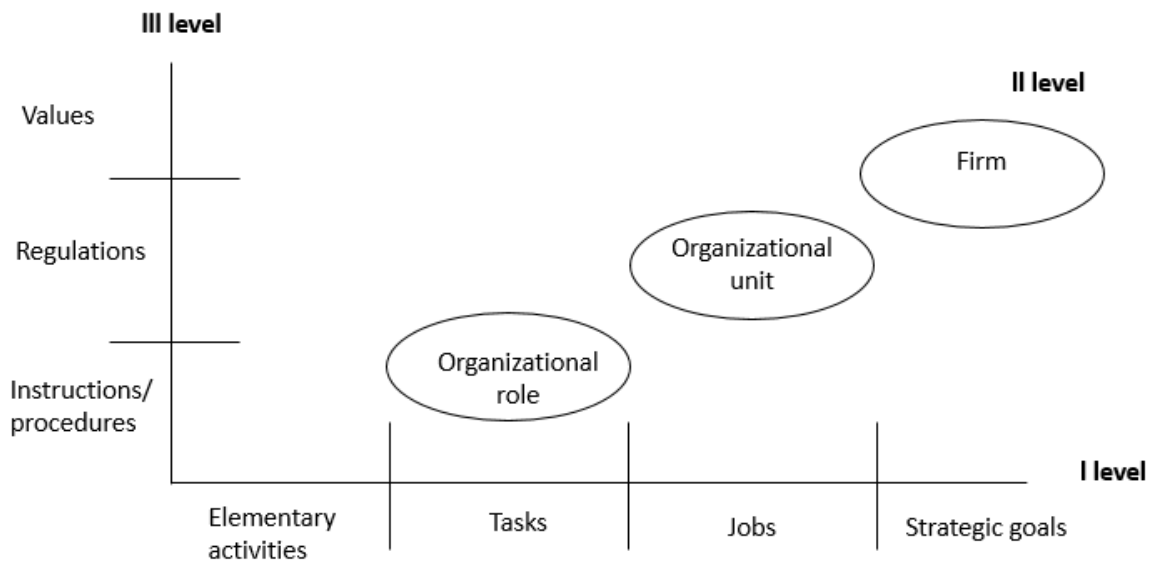


Image 1.1

Source: Nacamulli R., Costa G. (1996), *Manuale di Organizzazione aziendale*, vol. 5, Utet, pp. 327

The first level represents the process through which the elementary activities are aggregated until the achievement of the strategic objectives, which define the strategy of the company.

The second level refers to the organizational units to which the activities, tasks, strategy can be attributed. The degree of complexity increases as increasing the number and the variety of activities attributed to them. The third level indicates the operational tools necessary for the functioning, where instructions and procedures illustrate the tasks, in other words the content of the work, while the values, shared by people who work in the company, allow to make up the organization and to define company's identity.

1.3 Organizational forms

The awareness of the existence of a plurality of organizational forms, which are the contingent response to the context of reference, began to spread starting from the 50s and 70s. The organization began to be considered as an open complex system, composed of a plurality of elements and parts, integrating and interdependent, and in continuous interaction with the external context, where, more the environment is turbulent, more the organization must be able

to adapt itself. In this regard, we can theorize four pure models of organization: functional, divisional, by project/matrix and by process. These models are characterized by increasing complexity and by the attempt to adapt themselves to the context in which they operate.

1.3.1 Functional structure

The functional structure is characterized by the division of labor for technical specializations, promoting learning economies. People working in the same function perform activities that have affinity from the point of view of techniques used and similar knowing and experience, focusing more on their own activities, not counting what happens in the other functions. Tasks are aggregated on the basis of activities that each position and organizational unit must perform. Given the strong specialization in each organizational unit, the functional structure allows an increase in operational and cost efficiency through the adoption of economies of scale and should lead to an easier inter-functional communication. On the other hand, conflicts can arise due to problems of communication and coordination between different functions. There will be issues also in the coordination of information flow, due to the high degree of centralized control, that implies higher cost of coordination and an overload of information in the top levels, because all communications are routed through them. Decision-making processes and information flows from top to bottom also slow down the resolution of new unexpected problems. This type of structure, in fact, is particularly verticalized and tends to centralize power and control.

A redesign of adequate coordination mechanisms, with horizontal links, can solve some problems of this structure, through the creation of a "modified" version.

It is the most suitable model to pursue exclusively efficiency objectives, because it presupposes high standardization of processes, products and tasks as a condition of success, that guarantee high level of specialization but a reduction of flexibility. This type of structure can be used in a stable environment and context: products and customers do not change over time. In fact, this type of organizations is not designed for innovation but for execution, where it could be problematic the introduction of innovative products.

The hierarchical-functional structures are still today the most widespread in different organizations and dimensions. The dominant values are the respect for norms, hierarchy, order, control and obedience. On the other hand, the negative effects are sometimes the bureaucracy,

the lack of flexibility and communication among different functions and the closure towards the external environment.

In fact, dynamic and turbulent environments require flexible structures, capable of generating solutions more focused on effectiveness rather than on efficiency. Moreover, companies with a functional structure that want to implement strategies for geographical expansion or product diversification, without incurring in the higher costs of a divisional structure or without losing the benefits of economies of scale and specialization, can maintain their basic structure, by integrating it with appropriate organs or figures. A possible solution regarding territorial expansion could be the use of territorial area directions, which have the tasks of coordinating the dependent groups operating in the same geographical area. While, with reference of production diversification, it is possible to suggest the figure of product managers, whose tasks are related to the management of the launch of new products or the design of marketing actions.

1.3.2 Divisional structure

The divisional structure is born in response to the needs of managing complex multi-product or multi-market situations and to increase the level of flexibility. A new model arises, making organizations more adaptable to reference environment and to market changes. In this new structure, the criterion of specialization for products or services, markets or geographical areas is adopted, rather than the principle of specialization for activities. Even though in the pure divisional structure each product division presents within it the functional logic. The divisional structure allows to reduce the organizational complexity and internal transaction costs, through the establishment of semi-autonomous units. In fact, divisional units tend to become micro-enterprises in the organization, endowed with a good level of strategic and operational autonomy, reducing the communication among employees belonging to different division with the same function (horizontal communication). This structure is more adequate for managing workflow interdependences, enhancing cross-functional coordination within each unit and reducing standardization and specialization. The culture of effectiveness is now developed alongside the traditional efficiency.

On the other hand, this structure creates redundancies and duplications, with no possibility of economies of scale, typical of an excess of organizational decentralization, that requires the

presence of numerous middle managers with overall managerial skills, who are more focused on the results of their own division, rather than the goals of the entire company: each division must be the best one (interdivisional competitiveness)

As a consequence, it is necessary to pay attention to the choices of centralization /decentralization of power, to the degree of strategic diversification, to the interdependencies among divisions and to the coordination mechanisms, due to the increase of problems related to the distribution of common resources and conflicts of competence.

It is possible to identify three forms of divisional structure: by market, by geographical area and by product.

Divisions constitute the first hierarchical level below the General Direction and govern all the functions related to a certain market, product or customer segment.

The General Management is concerned with defining the business strategy, coordinating the actions of each division, acquiring resources and allocating them. In Staff of the Top Management there are some support functions to all divisions for the management of common processes (for example, strategic or budget planning).

The table shows the pros and cons of the two organizational solutions.

Functional and divisional structure	
Functional structure	Divisional structure
Pro <ul style="list-style-type: none">• Specialization• Economy of scale	Pro <ul style="list-style-type: none">• Efficiency in the management of complexity• Market orientation• Resource development
Cons <ul style="list-style-type: none">• Less flexibility• Partial goals• Cultural segmentation• Difficulties in the measurement of results by product/client	Cons <ul style="list-style-type: none">• High cost• Conflict among divisions

Image 1.2

1.3.3 Matrix and project structure

Matrix and project structures arise when an organization, in addition to performing routine actions, must also realize more or less specific and complex activities.

This model represents a solution in case of highly innovative, uncertain and complex contexts and markets.

It is a good response to the need of more flexibility, but there are many problems due to the double dependence and the double authority: from the chief of the stable structure with a functional or divisional logic and from the project manager of the temporary one with a project logic, where the objectives can be incongruent and a source of conflict.

This autonomy, dynamism and tension towards innovation imply the possibility to have changing and conflicting situations, where goals are more important than the hierarchy.

“The adoption of this model is therefore a strategic choice for an organization that must give quick, appropriate answers, which must stimulate innovation and the managerial growth of human resources, even though, the costs of coordination increase: more human resources must communicate, cooperate, interact and negotiate with each other”³.

The matrix structure is particularly suitable when there is the need to integrate the activities of different functional specialists who work on different products, projects or services, for this reason the technicians and the specialists are assigned to one or more project teams, coordinated by a project manager.

Finally, it is possible to conclude that the matrix structure could be used to consolidate and stabilize the organization by project, which arises as a response to the need of the market to develop products with a shorter commercial life cycle.

Many organizational units are intentionally built to last short, because their life cycle is related to the development of a project. Consequently, the problem, within these stable and permanent structures, is to construct flexible and result-oriented units.

³ D. Callini, *Leggere le organizzazioni*, Angeli, Milano, 2003, pp. 72

1.3.4 Structure by process

Many organizations have tried to implement and adopt a process structure, as a response to the organizational changes of the last years, which tend to have a transversal vision of the company, aggregating activities for key inter-functional processes. It allows to reduce hierarchical levels and to identify people and activities involved, with a consequent dilution of the organizational boundaries between the units.

At the end, we can affirm that there isn't universally valid organizational model. Each model must respond to needs of different nature, internal and external, and therefore must be thought of as unique and unrepeatable. Furthermore, a possible transformation of the structural organization can be done operating both on whole system of power distribution and on the sphere of culture and organizational values.

1.4 The organizational strategy

The organization can be defined as a system of interdependent and interacting parts, which have the aim of pursuing a proper goal. In order to survive, every organizational system must satisfy four functional imperatives:

- Find and adapt resources;
- Determine and pursue goals;
- Maintain cooperation and internal integration;
- Provide motivations and values.

The scenario in which organizations have to operate is characterized by continuous and rapid changes, where the environment is increasingly complex, unpredictable and dynamic. The main phenomena that makes the context turbulent could be: social changes, technological innovations and economic transformations.

In this scenario, organizations should be able to adapt themselves strategically and to live with an increasingly uncertain future, full of unexpected events and threats, but also with a lot of opportunities.

An organizational strategy is made up of a set of choices that define which products or services for which markets, which competition and competitive advantages, what strengths and weaknesses, opportunities and threat, which combination of resources and how to optimize them, in a specific environment. As a consequence of different factors, a company can choose among different types of strategy: defensive or conservative, adaptive or adjustment, anticipatory or proactive.

In practice, many organizations do not implement a single strategy, but a mix of them.

In general, it is possible to say that the functional structure, which operates in stable environment, realizes conservative strategy, divisional structure uses the adaptive one for its dealing with dynamic context, while the structure for projects / matrix allows to implement proactive strategy in turbulent situations. However, this classification belongs to an exclusively theoretical plan, since there are many internal and external variables that influence the development of a strategy in relation to a specific structural organization. The main purpose of a human resources management is to govern and develop balance and synergies between the objectives and the potential of resources, using innovative strategies and tools and starting from the assumption that people are the real driving force of organizations, that are oriented not only to efficiency, but also to effectiveness and quality.

1.5 Connections among parts of the organization – interdependencies

The different parts that make up any organization, in order to carry out the operational activities, are linked by certain types of relationships, called interdependencies.

