

(Weekly Toyo Keizai, August 21, 2004)

31st installment

An Unorthodox Royal Road (*Itan Oodou*)

by Go Egami

Illustration by Shun Itagaki

Chapter 7: Computer systems cannot function without a vision

Part 1

The story up to now: Sumita had drinks with Kogure, a junior colleague from his college days who works for the World Financial Bank in Ginza. Kogure was tired of internal battles and could not believe that there were no particular internal struggles at Shinko Bank, which was a mixture of different groups.

“Our company President believes that ‘human resources should be developed,’” Sumita said while swallowing in one gulp a glass filled with cold *sake*.

“Can human resources be developed?” Kogure stared with seeming dissatisfaction at Sumita.

“Yes. Therefore, our company chooses promising employees and provides them with suitable training programs and we are trying to increase their potential by offering them tasks that require more skills than they have now. So we give them a chance to achieve more.”

“I heard once that there is a lot of favoritism in foreign-owned companies.”

“You know, our company is a Japanese bank. We don’t see any favoritism because it would damage the motivation of employees. The Personnel Committee does constant checks. No one has a chance to be promoted because of his/her obedience. First and foremost, the standard is someone’s own work ability. Even if you get a chance, you will be dropped if you can’t complete the given task.”

Sumita gazed at Kogure.

“Your company seems to be very severe, Mr. Sumita.”

“Naturally. Nurturing strong future successors is the most important task of the human resources section.”

“World Financial Bank will collapse soon if it is always wrapped up in silly personnel affairs conflicts between the former Yotsuwa and the former Touzai.”

“That’s right. By the way, Kogure, you’re in the retail products development division, aren’t you?” asked Sumita.

“Yes, what about it?”

“How’s business?”

“How’s what business? Every bank is emphasizing retail banking. They are probably all the same.”

“We’re very advanced,” Sumita grinned.

“How advanced?”

Kogure looked really interested. His face changes when it comes to work involving his job.

“To start retail banking, our bank completely changed computer systems.”

“World Financial Bank has new systems too.”

“Our idea is completely different from before. We don’t even have a mainframe computer.”

A mainframe computer is a large machine that can handle large amounts of administrative operations.

“Retail banking is impossible without a mainframe computer.”

Kogure looked amazed at Sumita’s words.

“You would be shocked to see our Computer Center in Meguro.”

Sumita grinned.

“Please let me visit it.”

“OK. If possible, I will show you then the results of our personnel management.”

“Personnel management results?”

Kogure was dubious. Sumita was thinking of introducing Kogure to Risa Kayama and to the computer room.

The time had finally come to complete an appointment with Kogure. It was past the middle of June. Sumita was waiting for Kogure, while chatting with Risako and Masuko on the floor of the Head Office.

“Are you doing well with the handover?” Sumita asked them.

“I feel secure because I know Kayama-san very well.” Masuko said smilingly.

“Me too. I would like to achieve my own results based on the foundation laid out by Masuko-san.”

Risako tightened her closed lips.

“‘Foundation’ is an exaggeration. I just leveled the ground.”

Masuko blushed.

“From now on, Masuko-san will help me by instructing the front office staff from a broad perspective.”

Masuko had been assigned to guide branch business in the individual business division.

“This work is weighing on me. Please get me back to the front section as soon as possible. I mean it.”

Masuko gave Sumita a serious look. Sumita smilingly repeated, “OK, OK.”

“By the way, FlexPower is awfully popular. They say the front counter staff are really busy opening new accounts,” said Sumita.

“Something funny happened during an early morning telephone conference. A female staff person in charge of sales at the Kichijoji Branch called out to Agawa, the Head of Sub-Group.

She is only a second year employee.”

Risako smiled meaningfully.

Shinko Bank holds a telephone conference once every other week. The original idea was presented by Ise and is intended to fully share management information with employees.

Shinko Bank has various types of employees. Employees from the days of the Long-Term Loan Bank, employees hired in the middle of their careers, employees who were recruited by head hunters, temporary employees and so on. More than 40% of its employees are from the outside. Persons with previous careers and life experience that have nothing in common have gathered at Shinko Bank to accomplish something. However, if they are left divided, their strength will plummet. Therefore, the best way to unite them is to provide clear-cut visions and to thoroughly disclose information. This is what Ise thought.

At the Head Office conference room table, main executive officers such as Ise, Agawa, Takemori, Ookawa, Tim and Kawai sit in front of the speakerphone. The meeting starts at 8 o'clock sharp and lasts for one hour until 9 o'clock. Anyone from all the branches and all the groups and divisions can take part in this meeting. But they have no obligation to participate. Furthermore, this isn't just limited to those in management. There is only one rule. That is - not to leak customer information. This is natural because otherwise there would be a big issue of compliance infringement. As long as this rule is observed, anyone can take part in this meeting.

Ise explained the overall management situation and Takemori explained the present situation of the Corporate Banking Group. Just when Agawa was proudly finishing explaining about the favorable sales situation of FlexPower, someone spoke out.

“Excuse me, but may I interrupt Sub-Group Head Agawa? My name is Mayumi Uchida of the Kichijoji Branch.”

“Mr. Agawa, this is from Kichijoji.” Ise said.

“Yes. Agawa here. What is it?”

“It was terrible. There was a flood of applications and we got into trouble with customers for keeping them waiting. Have you ever thought about such a rush of applications?”

Her tone was scolding.

“No, no. But this rush of applications could be called a success.”

“I wonder how people at headquarters can simply say this ‘a success.’ Instead of taking a wait-and-see attitude, you should have sent help to branches where we were expected to conclude many new agreements and more time should have been taken to train staff on how to explain new products.”

“I see. When the next time we launch a new product, we will pay more attention to things like this. Please forgive us.”

“Please do not forget about the front counter staff.”

Uchida finished her call from Kichijoji. As well as Uchida, critical remarks and requests to executive officers were made continuously from various sections. Anyone can listen to these conversations between front sections and executive officers, so responding executive officers can't relax. If they give silly answers, employee motivation will be affected and above all, their

management abilities will be questioned by all bank employees.

But aside from the feeling of tension of executive officers, the telephone conference plays a big role. It paves the way for a common understanding of where Shinko Bank is heading.

“Were you listening?” Sumita asked.

“Yes. We were all listening. It was funny the way Mr. Agawa got upset.”

Risako responded.

“This was unthinkable in the days of the Long-Term Loan Bank. Even managers could not talk to directors on an equal footing. In contrast, a staff person in charge of sales two years after joining this bank is sort of telling the Sub-Group Head what to do. What a change!”, Sumita said disagreeably.

“Young staff and those from outside don’t seem to be very uncomfortable. But for us, a group of old employees from the former Long-Term Loan Bank, this is culture shock,” Masuko said.

“But thanks to the telephone conference I feel that we are forming a sense of integrity at an incredibly high speed.”

Sumita and Masuko nodded to Risako’s words.

“Here he comes.”

Sumita smiled while watching the door. Risako and Masuko turned in the direction he was looking. A tall man with a nice smile was standing there.

“Is he the one working for World Financial Bank and to whom we are showing to Meguro today?”, Asked Risako.

“Yes. I’ll introduce him to you now. He is Noboru Kogure of World Financial Bank. He was a junior fellow at my college.

Sumita introduced Kogure.

“I’m Risako Kayama. I’m in charge of this office.”

Risako presented her name card. While presenting his name card Kogure said smilingly, “What you told me about the achievement of human resources development is Ms. Kayama, right?”

“What is it? Achievement of human resources development?”, asked Risako.

“Kogure! Don’t say everything. It’s true, though,” Sumita said with a troubled look.