Interdependence refers to the exchange and sharing of information that occur among actors in internal or external organizational units. There are different forms:

- generic interdependence, when organizational units carry out their activities and provide their contribution to the achievement of strategic objectives in an autonomous manner, with indirect relationship;
- sequential interdependence, when the output of one unit is the input of another unit. This generates a dependency of the second activity from the first one;
- mutual interdependence, when the output of one unit is the input of another one and vice versa.

Relationships are presented in a symmetric way.

- group interdependence, when relationships are multiple and occur at the same time (one to many and vice versa), like the ones develop within a team or work group.

1.5.1 Control and coordination mechanisms

The mechanism of coordination responds to the primary need to manage operations and activities, carried out by all units, and to simplify communication among structures, as well as to guarantee technical efficiency and effectiveness. As claimed by Mintzberg, the coordination arises from the need to harmonize the internal functioning of the individual unit as well as that among the units themselves, also through an optimal allocation of common resources⁴.

Coordinating, therefore, means planning and programming the activities to be carried out, allocating them to operators and, subsequently, checking the results achieved.

Controls can be considered also as a form of coordination mechanisms, to ensure the correct execution of operations at different hierarchical levels, in relation to the profile of risk.

The aim is therefore to make the different parts of the organizational machine work in a coherent way toward the achievement of the final goal.

We can identify five main categories of coordination mechanisms:

- mutual adaptation;
- direct supervision;
- standardization of work processes;
- standardization of outputs;
- standardization of workers' skills.

When connections and interdependences are high between the activities that are carried out by the company, none of these forms is sufficient to achieve the necessary coordination. It may be useful, then, to introduce other mechanisms of integration within the structure to improve relations and therefore the efficiency of the organization. The typologies that are most widespread to increase an inter-functional link and a horizontal coordination are: the committees, the working groups or the task forces and the integrating managers.

⁴ Henry Mintzberg is an academic who has developed theories concerning management sciences, operational research, organization and strategy.

1.5.2 Coordination through mutual adaptation

Mutual adaptation is the simplest form of coordination. It is based on direct and informal communication among operators, who carry out activities and generate integrated and coordinated decisions and behaviors. In this way, the control of the work remains in the hands of those who executes it.

1.5.3 Coordination through direct supervision

The direct supervision mechanism coincides with the more traditional form of hierarchical control and it is based on the presence of a person who takes the responsibility of integrating, controlling and coordinating the work of other resources subordinated to him.

The effectiveness of this mechanism depends by the presence of two main conditions. The first aspect refers to the existence of a hierarchy that defines a formal authority, the second one, that can influence the efficiency of coordination, refers to the number of individuals or organs to be coordinated. The need for a more centralized control action typically arises in situations of conflict of interest among members, but there are many questions about this mechanism of coordination, such as: to what extent is it convenient to increase the hierarchical levels of the structure? And how many people can be effectively controlled by one boss?

There is no absolute rule: the choice depends on the characteristics of the individual company and the people involved. To respond to these questions, it is convenient to analyze strengths and weaknesses derived from the vertical extension of the organizational structure.

The strengths are mainly related to:

- better control of the results and behavior;
- the involvement of a greater number of individuals in corporate decisions and, consequently, a development of managerial skills;
- an increase in career opportunities;
- a reduction of the commitment in the control activity for the single garment.

The weaknesses are related to:

- the greater impact of structural costs;
- the difficulty of maintaining a unified vision of the company, due to the large number of steps that the information must take to go from the top to the base and vice-versa;
- the slow decision-making process caused by the need to involve a large number of managerial levels;
- overload of information to top levels;
- less responsibilities to low levels.

About the maximum extension of the control, the choice can be set on the basis of the nature of the activities and of the chiefs' characteristics.

1.5.4 Coordination through standardization of work processes

The coordination of complex activities can be achieved even without weighing down the hierarchy. Through standardization, the problem of coordination is solved before the work is carried out, during the design phase or during the training of personnel, because the content of work is specified a priori.

The functions involved in providing support services to the development of a production process, design and manage coordination based on standardization. One processes, in fact, can be standardized scheduling the contents of the activities to be done in the various stages of production, following the procedures and respecting the rules. For example, it is possible to codify the phases and the methods of carrying out a loan investigation or a leasing transaction. These procedures can be included into an information system to be available to all the functions involved, but the high use of this type of mechanism increases the degree of bureaucracy, reducing flexibility. It is therefore applicable in case of context stability, homogeneity and predictability of the tasks to be performed.

1.5.5 Coordination through standardization of outputs

It is possible to apply this mechanism of coordination when the expected results from the performance of activity are defined a priori (volumes, economic results). Once the objectives have been established, the work processes and the individual activities must be set up in such a way to allow the achievement of the expected results, leading to greater autonomy in the choice of how to carry out activities. The standardization of outputs may be necessary when it is not possible to formalize process and when there is a large business reality, making sure that all organizational units tend towards a common goal.

1.5.6 Coordination through standardization of workers' skills

When competences required are specified a priori, to perform a given activity, then, skills and knowledge are standardized. The use of this coordination mechanism often involves the adoption of strict entry selection criteria, which determine the recruitment of persons with particular requirements or persons with a strong motivation towards their work or towards the company's objectives. Given a high professional level and a strong sense of belonging to the organization, it is possible to influence persons through cultural mechanisms.

These five mechanisms represent a sequence of tools to be used in increasing size, variety and complexity of activities to be coordinated, but they can be applied in a joint or disjoint form of one another. The decision to use one instead of another one depends on the choice of centralization and decentralization power. Direct supervision leads to a high degree of centralization, on the other hand, mutual adaptation implies a low centralization of decision-making power. The other mechanisms are used to intermediate situations.

1.5.7 Coordination with cultural mechanisms

A strong culture in a company provides an effective system of informal rules that define the conduct to be adopted. Values drive the allocation of resources and the direction of energy within the company in a powerful way. But the corporate culture is much more than a particular

style of management. It constitutes a set of basic assumptions developed by a group, which define how to face problems with the outside world.

1.6 Performance indicators

Organizational theory has developed some performative concepts that have gradually leaded and oriented the process of economic and organizational change. We refer to:

- Efficiency
- Effectiveness
- Flexibility
- Quality

Efficiency measures the relationship between output and input in relation to a process and presupposes a high proceduralization and a strong control action.

Effectiveness is a strategic performance indicator and becomes relevant when organization must face the dynamism and the unpredictability of the environment. It implies the need to constantly redefine the pre-established objectives in order to increase this performance.

Flexibility is the ability of an organization to establish a condition of equilibrium between the environment and its structure, adapting its strategy within the framework of constraints and opportunities in which it operates. We talk about structural flexibility as the ability to equip itself with internal characteristics necessary to face external changes without asking for continuous restructuring processes. We speak of operational flexibility as the ability to develop processes and technologies able to regulate critical and unpredictable situations.

Quality refers to the level of satisfaction of the final customer. All activities within an organization contribute to create it, so quality can be considered as the result of the quality of all processes and activities carry out. In short, the quality of a product is determined by the ability of the organization to plan continuous improvement and constant research to understand and to satisfy the growing expectations of customers, through the involvement and development

of human resources. The total quality and the customer satisfaction are the primary goal of any activity and function of the company, while profit is a consequence.

The quality of the service/product is therefore composed of objective factors, measurable with specialized standard indicators.

1.7 The government of change

Organizational systems are increasingly complex systems. This complexity derives from the multiplicity of parts that constitute them and from the continuous processes of transformation, differentiation, multiplication. It is not possible to identify a perfect organizational structure or model to apply, because there are innumerable components and relationships that influence the best strategic choice. The system, as such, is irreducible to a single and objective perspective of analysis. Any complex system, however, is able to reach the state of equilibrium, even starting from different causes. It is therefore the system, as a whole, that determines the decisional alternatives of actors involved and it is not the actors and with them the processes, that determine the systemic actions. The problem of these organizations is how to live with this complexity, which is not static but dynamic, maintaining at the same time a certain level of stability, to develop internal solutions for integrating differentiated parts. Organization tries also to give a logical and symbolic sense to the action in a context where, in reality, there are no information capable of guiding actors and their decisional processes towards certain, unique and unpredictable directions. So, in a context of continuous changes, it becomes practically impossible to marry models, theories and principle based on rationality.

The first innovative solution can be identified in the logic of processes, which allows to pass from a vertical analysis within the structures to a transversal vision of the process. A process can be defined as a set of activities that transform inputs into outputs that have real value for customers in an end-to-end vision and more in particular, as an interconnected flow of activities carried out by different people / functions / companies, characterized by a common goal aimed at customer satisfaction. The second innovation is the re-engineering that it has been defined as a radical redesign of business processes aimed at achieving extraordinary improvements in critical performance parameters (costs, efficiency, effectiveness, quality). But a danger could be

that of miniaturizing instead of re-engineering, operating essentially on the morphology of the company and modifying its functioning marginally. In this case, the efficiency pursued is limited to a reduction of costs and workforce, instead of having, as a deeper objective, the elimination of all that elements do not give added value. Process logic, reengineering and continuous improvement are well-established management philosophies that converge towards change.

2 Organizational planning in banks

Bank is a complex organization. This complexity derives from the context in which it operates, pursuing the goal of generating value in a dynamic environment of a market economy, but also from the nature of its activities and the governance of its decisions. As such, the bank acquires inputs from the market and transforms them into services to sell to its customers. In this way it must generate value, consuming resources at a lower cost than the revenue obtained by selling its services.

Bank is subject to specific regulations, but it can be considered a form of organization that has anticipated the recent evolution aimed at enlarging the responsibilities of companies. They don't generate only economic value, in fact they are subjected to continuous pressure aimed at reconciling economic interest of being a business company, with all the other interests expressed by the institutional and geographical context in which they operate, highlighted by the emergence and development of very different types of banks strongly connected to the territory and society. The balance among these interests varies in space and over time, but it is important to consider how the recent trends, such as the globalization, have pressured towards economic and financial goals.

2.1 Organization in product and service company

Over the last few years, the ability of banking organizations to generate sustainable value has been affected by continuous changes in the sector, that have led to a significant internal modification. Today banks are facing challenges characterized by discontinuity and acceleration rates without precedents, in a very complex economic-social framework, compromising also the relationships among economic actors and with institutions, market and businesses. For this reason, decisions concerning strategic planning, organization and managerial innovation must be faster than in the past. Within these decisions, those relating to organizational structure play a fundamental role, as they impact on people who work in the bank and on their organizational well-being.

The ability to define an organizational structure and to acquire skills and resources that are quantitatively adequate, can be considered as key factors for the achievement of the strategic objectives, but given the bank as a service company, the organizational planning assumes a complexity.

Theories about organization design started from the analysis of manufacturing production companies, that are developed in the School of Scientific Management of Frederick Winslow Taylor, which paid attention in particular to the issue of technical efficiency and industrial productivity⁵.

However, in the course of time, many studies have been developed with the aim to identify the organizational specificities for service companies, highlighting the difference with the product ones, as showed in the figure below.

Product Company	Service Company
concrete product	Intangible nature
transfer of property	service doesn't exist before the purchase
product can be sell	service can't be stocked
product can be seen before the purchase	generally, production and consumption are the same thing
product can be stocked	service can't be moved
before the consumption there is the production	user participates to the production
production, sale and consumption take different place	direct contact between company and client
product can be moved	service can't be seen in a concrete sense
product can be exported	production, sale and consumption take the same place

Image 2.1

The main differences between these two types of organizational systems concern, first of all, the relations between the provision of service and the customers, the so-called users in service companies, characterized by less production control tools, typical of product companies, and an

⁵ Taylor's idea was based on the scientific study of work and the cooperation between skilled workers and managers. His hypothesis consists in supposing the existence of a single best way to carry out any operation, while the method involves the careful study of individual worker movements in order to optimize working time.

increase of the direct impact on the consumer experience, also through the diffusion of innovative forms of service channels (home banking, internet banking and mobile banking).