“I’m Masuko. Predecessor of Ms. Kayama. It really is an accomplishment of human resources development that increasingly more female staff like Ms. Kayama are assigned responsible posts and demonstrating their abilities,” Masuko spoke for Sumida.

“Since you emphasized advances in human resources development, I have been wondering what they were, but this is great. What a wonderful person she is!”, Kogure spoke in a lively voice.

“You’re embarrassing me,” Risako looked down.

“Now that the introductions are over, shall we start?”, Sumita prompted Kogure.

“Yes. I would like to see the Computer Center,” Kogure was poised to start.

“Then, Mr. Kogure, I will show you. Excuse me, Masuko-san,” said Risako.

“Please show him the essence of our retail banking. I’m relying on you,” said Sumita.

“Now, let’s go,” Risako started walking ahead of Kogure.

Kogure entered the Head Office of Shinko Bank for the first time. He was astonished how different it was from the bank he works for. He couldn't believe that both banks were engaged in the same type of business. Inside there was a Cosmobucks Café and an Internet Café, giving the impression that this place was not a bank. Over a cup of coffee, some customers were watching an electronic bulletin board of market prices. They looked very relaxed. At the back of the floor was an area for asset management consultation services decorated in a uniform wood design that gave a warm impression.

Here was no gloomy atmosphere of the traditional Japanese banks, which overwhelmed with the sense of pressure that operations should be processed within designated hours. Here is a relaxing space for customers.

"It feels very good in the Head Office," Kogure told Risako who walked ahead of him.

"The Computer Center in Meguro is more impressive," said Risako turning around with a smile.

(To be continued)

Go Egami: Joined the Dai-ichi Kangyo Bank, Ltd. in 1977; played an important role in resolving the corporate racketeer incidence; was a model of the protagonist in the novel entitled "Financially Corrupt Archipelago (*Kinyu-fuhai-rettou*)" by Ryou Takasugi; resigned in 2003 after working for Branches in Takadanobaba and Tsukiji; published "Iron-hearted Bank (*Hijo ginko*)" while in service. In his book, entitled "An Unorthodox Royal Road (*Itan Oodou*)" he writes about (in his words) "a group of people who have a burning desire to create an ideal bank."

(Weekly Toyo Keizai, August 28, 2004)

32nd installment

An Unorthodox Royal Road (*Itan Oodou*)

by Go Egami

Illustration by Shun Itagaki

Chapter 7: Computer systems cannot function without a vision

Part 2

The story up to now: Interested in the computer systems of Shinko Bank, Kogure asked Sumida to show him the Computer Center. On the day of the visit, he first visited the Head Office and was surprised at the very different atmosphere from that of his own bank.

They took the Tokyo Subway Mita Line to Meguro. Kogure sat with Risako. Risako's bright profile was dazzling.

“Will Shinko Bank have more female managers like you in the future?”

“I'm nothing new. The Chief of the Call Center that receives telephone calls from customers is also a woman. What is important is not gender but what kind of work one can do, right?” Risako said in a composed tone. Kogure felt ashamed. He was still caught up in the traditional way of thinking that women play backseat roles.

“But our bank is far from ideal.”

“President Ise of our Bank is not ordinary and he might appoint a female president as his successor.”

“That's something. The first female president will be borne in Japan.”

“Shinko Bank has such an opportunity and it's not a joke,” Risako stared seriously at Kogure.

They got off the train at Meguro and walked for about five minutes. Then, a white building came in sight.

“There it is. This is the business office named the Meguro Financial Center. It contains the computer center as well.”

Risako indicated the white building ahead on their left. Kogure felt a little bit betrayed. He had imagined a gigantic building, but the building was not very big, only five stories or so.

“Shall we go in?”

Prompted by Risako, they entered the building. Two men in suits came from the opposite direction. They looked serious. The two were grumbling about their resentment as if intending to be heard by people around them.