The service company has made, in order to customize its service offerings, a segmentation of customers in the market, that represents a central variable of business strategies.

This differentiation is not just a distinction between private, corporate and retail customers, but it consists in the identification of different model of service, within the segmentation, offering specific, unique and differentiated mode of service, to increase customer satisfaction.

As a consequence, the service can be considered as the added value that is difficult to replace or imitate with which companies want to attract the customer segment. The level of service is therefore affected by a lot of elements, such as the delivery system, which requires, for example, a particular design or by the training of personnel involved. Finally, all these factors, with other external and internal variables, contribute to define a unique image of the bank.

2.2 Design of the structure

There are two opposed visions in literature. The universal model, believes in the existence of solutions that are always able to improve the functioning of an organization, regardless of specific factors and context. On the other hand, the most accredited model in the scientific field is the contingent one, according to which it is not possible to find an optimal model that is universally valid and adequate for all the types of organization, but it is important to consider all the contingent variables that could affect the system and that are linked by relationships of interdependence. This theory is based on the principle of coherence, which refers to the need to be consistent with the competitive environment, the strategy, the characteristics of the activity carried out and the resources available.

Consistency is a key strategic factor that can be assessed through organizational flexibility, that is the capacity of the structure to quickly adapt itself to the changes of the market or through the capacity to figure out the relevant size of the business combination (geographic markets, products and services, customer segments), to meet the customers' need.

In the specific case of banks, the organization must also take in account the organizational requirements established by the supervisory discipline regarding internal controls, to ensure prudent corporate management, that should be considered as tools able to improve the ability of banks to monitor goals, risks and costs of the activities carried out and not just as constraints.

Also in the banking context, it is possible to apply the functional and divisional models, with the relative division of labor and coordination mechanisms. But they stand for ideal types, synthetic and simplified representations, because it is rarely possible to find structures that are completely adherent to these models. They are useful only to analyze the specific real structures of the banks in order to deduce some operating properties. In fact, more often, hybrid solutions are adopted, aimed at recovering efficiency, flexibility and quality in the bank.

2.2.1 Functional and divisional structure in banks

Banks have passed from the adoption of functional structure, no longer adequate to satisfy the choices of dimensional expansion and diversification, to the development of a divisional model, able to satisfy the needs of increasing environmental variability and to improve the ability to govern external and internal complexity.

As a consequence, some questions may emerge regarding the criterion that should be followed in grouping activities in each division or which objective can be consequently attributed to the individual one.

With regard to the first question, banks tend to adopt one of the three main grouping criteria: by product, by customer segments or by geographic areas (markets).

When banks implement strategies for product diversification, product divisions will be created, that are semi-autonomous units responsible for coordinating all the functions and process related to the supply of a product / service. These are units that manage a specific production line with specialized resources and with an economic result.

The second criterion, by customer segments, is based on the strategic assumption of market differentiation by homogeneous groups of customers, in order to efficiently manage diversified

activities and significant production volumes and to increase the customer satisfaction. Customers can be divided in four segments:

- small businesses;
- medium and large companies;
- low-income individuals;
- high income individuals.

This structure allows to satisfy different types of customers, but it implies the duplication of production and distribution functions and, as a consequence, an increase in structural costs.

The bank is, by definition, a divisional structure for geographical areas (markets), since the individual branches represent semi-autonomous operational units with limited territorial competences, responsibilities and sometimes decision-making autonomy. For branches, operating in the same geographical area, it is useful to create also Regional Directions to better manage the increasing size and heterogeneity of the markets served.

2.3 The horizontal dimension

Today, to be competitive, it is not sufficient to apply the pure functional or divisional structures, or in general a vertical organization. Companies, and in this case banks, have to organize their activities focusing more on the processes or in general on transversal organization, to successfully pursue the objectives of continuous improvement and adaptation to the continuous changes. This need has stimulated the banks to reflect on the possibility of adopting different organizational approaches, such as the vision for processes and the consequent diffusion of the Business Process Re-engineering (BPR).

2.3.1 The structure by processes

To improve the business performance and to increase the competitive strength in the market, it is important to pay attention to the processes and not only to the functions, also to optimize costs and to improve quality.

In an organization by process the different activities are grouped according to their belonging to the same process and not on the base of the place in which they take place or on the type of technical-specialist skills required. Tasks are carried out in teams, with multiple skills and interchangeable roles, that implies the elimination of hierarchical levels and the decentralization of decision-making. These working groups are responsible for the results of the process, controlling it and playing an entrepreneurial role in identifying the most innovative solutions for improvement, thanks to the evaluation mechanisms and the synthetic result indicators.

The hierarchy does not disappear, but it is replaced with a hierarchy for processes, through the identification and mapping of an adequate number of relevant processes for the purposes of the company business, that constitute the first organizational level. In turn, these processes will be decomposed into sub-processes, managed by hierarchically subordinated organizational units.

The harder part of this configuration is to define boundaries, plots and areas of competence in a process perspective. For example, selling a product is an activity that can simultaneously be traced back to different processes. This raises the problem of identifying which processes are right to lead certain transversal activities or which organizational mechanisms manage interdependent relationships among processes.

2.4 The Business Process Re-engineering

The development of the BPR (Business Process Re-engineering) represents the main expression of the horizontal reorganization, rescheduling activities and creating new operational roles.

The BPR reorganizes the traditional structure in a transversal way to achieve two fundamental objectives, but to avoid risks failure, that are high in a bank context for the lack of final tangible

product, it is important to have an adequate support of the top management and a technical preparation of those who are called to manage these changes. The first goal, oriented to shareholders' interests, consists in the processes simplification, privileging the recovery of efficiency. The second one, oriented to customers' interests, consists in the reorganization of the processes to increase the satisfaction of the final customers.

By definition, a process is an orderly succession of activities, where each employee is respectively customer and supplier of those who are placed upstream and downstream of the process. This logic makes it possible to split the added value of the process, identifying the contribution offered by the individual activity.

2.4.1 Process mapping

Banks have worked on mapping their own processes for several years and ongoing initiatives have been further strengthened, thanks to the incentives introduced and the purpose of achieving efficiency, effectiveness and improving quality.

The analysis developed by the ABI Lab (Italian Banking Association) on 25 banks or group banks, representing 68,5% of the banking sector, highlights how much it is widespread these new organizational paradigms. In fact, 68% of banks have a single mapping of processes and 20% have a project in progress.

Another important output, is given by the growing importance to the simplification of internal regulation, aimed at streamlining the documentary corpus but also at adopting a new logical approach to legislation. 60% of companies are currently engaged in these activities, while 36% have planned it for the next 12 months⁶.

⁶ Attanasio S., Murri G., <http://www.bancaforte.it/articolo/l-and-039-innovazione-dei-processi-bancari-RB57261j>

2.5 The 'hub and spoke' organizational model

A new model, called 'hub and spoke', has developed as a consequence of the recent trends in terms of organizational design, that envisages the identification and the subsequent implementation of a network, which consists of a node (hub), where most of the activities are concentrated and satellite nodes (spoke).

The advantage of a 'hub and spoke' network is, first of all, the possibility to connect to the network nodes that would be difficult to connect with each other in a direct way. In the bank context, this organizational model implies the creation of a network consisting of two types of branches, where spokes or satellite branches deal with the provision of services that are considered basic and not very complex, while the hub branches are considered as the head-area, concentrating the management of core services for the bank.

But this model may present many negative aspects, such as the risk of alienating so many customers, concentrating certain services, generally core, in hub branches, that can turn into a significant disadvantage when the client must necessarily travel to reach them.

2.6 Coordination between the center and the network

Bank can be considered as a divided and multi-product company, for the presence of distribution units (branches), which allow customers to carry out various banking transactions and for the offering of different product, including those of a non-financial nature. Furthermore, the offer differs in relation to the customer segment and can be driven through distribution channels characterized by the use of various types of technology. But this multidimensionality implies the need for coordination, both at the strategical and operational level, but also in managing the relationship with customers.

2.6.1 Territorial articulation

The choice about network size, location, organizational and technological characteristics of the individual units, together with the quality of services offered, can be considered a competitive lever aimed at increasing market shares.

The proximity of branches to users is one of the key factors for the acquisition of new client, but also to consolidate relationship or to facilitate communications, provision of services and the collection of information, allowing the bank to gain a competitive advantage.

The location, however, requires careful studies of coordination mechanism and information exchange, because greater proximity to the customer may implies greater geographical distance between the headquarters and the branch, where, especially in cases of strong centralization of power to the head office, it could be difficult to have relevant information on customers (available at the branches level) for awarding decisions.

The tendency to decentralize decisions and to increase flexibility and independency at branches level, to meet the needs of the customers, can't allow the application of economies of scale and joint production, obtained, instead, by the centralization of some common functions. But, in general, it is possible to say that banks tend to centralize that processes related to the management of resources (personnel, organization, information systems, programming and control) and concerning the definition of the strategy and the governance of risks (planning, credits, finance).

According to the degree of centralization/decentralization desired, the coordination mechanisms between headquarters and the territorial network can be entrusted with different instruments.

2.7 Consolidation and internationalization

The clear perception of what will be the environmental context that most likely the bank will face is a crucial phase in defining the strategic options and a source of a competitive advantage, as it allows to formulate in advance actions that are most consistent with the constantly changing scenario. The two main strategic choices adopted by banks in recent years are: consolidation and internationalization.

Since the beginning of the nineties, the European banking industry has undergone an important consolidation process, following significant mergers and acquisitions between banks (M & A).

The main reasons behind these strategic choices are the deregulation that characterized the financial system, the technological progress, the increased degree of competition within the banking industry and the growing integration of financial markets. Furthermore, the acquisition of banks already operating on the market, can favor a lot of advantages, thanks to an already loyal customer relationship, the availability of a network already established and a recognized brand. This consolidation processes allows not only an increase in the relative size scale, but also a greater diversification of activities, products / services offered and risk, with important consequences on the economy as a whole.

This process of consolidation, which allows the entry into international markets, on the other hand, can generate a loss of efficiency in the evaluation and monitoring of small customers, because there will be less collection of soft type information and less direct contact with the client, due to an increase in hierarchical levels.

Banks, however, before starting entry strategies into foreign markets, try to consolidate their own positions within national borders, also because abroad there will be synergies only by those activities conducted on a global scale, such as investment banking or asset management. In general, however, the strategic choice of consolidation is increasingly linked to the other strategic option: the internationalization.

The international presence for the bank allows, after the achievement of a very high levels of concentration on the domestic markets, the diversification of revenues and the search for new sources of growth. This process of internationalization covers a lot of country outside the Euro

zone or the European Union. The mainly countries involved are in Central and Eastern Europe for their high potential of development. However, it should be stressed that, the persistence of differences in laws and regulations among the various countries translates into an increase in the costs of implementing the internationalization strategies.

3 Intesa Sanpaolo Group

3.1 The Group

Intesa Sanpaolo, today, is the major Italian banking Group created by the merger of Banca Intesa and Sanpaolo IMI, two leading banking companies characterized by common values and goals that had been merged, to better serve families and to further contribute to the development of businesses and to the growth of country. Intesa Sanpaolo has a strong presence not only in Italy, but also in the international context, with a market capitalization of 37.2 billion euros in the Eurozone⁷.

In Italy, the Group is a leader in retail, corporate and wealth management sector, using a network of over 4,500 branches throughout the country and offering its services to 11.9 million of customers. About the international context, Intesa Sanpaolo can also relay on 7.5 million of customers and 1,100 branches, including subsidiaries units in 12 European Countries in the Middle East and in North Africa, operating in commercial banking. In 25 countries, and in particular in all those areas with great dynamism, such as the United States, Brazil, Russia, India and China, there is also an international network specialized in supporting corporate operations⁸.

Its cosmopolitan identity is a source of support and motivation for both companies and individuals operating internationally, offering high-quality expertise, advice and financial services. In fact, Intesa Sanpaolo is able to satisfy a diversified range of customers, offering differentiated and customized products and banking services, which stand out for quality and innovation. But the competitive advantage of the Group lies in the control of local banking networks both in the national and international context. An "International Banks" Division is present within the Group's organizational structure. In the below image we can observe the international presence of the Group.

⁷ Data at 31st August 2018

⁸ Intesa Sanpaolo Group: <https://www.intesasanpaolo.com/>

Rete internazionale del Gruppo

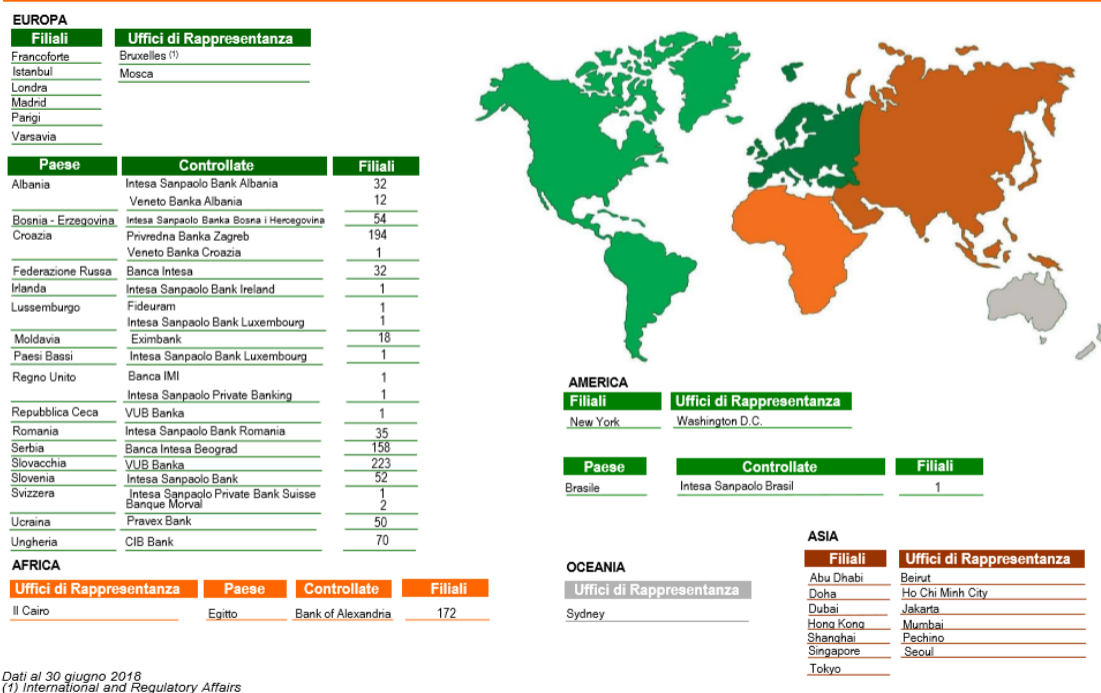


Image 3.1

Source: <https://www.intesasanpaolo.com/>

3.1.1 Missions and values

The Group pursues the goal of growth aimed at ensuring the sustainability of results over time and the consolidation of customers and shareholders' trust with a closeness to the needs of the community and of the territory and with a strong sense of social responsibility and loyalty with competitors.

The values that characterize the identity of the Group are:

- Integrity: honesty, responsibility and loyalty, in full compliance with the rules and ethics.
- Excellence: continuous improvement with a focus on innovation and technology, anticipating the challenges, enhancing merit and creativity.
- Transparency: at the base of actions, communication and relationships.
- Respect for specificity: thinking big but with a strong attention to the territory and individuals.

- Equity: eliminate all type of discrimination about gender, age, ethnicity, religion, political and union affiliation, sexual orientation and identity, language or different skills.
- Value of the person: human resources are essential element for the development, adopting listening and dialogue for a continuous improvement.
- Responsibility in the use of resources: promoting the culture of optimization, avoiding waste and using resources carefully.

3.1.2 The strategy

The main objective for the Group is the creation of value for all the Stakeholders with whom the Bank relates. Intesa Sanpaolo's strategy aims at a significant increase in profitability, performance, productivity, quality and efficiency, through revenue generation, cost and risk management, efficient use of capital and resources, while maintaining at the same time a low risk profile. Intesa Sanpaolo, to satisfy these needs, can rely on a significant excess of capital and on the international business presence, with high potential of growth and high value. But a strategic factor for the Group are employees too. Through training, career development based on merit, flexibility programs and long-term incentives, with a link to productivity and results, the Group tries to motivate people in doing their job. Corporate Social Responsibility is deeply rooted in all the business functions, for long-term economic development as an integral part of the corporate strategy.

3.2 Governance

Intesa Sanpaolo adopts the monistic model for the Administration and Control, characterized by the presence of a Board of Directors and a Management Control Committee set up within it, both appointed by the Shareholders' Meeting. This model represents the most suitable one to ensure the effectiveness of controls and efficiency of management. The monistic model has the benefit of obtaining immediacy in the circulation of information, because it allows the

centralization of the functions of supervision and management in a single body, but in particular there is a closer relationship between who defines the strategy and who implements it with consequent savings in time and costs.

3.2.1 Functions of the Board of Directors and the Management Control Committee

The Board of Directors exercises all tasks concerning the most important corporate and strategic decisions and the function of supervision and management for the non-delegated party. It confers and revokes the relative powers to the Counselor and CEO, appointed among its members, determining the remuneration. Within the Board, the Shareholders' Meeting elects the Management Control Committee, which exercises the control functions, with specific reference to the tasks that the law in force assigns to it.

3.3 The organizational structure in the Group

The organizational structure of the Group follows a divisional model, made up of seven divisions or business units and nine central structures reporting directly to the CEO and Board of Directors. All these structures are divided into a series of lower-level organizational layers up to leaf-level, consisting of the single office/branch. Intesa Sanpaolo's Central Departments are organized according to a model in line with international corporate governance best practices.

Until December 31, 2017, the Bank operated under the following model.

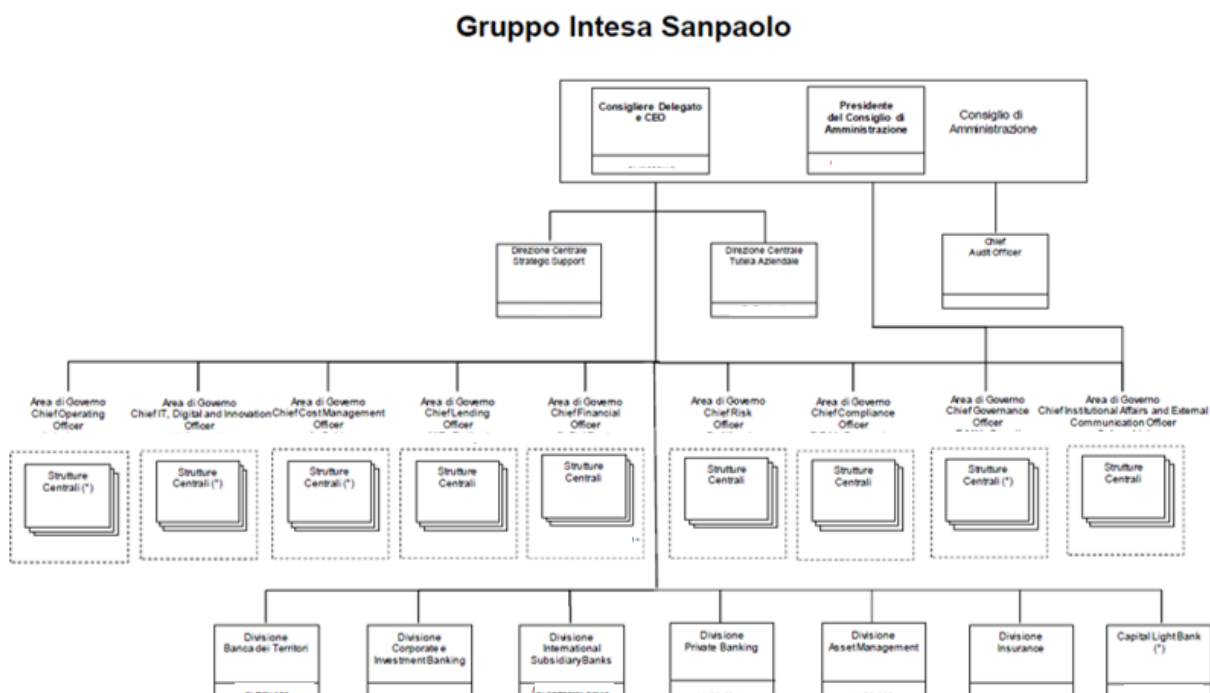


Image 3.2

Source: <https://www.intesasanpaolo.com/>

3.3.1 Central structures

The Chief Operating Officer (COO), in line with the strategies and objectives of the Group, has the function of defining and coordinating the implementation, with the collaboration of the competent structures of Intesa Sanpaolo Group Services. With the Human Resources Department, it also verifies the compliance with the guidelines and policies through the appropriate operational control mechanisms, ensuring, in line with the Business Plan, the achievement of results in terms of cost synergies and excellence, in relation also to the service offered. The COO promotes the professional development of human resources through the implementation and the management of appropriate operating systems and processes, managing internal communication initiatives and enhancing the development of Group's values and culture. Furthermore, this structure defines, with the Business Units and other Departments, the correct qualitative and quantitative coverage of the resources necessary to achieve the Group's

strategic objectives. It also has the task of defining labor and union relations policies, managing social security aspects and labor disputes, coordinating and overseeing the administrative, accounting and social obligations of the Group and functionally coordinating the personnel of the Departments. Objectives and projects, assigned by the Business Plan to the Chief Operating Officer Government Area, require a focus on the Human Resources and Organizational functions, strategic centers for the overall functioning of the Group, to realize the full exploitation of human capital and the implementation of projects and initiatives for the simplification and the organizational renewal.

The Chief Innovation Officer (CIO) performs the task of researching and analyzing innovative opportunities and solutions on the national and international market, in order to identify prospects of growth for the Group, building a network of relationships with companies, startups, research centers, universities and other entities. In line with the strategies and the objectives, it defines the Group's guidelines regarding development and innovation, proposing new projects consistent with the main innovative trends and new business lines to pursue the achievement of the Group's growth, measuring its relative economic return. Finally, it has also the task of spreading the culture of innovation also within the Group, supporting and managing specific project phases.

The Chief Lending Officer (CLO) takes part in the definition of credit strategy and in the guidelines for the management of Bank's credit risks and guarantees the monitoring of problematic credit.

The Chief Financial Officer (CFO) defines, coordinates and verifies the guidelines and the policies regarding studies and research, relations with investors, development of the budget, capital management and the optimization of financial and credit portfolios, guaranteeing the generation of the Group's value and ensuring the achievement of effectiveness and efficiency in the level of service offered. The Executive in charge ensures the preparation of the accounting and corporate documents, the correct and timely representation of the economic and financial results of the entire Group, as well as the fulfillment of the related accounting and supervisory duties, exercising quality control on the processes.

The Chief Compliance Officer (CCO) defines guidelines and policies regarding compliance with the Group's rules and ensures the non-compliance risk monitoring with the regulations of the Group, including the risk of conduct, both in the operational risk component and in the reputational one. It oversees the consulting, the assistance and the sensitization of company functions to regulations and collaborates with other control functions in order to achieve an effective integration of the risk management process, managing relations with the Corporate Bodies and the Supervisory Authorities about compliance issues.

The term Compliance means conformity to prescriptions, such as laws, rules or codes and general principles, in carrying out any activity. In a Bank context, being compliant means behaving in line with the principles and rules to carry out banking activities which, by their nature, are based on trust.

Intesa Sanpaolo has assigned strategic importance to the risk of non-compliance, defining an organizational model and spreading a cultural and value system consistent with this vision.

The Chief Risk Officer (CRO) defines and coordinates the implementation policies on risk management. It guarantees the measurement and the control of the Group's exposure to the various types of risk, by monitoring risk trends continuously.

The Chief Governance Officer (CGO) guarantees assistance to all corporate transactions among Group's companies, ensuring the best protection of the interest of the Group in all the investee companies specifically assigned.

The Area is divided into six Central Departments:

- Business and Corporate Consulting
- Art, Culture and Historical Heritage
- Legal and Litigation
- Group General Counsel
- Mergers & Acquisitions
- Participations

- Collegiate Bodies Secretariats and General Affairs
- Institutional affair.

With the new Business Plan (2018-2021), the organizational articulation described above has changed as follows:

- For a more effective management of current and future technological challenges there will be a strengthening of the digital area;
- consolidation of highly contiguous structures through a focus on functional skills;
- further improvement to cost management.

This has happened also through the establishment of three new areas of responsibility:

- *The Chief IT, Digital and Innovation Officer*, to promote continuous innovation of technological solutions, with the function of supervising the high complexity of Information Systems, Operations and Processes in the best way.
- The *Chief Cost Management Officer* represents a center of excellence for cost optimization, leveraging best practices in the areas of purchasing, managing costs and real estate assets with the aim to satisfy the objectives of the Business Plan 2018-2021
- The *Chief Institutional Affairs and External Communication Officer* includes the Central Directorate for International and Regulatory Affairs and the Central External Relations Department. It promotes the image and identity of the Bank and guarantees efficiency in many communication and initiatives that the Group maintains with external bodies and interlocutors.

3.3.2 Other structures

The following Directions do not fall within the areas of responsibility previously described:

The *Internal Auditing Department* responds directly to the Board of Directors and it is responsible for ensuring a constant and independent monitoring action on the Bank's operations and processes, in order to prevent or detect the occurrence of abnormal situations. It evaluates also the functionality of the overall internal control system and ensures the effectiveness and efficiency of business processes, the protection against loss, the reliability and the integrity of information. It provides also advice to Group functions, through participation in projects, in order to create added value and to improve the effectiveness of the processes of control.

The *International and Regulatory Affairs Department* directly responds to the Counselor and CEO and manages relations with national and international regulators, developing relations with key stakeholders at an international level. It manages institutional relations, promotes and directs relations with institutional bodies, associations and national and international category, as regards policies for economic and social growth and development.

The *External Relations Department* manages and coordinates the external communication, spreading the Group's identity in terms of ethic and social and cultural values, with the aim of promoting its quality, innovation and competitiveness in relation to the Business targets. It has also the task of increasing the reputation and the image among the media, the financial community and opinion makers.

3.3.3 The Divisions

The Group is made up also of 7 Business Units that respond directly to the CEO:

- *Bank of Territories Division* (domestic banking business) with responsibility for Retail, Personal and Business customers. It operates on the territory to enforce relations with small and medium-sized enterprises, non-profit organizations and persons.

Commercial activity is represented by:

- 11.5 million of Retail and Personal customers and 3,864 branches;

- 333 branches for 285,000 corporate customers;
- Banca Prossima, the first European bank dedicated exclusively to social and nonprofit enterprise, serving around 64,000 customers with 84,000 branches;
- direct channels platform;
- instant banking (Banca 5).

• *Corporate and Investment Banking Division* operates as a global partner for the sustainable development of companies and financial institutions in a medium / long term, on a national and international territory, with responsibility for Corporate, Public Finance and Financial Institutions clients. The core competences include capital markets and investment banking activities, carried out by Banca IMI. The Division has also a specialized international network consisting of branches, representative offices and subsidiaries that perform corporate activities to support cross-border activities of its customers.

The *International Subsidiary Banks Division* oversees the Group's operations on foreign markets in which it operates through controlled commercial banks, that mainly perform retail banking activities.

- Intesa Sanpaolo Bank Albania (Albania)
- Intesa Sanpaolo Banka Bosna i Hercegovina (Bosnia and Herzegovina)
- Privredna Banka Zagreb (Croatia)
- Bank of Alexandria (Egypt)
- Intesa Sanpaolo Bank Romania (Romania)
- Banca Intesa (Russian Federation)
- Banca Intesa Beograd (Serbia)
- VÚB Banka (Slovakia and Czech Republic)
- Intesa Sanpaolo Bank (Slovenia)

- CIB Bank (Hungary)
- Bank of Qingdao (China)
- Eximbank (Moldova)
- Veneto Banca s.p.a (Albania)
- Veneto Banka d.d. (Croatia)
- Bucharest branch (Romania)

This Division defines the Group's strategic lines in relation to its presence abroad, with exploration of new growth opportunities on the markets already held and on new ones, coordinating the operations of the International Subsidiary Banks with the centralized structures of the Group.

The *Private Banking Division* serves customers in the Private and High Net Worth Individuals segments with targeted products and services, serving 91,000 private customers.

The division includes:

- Fideuram⁹
- Intesa Sanpaolo Private Banking
- SIREF Fiduciaria
- Intesa Sanpaolo Private Bank Suisse
- Banque Morval

The Division offers targeted products and services and counts on important international

⁹ Fideuram is specialized in the production, management and distribution of services and financial products to private customers, with a specific needs and risk profile, with a mission of assisting clients in managing their assets, offering financial advice with qualified professionals and transparency.

strategic structures, such as in Switzerland with Intesa Sanpaolo Private Bank Suisse, Banque Morval and the London branch in the United Kingdom.

The *Asset Management Division* offers asset management solutions to the Group, to institutional customers and to external commercial networks.

The *Insurance Division* offers insurance and social security products.

The division includes:

- Fideuram Vita
- Intesa Sanpaolo Assicura
- Intesa Sanpaolo Vita

Capital Light Bank is a Business Unit set up under the 2014-2017 Business Plan with the mission of extracting value from non-core activities for the bank (non-core investments, real estate assets in the portfolio of impaired loans, non-performing loans and other non-strategic assets), reducing them in terms of volume to free resources for growth.

The Capital Light Bank controls the subsidiaries, such as Intesa Sanpaolo RE.O.CO., Intesa Sanpaolo Provis, Pravex Bank and IMI Investments, ensuring their overall coordination within the sphere of responsibility in terms of results. The Central Credit Recovery Department of Intesa Sanpaolo Group Services reports functionally to the CLB.

3.4 Professional figure and family

The growing development of structures, processes and related organizational models requires the analysis and the description of professional roles, in order to create a classification system

consistent with the activities carried out and the evolution of the organization. The construction of professional figures and families allows to identify and to structure the work that takes place within the organizational units and the related skills necessary to carry them out in an appropriate manner. The classification and the organization of these job profiles also allow to have detailed information on the contents and the missions of the individual jobs that are continuously updated.

The Intesa Sanpaolo Group has developed a logic with a stable classification of works with related skills and missions, allowing institutions to enrich the model through the addition of profiles that are not yet present, but that will be created in the continuum.

The Group has identified more than 100 professional figures within its structures for different skills and missions that mainly focus into the Business Divisions such as CIB (Corporate Investment Banking), BDT (Bank of the Territory), CLB (Capital Light Bank) and International Subsidiary bank, while in the central structures, where it is more difficult to determine the work content, generally the professional figure coincides with the activity carried out in the Organizational Unit from where they come from.

The Professional figures are then grouped into macro categories corresponding to the Professional Families which allow an easier clustering of personnel in the three main Group activities: Governance, Operational and Business. This form of clustering will have the function of supporting the managerial choices of control and allocation of resources in line with the objectives of the Business Plan.

3.5 Business plan¹⁰

Starting from the excellent results achieved by the previous Business Plan (2014-2017), the foundations, for the new one, require significant investments in digital and transformation of the business model, to be highly competitive in the years to come.

¹⁰ Business Plan Group Intesa Sanpaolo:

https://www.group.intesasanpaolo.com/scriptlsir0/si09/contentData/view/Piano%20di%20Impresa%202018-2021_UK.pdf?id=CNT-05-00000004FBAEB&ct=application/pdf

In a reality, there is the ambition to become the bank number one in Europe, in all the key indicators that will underpin future success in the banking sector:

- asset quality
- quality of profits;
- level of efficiency

The Corporate Social Responsibility is another key factor to be a point of reference for society, increasing inclusion, without any distinction (nationality, age, religion, gender, personal and social conditions).

In a highly digitalized and competitive world, the new Business Plan 2018-2021 aims to build the Bank number one in Europe on solid foundations and to maintain a solid and sustainable creation and distribution of value for Shareholders.

The pillars of the 2018-2021 Business Plan are:

1. Significant de-risking without costs for Shareholders
2. Cost reduction through further simplification of the operating model
3. Increase in revenues by seizing new business opportunities

The realization of the Business Plan will leverage on a strong digital infrastructure (Intesa Sanpaolo ranked third in Europe in 2017 for online banking functionality) with active involvement and enhancement of all the people in the Group.

In particular, the new Business Plan defines:

- *Cost reduction through further simplification of the operating model*

The aim is to confirm Intesa Sanpaolo as European leader in cost management. Many actions have been identified by the Group to reduce cost of € 1.5bn

- *Reduction and renewal of personnel to be achieved by:*

- Assumption of ~ 1,650 resources encouraging generational turnover and supporting the growth of the core business;
 - 9,000 voluntary outings;
 - HR In-Placement initiative to reconvert excess capacity of ~ 5,000 people toward higher value-added activities;
-
- *Optimization of the distribution strategy*, in line with new needs and behavior of customers, through:
 - ~ 1,100 additional closures of branches in 2018-2021,
 - The launch of Banca 5 as "Bank of Tobacconists", with ~ 20,000 sales points till 2021, to reach 90% of the Italian population (compared to 75% in 2017);
 - branches adaptation to local needs, implementing multi- format retail strategy.
-
- *Reduction of the legal entities of the Group*, which will be able to benefit from simplified governance and a more efficient structure. In the Parent Company Intesa Sanpaolo there will be the incorporation of: Banco di Napoli, Banca CR Firenze, CR Pistoia and Lucchesia, CR Veneto, Carisbo, CR Forlì and Romagna, CR Friuli Venezia Giulia, Banca Nuova, Banca Apulia, Banca Prossima, Mediocredito Italiano and Banca IMI. These entities will continue to operate with the same degree of responsibility, while brands with greater value for customers will be preserved.

4 The value generation in the Bank

4.1 The project

The Organizational Management of Intesa Sanpaolo and in detail the Organizational Unit of Monitoring Systems, has launched a program divided into three lines, which affected the transversal involvement of all the functions of the Department itself and of the CITDIO Area (Government and Process Development and DSI). The objective was to provide the Group with a new exemplary representation of bank processes from an end-to-end perspective along the entire supply chain, namely transversal to the organizational structures (from operational points to central units). At the same time, it allows the introduction of measurement and monitoring tools for the absorption of the workforce and for the organization, together with the monitoring of the performance of the processes (measured as efficiency, effectiveness and quality) and of the structures.

In fact, the complexity of the organization in large banking groups, usually makes them prefer vertical and structural analysis within the individual units, without analyzing the end-to-end process chain or cross-organizational analysis. Companies, however, to be competitive, must redesign their organization according to a transversal vision, reviewing the modalities of interaction between the structures.

The project envisaged, as an initial step, the creation of an integrated governance of processes, that is the revision and simplification of process regulations from an end-to-end perspective according to unique taxonomy shared by all the structures within the Group, obtaining an integrated view of all the organizational dimensions connected with business processes. The program has made significant results in terms of simplification, about 90% of positive feedback from the Business users involved, -92% of the regulatory process documents (from 5000 to less than 400), -39% of the number of pages of regulations and -40% of the number of process activities.

Simultaneously with the definition of transversal processes to the structures, a program has been launched for the evolution of the systems used to dimension the resources absorbed, by organizational unit, process, professional figure or geography with the "times per volume" logic. This analysis makes it possible to identify situations of redundancy or lack of resources, to determine the balancing of workloads within the supply chain itself and to measure its effectiveness, efficiency and the systematic comparison between the dimensioning estimates and actual organic. The sizing has been customized according to the specificities of the different models of the network and the characteristics of the central units, also defining new professional families at Group level, transversal to the organizational structures, which have allowed new analysis of the dimensioning.

In order to calculate the absorption required for the execution of individual process activities, on which the mapping of structures and jobs involved was necessary, an approach based on the measurement of volumes and operational productivity of resources was used.

After the definition and the dimensioning, process and structure performance monitoring and organizational monitoring follow, in line with a continuous improvement approach. For each process, a synthesis performance indicator (ISP) was defined, calculated starting from the identification of KPIs (Key Performance Indicators), which are grouped by efficiency, effectiveness and quality and which are specific for each process. To each KPI have been assigned also a weight and a score value calculated through an algorithm, according to the deviation from predefined target values. This analysis then has allowed to define synthetic indicators also for the various network structures crossed and affected by the process, to monitor the performance of the structures in relation to the process interrogated.

The data used and the reworkings obtained were organized in a business and visual layer, the latter developed with a market intelligence business product, allowing the construction of navigable dashboards and logical views by organizational structure, process and various other dimensions such as professional figure and family, category and geography. For example, the created tool allows the consultation of a single process with a given ISP value, showing number and type of KPIs identified and customized for that process, the respective measured value, weight and deviation from the target, and the classification by efficiency, effectiveness and quality, together with the structures involved and the absorption in terms of organic.

In terms of perimeter, the project currently involves the simplification of 70% of the processes, a monitoring of 36 of them with over 336 KPI, with a dimensioning of 89% of the structures and 50% of the processes.

Further advanced investigations also allow to perform trend analysis on the performance of processes / structures, comparisons in internal benchmark logic among units, correlation analysis between variables and simulation analysis in "what-if" prospective to determine, for example, the impact on the dimensioning in relation to variation in volumes managed and / or distribution of assets according to a different logic, in face of an organizational change or a reduction / increase in the workforce.

The dashboard is customizable and profiled according to cones of visibility that are chosen for types of internal users (both in terms of organizational structures and governance of processes) and is usable both through normal work stations and through mobile devices, smartphones and tablets.

The project foresees a coordination between the organizational structures and the IT ones that guarantee technical implementations and progressive releases, with a continuous collaboration also with all the HR and Business structures.

The use of transversal information on organizational structures, professional roles, geography and the connection with the company's processes, make it possible to measure the effects on the absorption of resources and process effectiveness, providing a constant thermometer on reorganizational initiatives implemented by Intesa Sanpaolo Group. The project is also considered strategic for the purposes of the '18 -'21 Business Plan, as an enabling factor in support of voluntary exit plans for personnel and in the activation of conversion levers, in terms of both professional role and geography, allowing a punctual measurement of deviation between the theoretical dimensioning and the organic resources and favoring a better allocation of the same according to the needs.

4.1.1 Requirements at the origin of the initiative

The need, at the base of the initiative, was the simplification and rationalization of the process legislation (from 5000 to about 390), result of successive stratifications no longer responding to the Group's business, in order to reduce fragmentation and to represent the processes in end-to-end logic. This allows to respond to the evolution of the Bank towards the adoption of new technologies, supporting the digitalization of processes and providing more structured and integrated information on different axes of analysis such as processes, professional figures and families, organizational structures and geography.

The objective is also to extend the perimeter of the structures dimensioned at Group level, while at the same time, developing a unique and shared methodology with the structures, reducing the fragmentation of the systems to support the calculation of the dimensioning and enabling an end-to-end government along the supply chain (from the Branches to the Central Offices), in order to improve the allocation of resources involved in the processes and, through internal benchmarks, to promote the dissemination and the adoption of the best practices.

This initiative has allowed to have a single integrated dashboard with information about the absorption of personnel on structures / processes together with indicators of efficiency, effectiveness and quality of the processes monitored in the continuous.

The implementation of these initiatives will guarantee an integrated view and more information to the management regarding the analysis of the capacity of resources, in order to support an optimal allocation of the same and the achievement of the Plan objectives. Moreover, with the definition and the monitoring of KPIs and expected service levels, it will be possible to intervene with recovery actions for processes with worse performance, such as process re-engineering, the adoption of virtuous behavior observed in structures with better performance, rather than the use of solutions of robotics or artificial intelligence, in order to activate a virtuous circle of continuous improvement.

4.1.2 Main critical issues encountered

There have been many difficulties in the various project phases, operating in a complex sector such as the banking one and in a big reality such as the Intesa Sanpaolo Group, where it is also difficult to recover and integrate data already available but never related to each other.

These difficulties have resulted in the need to find an overall taxonomy of the processes, which defines a common nomenclature on which to link the activities carried out by all the Entities belonging to the Group, also guaranteeing coherence and coexistence between ordinary methodologies of dimensioning by structure with the new ones introduced by the project.

About the main critical issues encountered, there is also the complexity in finding the dimensioning metrics of the various activities connected to the process, moving from vertical logics in organizational structures to cross-process views and the need to identify process indicators (KPIs), also transversal, significant for all the front-end and back-end activities.

4.1.3 Innovative aspects of the project

The project stands out for its innovative nature in a context that is not as dynamic as the banking one.

The three synergistic interventions led to the creation of innovative monitoring tools integrated with the analysis of dimensioning. Mainly should be highlighted the drafting of a new taxonomy of processes that is unique for the whole Group, organized on three levels and fully shared by the internal Control functions.

Subsequently, it is necessary to consider, as a best organizational practice, the measurement of process performance and resources associated together with the performance of the individual operating points also in terms of productivity.

The methodology and tools introduced enable, in addition to the usual detailed analysis, the possibility of performing advanced analysis of internal comparison between structures / processes, trend analysis, correlations between different variables with the aim of supporting simulations of scenarios in a "what- if " prospective.

Innovative was also the construction of a Business Intelligence System, where data coming from various Group applications, also in disaggregated form, were loaded and normalized on a single central repository. Subsequently, the data were made usable on a "visual layer" developed with a business intelligence product market, that allows to represent in a graphical / tabular way the data and to create multidimensional customized analysis. This solution has ensured greater speed of implementation and greater efficiency in the organization of data compared to more traditional choices.

This project work will focus on the last aspect of the entire project, that is the one related to the processes and structures performance monitoring and the organizational monitoring, which will nevertheless present interactions with the world of dimensioning, in terms of monitoring the workforce and in prospection of future implementations of advanced analytics.

4.2 Process and structure performance monitoring

The logical steps that lead to the measurement and the monitoring of the performance of processes and structures are as follows:

- sharing of processes and related KPIs monitored, with the target objectives, the expected service levels and weights of each KPI, for the purpose of calculating the synthetic indicators.
- Periodic verification of performance indicators through trend analysis, comparison of processes and structures in internal benchmark logic to identify the best practices and, in the future, through correlation analysis.
- Identification of the possible recovery and improvement actions to be implemented for processes with worse performance, such as process re-engineering, the revision of the applied organizational models, the adoption of virtuous behavior observed in structures with better performance and the use of robotics or artificial intelligence solutions.
- Fine-tuning of the targets of each KPI and the weights associated with them.

4.2.1 Process performance monitoring

The process performance monitoring is a cross-organizational monitoring of the Group's main processes, where, in order to evaluate the end-to-end process, synthetic and detail indicators are calculated, to identify possible inefficiencies and to propose actions for organizational process improvement.

A process consists of a set of activities aimed at achieving useful and specific goals and it is not identified with a single function or organizational unit. In fact, most of the problems lie in the fact that a single process crosses the boundaries of different structures. To this end, a process taxonomy has been defined, which provides three levels of detail and which has the following characteristics:

- to guarantee an end-to-end vision of the processes to be measured,
- to allow consultation of information both in aggregate form and in detailed one,
- to guarantee the possibility for the collection of data, already present in the company, from different sources and which are the inputs for the measurement.

On the other hand, the identification of an end-to-end process, to be measured and monitored, must also have precise prerequisites:

- High complexity
- High risk
- Excessive costs (significant absorption of resources, high number of errors, presence of numerous complaints, etc.)
- Slow execution times
- Failure to achieve goals

The presence of some elements of strong organizational discontinuity can instead lead to an exclusion of the process (regulatory and organizational changes).

4.2.2 Determination of ISP (Synthetic Performance Indicator)

The measurement of the processes is articulated in an integrated system of indicators, that through their weighting, allow to provide a synthetic indicator of the processes themselves, the so-called ISP (Synthetic Performance Indicator).

Identified a process to be analyzed, we start from the identification and the valorization of the Elementary Data (**Drivers**) that characterize that process, determined starting from information and data coming from the company information system or from ad hoc reporting by company structures, thanks to the contribution of process analysts. The Detail Indicators (**KPI**) are the result of a structured relationship of the input data or the so called Elementary Data. A weight must be attributed to each detail indicator.

The value measured for each indicator (KPI) is then compared with the relevant Evaluation Parameter (**Target**).

The Evaluation Parameters represent the expected value of the indicators used for the measurement. To identify them, it is possible to consider:

- Business objectives: these are the quantitative and qualitative objectives indicated in the Business Plan.
- Internal benchmark: these are values relating to different contexts within the company. An example comes from possible comparisons between the different Regional Directorates.
- External benchmarks: these are measured values on the competitors' processes.
- Average time series: values relating to the same area but referring to different time windows.

The Value Target is established in the definition phase of the KPI attributes and can be determined in four ways:

- Fixed value
- Average value, obtained from the average on the historical series of KPI's
- Average first quartile value, obtained from the identification of the value that is positioned in the 25% place on the distribution of the historical series of KPI's
- Average third quartile value, obtained by identifying the value that is positioned in 75% on the distribution of the historical series of KPI's

The calculation of the Target Value as first/third quartile mean value is used when the objective of that KPI must be more/less aggressive than the normal mean.

During the phase of the Target Value identification, in order to have a “clean” value, the formula to figure out the Outliers is used, as follows:

- 1) Find the first quartile (Q1) and the third one (Q3), ordering the values from the smallest to the largest one and taking the values that correspond to 25% and 75% in position.

$$Q1 = 1/4(n+1)$$

$$Q3 = 3/4(n+1)$$

Where “n” is the number of the values

- 2) Find the interquartile deviation $IQR = Q3 - Q1$
- 3) Apply the rule to find the Outliers:

$$y < Q1 - 1.5 \times IQR$$

$$y > Q3 + 1.5 \times IQR$$

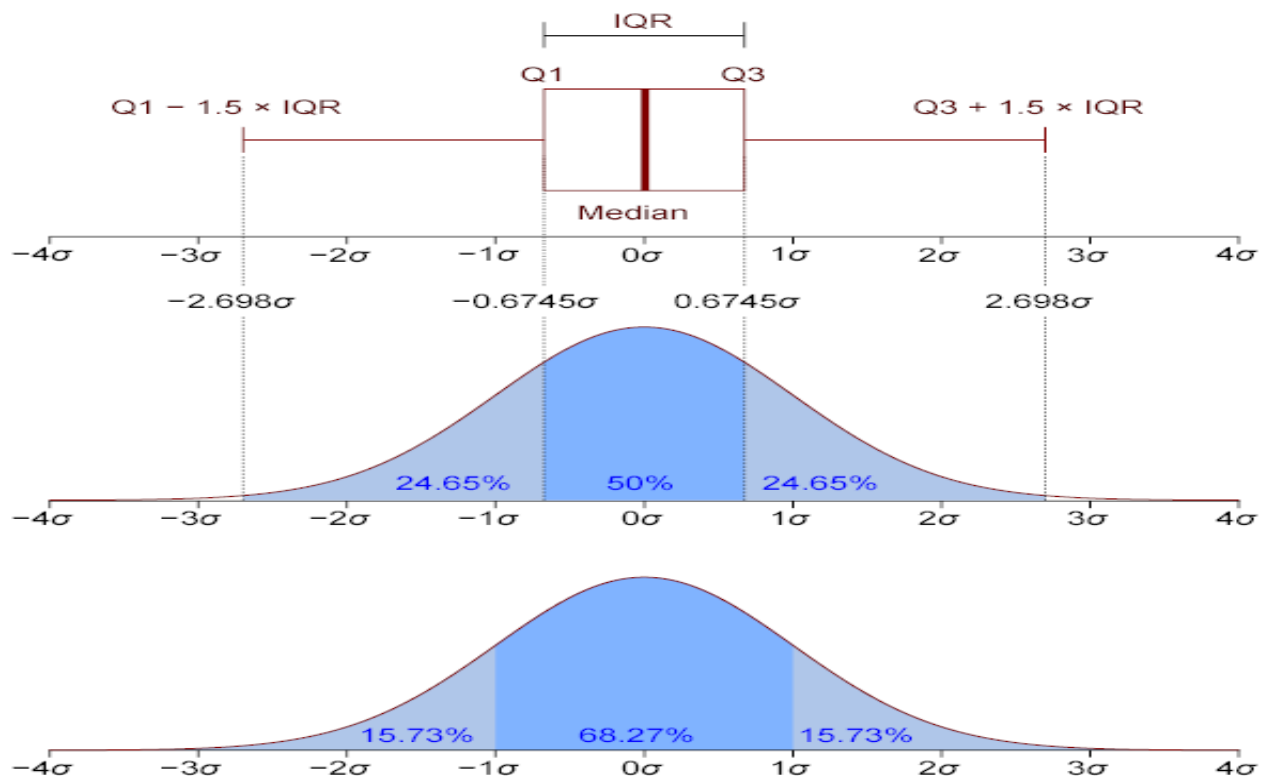


Image 4.1

Once the Outliers are found, these data are not considered for the calculation of the average, but they are not eliminated to keep track of these observation.

The difference between the measured KPI value and the Target value determines the percentage deviation that is calculated as follows:

- Objective Maximize: $((\text{Observed KPI Value} / \text{Target Value})\% - 100\%)$
- Objective Minimize: $(100\% - (\text{KPI Observed Value} / \text{Target Value})\%)$

Where the objective (Maximize / Minimize) is indicated in the definition phase of the KPI.

In order to make homogeneous and comparable the values obtained from the comparison between KPIs and Target, they are traced back to a **Score Value** through the use of an Evaluation Scale (value from 1 to 7).

These detailed indicators (KPI), each of them with its own weight and score, are then grouped together to allow the identification of three **Key Indicators** for measuring the performance of the processes.

The three key indicators are:

- Efficiency: ability of the process to generate high output quickly and at the lowest possible cost
- Effectiveness: ability of the process to achieve the objectives
- Quality: ability of the process to generate the expected output in a simple, stable, lasting and low risk way.

Depending on the type of process and on the company strategy, it is possible to assign a different weight to the three reference indexes, that have also a score value deriving from the results obtained by the basic indicators that compose them.

The value of the Synthetic Performance Indicator (**ISP**) is the result of the weighing (on a percentage basis) of the three reference indices and the value attributed to them.

The following image shows the ISP trend for a given process, resulting from the performance of the three indices (efficiency, effectiveness and quality), each of them with different weight.



Image 4.2

The perimeter, to date, includes 36 processes with 10,104 FTE dimensioning and 336 KPI identified, out of 356 total processes. The business and visual intelligence tool has allowed the creation of integrated and navigable views, with evidence on the worst and the best performance both at process and KPIs level, with performance representations and comparison among organizational structures on the process with possible drill-down up to the offices / operating points involved.

4.2.3 Structure performance monitoring

A second type of performance monitoring, on the other hand, involves the vertical analysis to the organizational structures, in particular to the network structures, from the Regional Directorates to the individual Operating Points. In this last case, the objective is to identify the internal organizational Best Practices to direct the other structures to virtuous behaviors and to support the critical review of the decisions regarding the timely dimensioning of the structures themselves.

The vertical approach to organizational structures, therefore, consists in making a benchmark among the operational points to identify the Best Practice.

An initial analysis identifies the Operating Points, selected from those with the highest absorption of resources and measured with respect to a synthetic indicator calculated on the basis of a subset of KPIs, as a consequence these Operating Points are positioned with respect to the performance of the selected KPIs, the actual / expected imbalance and the cost / income ratio.

From an overall view on the positioning of the Operating Points, it is possible to focus on a single one, identifying the value of the synthetic performance indicator reached by the individual structure and the values of the related KPIs, with relative trend, comparison and calculation of the deviation with respect to the target values and with respect to the average of all Operating Points.

Observing for example the distribution of branches in the figure below, belonging to the same Regional Department, it emerges that many branches are positioned at similar levels of dimensioning, recording different performances compared to a sub-set of indicators considered most significant and most characteristic of the branch operations. With this type of analysis, the objective is to identify virtuous behaviors to be extended, within the limits of objective conditions, to the less performing branches, among homogeneous clusters of structures.

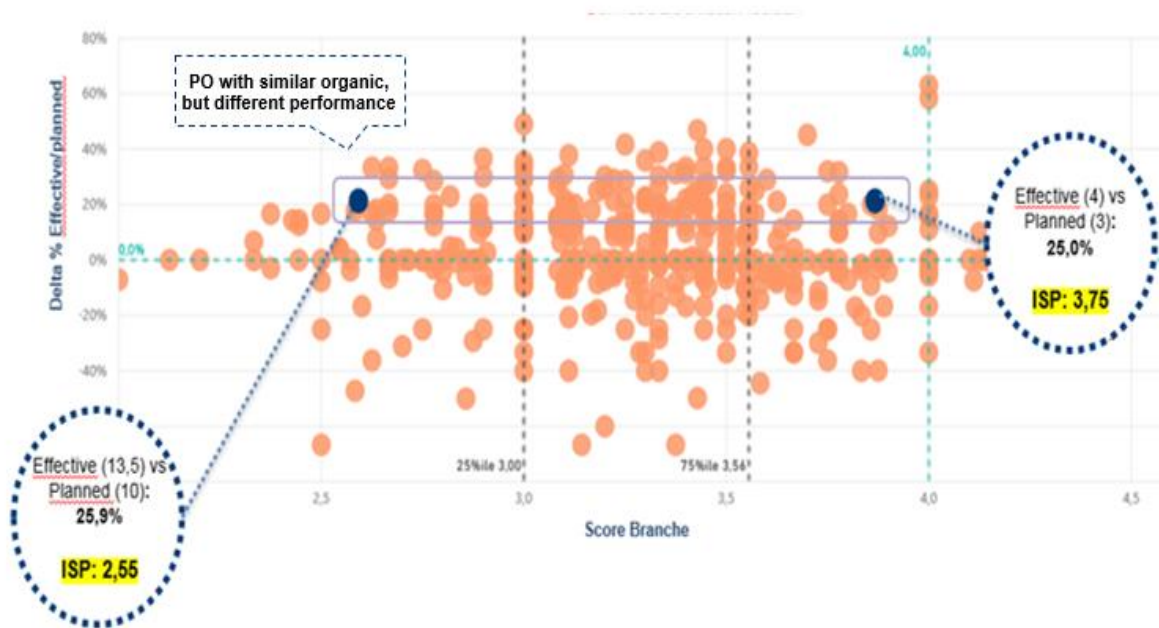


Image 4.3

4. 3 Organizational monitoring

The organizational monitoring makes it possible to obtain information on the conformation of structures and organic at Group level.

Following the trends on the overall evolution of the workforce in the Intesa Sanpaolo Group, we have moved to an automation of SAP flows extraction and verification checks on data quality, together with the use of a diagnostic to intercept periodically the organizational changes occurred. This has led to the automation of final reporting, with the introduction of new organizational KPIs on the organic and structures such as Span of Control and Organizational Layers.

Main actions taken:

- SOA hierarchy

This action consists in the arrangement of the SOA structure to be adapted to the effective organizational structure of Intesa Sanpaolo, which provides for the co-existence of three main

nodes at the first level, under which all the other structures have been engaged and arranged on inferior layers (till the 9th), depending on the nature of their activities and relations. This hierarchy is constantly changing, because a lot are the internal movements of structures that should be tracked with a continuous monitoring.

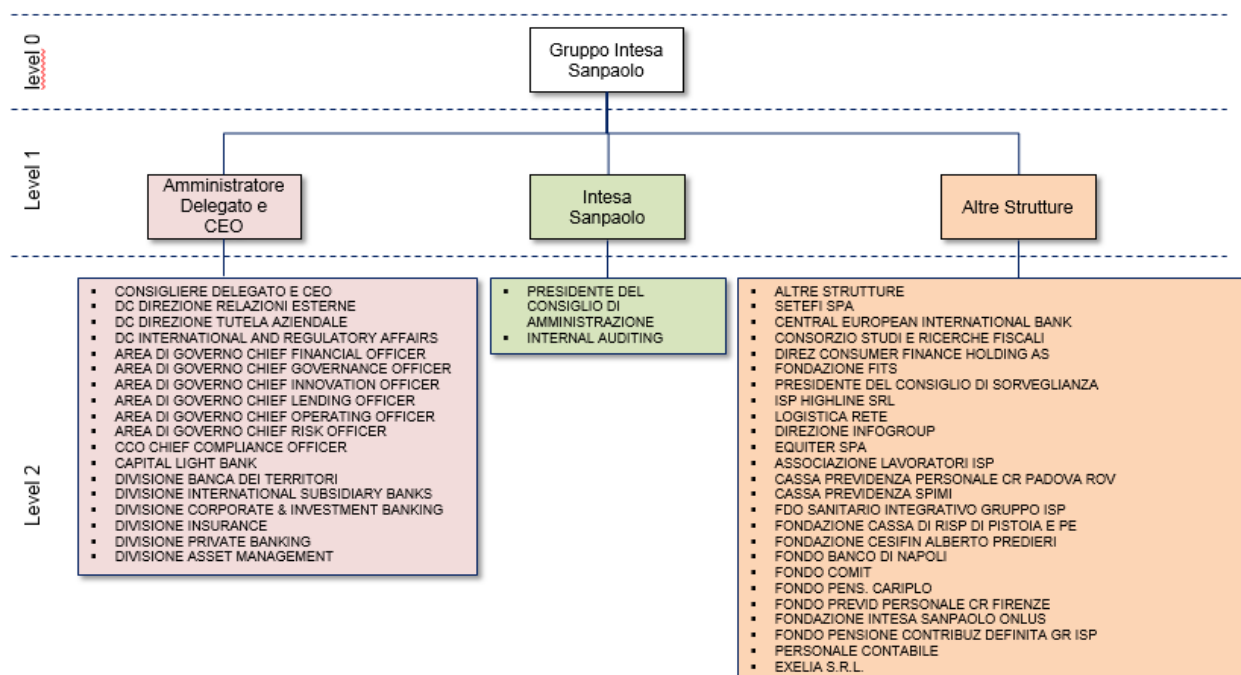


Image 4.4

- Clustering of structures by type and organizational layers

The 76 different types of Organizational Units present on SAP and identified by the "UOG Type" were aggregated into 8 logical macro-categories allowing, an immediate visualization of the type, number of structures and organic distribution with respect to organizational levels (SOA hierarchy) starting from the CEO up to the "Leaf" Organizational Structures (from the 7th to the 9th level).

- Overall organic

The Organizational Monitoring has, as its primary objective, the management of the resources allocated among the Group's structures. For this reason, special views have been constructed to

monitor the overall Organizations in terms of FTE (Full Time Equivalent) and HC (Headcount) by Organizational Structure (from the first levels of the hierarchy up to the "Leaf" structures), by geographical dislocation and by other type of analysis.

- Span of Control

In order to monitor the extent of the control performed by central structures on the reporting ones (child structures) and by individual offices, the Span of Control was calculated both on the level of managerial reports (Heads of Structure) and on a precise and average level for Office / Unit.

- Management and trend views

To have an overall overview on the Group's workforce, in managerial terms, some sensitive data on the resources were analyzed, such as the average age and the average company seniority in the Group in general, but also by structures and professional families, as well as the distribution of organic by bands of age and of average seniority. Other information was collected, as the gender of employees, identifying the percentage of men / women overall in the Group, but also by category and structures, as well as the distribution of organic by category.

In order to have an overall view of the Group's workforce and not just a snapshot related to the time period questioned, we have populated the B & V Layer with the organic and structural data of the last 5 years in order to allow the construction of trend for some of the analysis dimensions. These new views allow to analyze the evolution of organic and structures over time, signaling any critical behaviors, such as the increase of the average age for certain structures or highlighting increase or reduction of the organic due to Group's macro interventions.

5 Upcoming implementations

In line with the results obtained to date, the next steps include implementations of the B & V layer and new advanced investigations to better understand the relationships between the data and the variables analyzed.

The next releases concern:

- An extension of the monitoring perimeter to all the Group Companies / Banks do not present in SAP.
- Launch of mobile reporting with the development of a version usable on mobile devices.
- Advanced Analytics

5.1 Advanced Analytics and What-if Analysis

In addition to the analysis by process and by structure, a natural evolution of the implemented tools would enable the possibility of raising the level of depth towards advanced statistical analysis.

The goal is to use the data assets available to constantly improve the quality and complexity of the analysis, in order to create Advanced Analytics solutions to study the correlation between the performance of structures and processes with the absorption of organic and other endogenous variables and to understand the phenomena that have an impact on the performance, in order to optimize it.

This type of analysis makes it possible to identify the motivations that determine the best and the worst performance, figuring out the variables that positively and negatively influence productivity and efficiency and establishing improvement actions, to be implemented, in order to optimize the management of resources, in support of strategic choices in the "Organization and RRUU" area.

The logic of What-If Analysis allows to perform predictive and scenario analysis, both as-is and to-be, through the data collected by the Bank. The objective is to provide indications and guidelines for complex business strategies, which must take in account numerous factors of

different entities. These are innovative models of interpretation of phenomena with an impact on the methodology of people management and organizational templates.

5.2 Use case analyzed

The use case studied is based on the use of an advanced analytics model, which has the aim of identify the correlation and the dependence between the process performance together with the productivity of the structures and a set of endogenous variables identified a priori, in such a way that, according to the relationships identified, it is able to figure out solutions for organizational improvement.

The use case consists in the identification of the causes of degradation or better performance, at process or structure level, and in the determination of the variables that have generated this situation, subsequently simulating improvement actions to verify the impact in terms of absorption of resources, in function of efficiency and productivity improvement.

Together with correlation analysis between variables, we will also perform forecast analysis on processes and structures performance, on the basis of the time series analyzed, in other words, temporal projections in the event that no improvement action is taken.

In the phase of elaboration of a practical case, in which to apply advanced correlation analysis among the variables involved, we started from the definition of the goal.

The objective, we focused on, was the search for possible motivations that could explain the degradation or the better performance of a process or of an organizational structure (Branches or Regional Directorates), in a given period or over a period of time (trend analysis), or in terms of comparison between organizational structures.

This first phase of analysis is based on the identification and the description of the anomaly that one wants to study, that is a pure representation of the phenomenon and its trend over time.

Once the problem to be analyzed has been defined, the identification of the prerequisites necessary for carrying out this analysis is performed, such as the identification of a significant set of elements / variables to construct a correlation model with respect to the performance

indicators and/or the specific KPI, followed by the verification of the availability of such identified data and the normalization process of the latter. It is therefore necessary to construct a data model, that is a set of variables that could explain, from their correlation, the studied phenomenon. Among the data that make up the model, it is necessary to check the availability of those already available and those that need to be integrated. These collected data need a process of normalization, to identify, then, the explanatory relationships that bind the variables together. The dependent variables to be studied refer to the process and structure performance, such as the synthetic performance indicators (ISP, efficiency, effectiveness, quality), the values and the scores of the individual KPIs and the managed volumes. The independent variables intercepted, instead, have been clustered into 5 macro groups concerning: the characteristics of the organic (age, gender, classification, geographical location, etc.); the commercial performance and the financial indicators (cost / income); the internal / external events (social / political and macro-economic events, share performance); the customers (age, number of customers managed); the characteristics of the organizational structures (organic, process / structure dimensioning). Then, the model will be implemented with a series of data concerning the processes (weights and targets of the KPIs) and the characteristics of the organizational structures (trees and type of organizational structure).

What we want to study is how the variables bind to each other in a sensible way, that is to check if there is a correlation between the variables identified, in order to determine which of these and how impact on the determination of the output (dependent variable), helping to explain the phenomenon.

The logical steps to be followed in the analysis to be carried out are the following:

- Identification of process / structure that recorded degradation or better performance
- Identification of KPIs, related to the identified process, that have the greatest impact on the performance of the synthetic indicators, considering weight, target and other characteristics
- Verification of the progress of these KPIs among the structures, if there is a generalized phenomenon or if it is focused in a single Direction
- Correlation analysis between the process and structure performance and the identified independent variables

- Correlation analysis between the performance of KPIs related to the same process or between different processes

The output to be obtained at the end of this analysis is the identification of the independent variables that negatively and / or positively influence the performance, together with the motivations that have determined the degradation or the best performance recorded.

In order to carry out this type of analysis we need advanced statistical calculation tools and engines, so we will collaborate with consultants specialized in data processing and analysis, to identify improvement actions to optimize the management of resources on the basis of the correlations highlighted.

At this first phase of Advanced-Analytics, a second type of testing follows, the so called What-if analysis, which consists in carrying out simulations to verify how the final result, the object of our analysis, can change in face of different choices or improvement actions hypothesized and suggested by the analysis of advanced analytics.

Another output, that can be obtained with this simulation model, concerns the impact on resources absorbed by a process and/or process phase, assuming to adopt the most virtuous behaviors observed, in case of same organizational conditions. In other words, the KPIs related to processes and / or process phases, with a strong absorption of resources and with significant variance of the performance between DR and / or Operational points, are identified, simulating the effects on the FTE absorbed if the best performing behavior is used (i.e. the best value of a KPI, the average of the best, the best percentile of the structure to which it belongs). At the end, to implement this type of analysis, an investigation on any qualitative and behavioral characteristics of human resources (and any other variables), that may impact on the absorption of resources in a differentiated way between structures, could be done. This analysis can be replicated only for those processes whose KPIs are closely linked to dimensioned process steps and within homogeneous branch clusters in relation to the execution of operations.

Finally, predictive analysis can be carried out in parallel, projecting the trend of process/structure performance on the basis of time series, presuming what will be the trend of the analyzed indicator, if no improvement action is taken.

Conclusion

In this project work the theme of organization has been developed and analyzed as a strategic choice that every company is facing in relation to the objectives to be achieved.

The different organizational configurations have been analyzed with their respective characteristics, from which it was possible to conclude that companies, today, to be competitive, must redesign their organization according to a transversal vision, reviewing the modalities of interaction between structures.

The attention to the process is a fundamental source for improvement, since only by intervening on it and not on the individual structure, it is possible to improve the performance of both the structures and the processes themselves.

The question is more complex when this type of analysis is applied in the banking context, where it is more difficult to identify the activities and the functions involved in a process. Due to such complexity, banking groups usually prefer vertical analysis within the individual unit, instead of cross-sectional analysis of the structures.

During the period of internship at Intesa Sanpaolo I had the opportunity to take part in a pioneering project initiated by the Group, with the purpose to give to the bank a new physiognomy, through a new method of simplified representation of processes, introducing, at the same time, instruments for measuring and monitoring performance.

The project is to be considered innovative because it is able to provide more structured and integrated information on different axes of analysis such as processes, organizational structures, professional figures and families and geography, enabling advanced correlation analysis. The result will represent also a lever to create greater sensitivity in the management about the best use of resources and to monitor the level of efficiency achievable by the Intesa Sanpaolo Group.

The project has found full support and sponsorship from the HR functions, while the extension of the engagement to the Business structures is underway, in order to be involved proactively in the monitoring of the processes aimed at identifying possible improvement actions.

Among the difficulties encountered, it was that of finding an overall taxonomy of the processes, which defines a “common dictionary” on which it is possible to link the activities carried out by

all the Entities belonging to the Group (Legal Entities, Divisions, Directions, Services and Operational Points), as well as the need to recover and integrate heterogeneous data already available in the company, but never related to each other or to identify significant KPI indicators.

The project also envisages continuous releases and implementations, such as the extension of the perimeter of monitored processes and further analysis of advanced analytics, involving other dimensions of analysis, such as the effectiveness and the efficiency of Control Systems, simulating the performance trend, after the automation of controls or the centralization/decentralization of the same. In order to have a complete dashboard of information regarding the performance of the processes, further integrations could enable the analysis of costs/benefits of the processes, as a further KPI useful for the determination of the Synthetic Performance Indicator.

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