“To hell with this Shinko Bank!”

“How do they expect to process large volumes of data without a mainframe computer? How come they don't even meet us?”

“They should go bankrupt again.”

Risako glared at them.

“Who are they? How come they say such things while wearing a name badge? Which

company do they work for?”, Kogure was angry.

“A Japanese computer manufacturer. They must have gotten mad because our bank has never responded to sales pitches from Japanese manufacturers.”

Kogure seemed surprised.

“Of course, we use Japanese equipment but we bought it based on good quality and price. Besides we would buy it from Singapore if the prices were better, rather than buying directly from Japanese manufacturers. We’re in no way under the control of manufacturers,” Risako said.

“You’re very strict about this,” Kogure admired and nodded. Most Japanese banks have very close ties with major computer manufacturers and it may not be an exaggeration to say that it is manufacturers that lead information technology trends in banks. Furthermore, in the case of bank mergers, they usually get into difficulty over which manufacturer to choose.

Inside the building there were sets of simple tables and chairs.

“Please wait there,” Risako told him and he took a seat. At another table, a foreign man in a polo shirt, seemingly an Indian, was talking with a Japanese staff person. Next to them a Caucasian man was talking with an Indian. What they were talking was not audible but they looked very relaxed and sometimes the sound of laughter was heard. This is a scene I saw somewhere, thought Kogure. Remembering the time he realized that it was at an English café. That place was advertised as a café for learning to speak English where all the staff was foreign and visitors could learn to speak English over a cup of coffee. It might sound inappropriate to remember an English café in the computer center of a bank but they had a similar atmosphere.

“Thank you for waiting.”

Risako came back with a smile on her face. Standing next to her was a man wearing glasses with narrow black frames.

“Welcome to our Center.”

His name card read Toru Shiina.

“Sorry to bother you. Mr. Sumita strongly recommended that I visit here.”

Shiina said smilingly, “My pleasure. We never get visitors from city banks.”

“Oh, you get no visitors from city banks?”

“Speaking of banks, we have visitors from overseas banks, particularly from Asian banks, but not from Japanese city banks. You are very welcome,” said Shiina. Kogure was disappointed to learn that no one from the city banks visited here. He doubted if this tour would give him any hints. But he couldn’t help it. Anyway, he wanted to make a quick tour and leave this place as soon as possible. In contrast to the smiling face of Shiina, Kogure was quickly losing interest.

“Shall we start?”

Shiina walked ahead. After the security check, they entered the Center and took an elevator. Inside, there was another foreigner and he smiled at Kogure. Kogure in a low voice asked Shiina, “How many nationalities are working here?”

Shiina, after thinking a while said smilingly, “About ten. There are many Indians. This is because the staff person responsible for computer systems development, Antonius Gandhi, is an Indian. Thanks to him we have many Indian restaurants nearby and they are very popular.”

“About ten nationalities? And the top person is an Indian?”

For Kogure this was far more than what he could imagine. How do they communicate?

“Then, is your official language English?”, Kogure stared at Shiina in astonishment.

“That’s right,” Shiina answered without hesitation. Kogure replied with a sigh, “Um.” He realized that he had come to a much more difficult place than he had expected. Kogure gradually became more interested.

Shiina, who had replied, “The official language is English” saw a past reflection of himself in the surprised face of Kogure. Shiina lost 12 kilos due to communication gaps. He could not sleep at night and he was worried that he might have a nervous breakdown.

“Mr. Kogure, shall I tell you a little bit about what challenges we have faced?”, Shiina asked with a smile. Kogure looked at him with a keen interest.

Problems started arising for Shiina as soon as the Long-Term Loan Bank was transformed to Shinko Bank.

“Mr. President, it is impossible. What Gandhi claims is too bold. We staff members cannot agree with his ideas.”

Shiina appealed to Ise. Ise looked troubled. Shiina’s voice sounded all over the staff room. Next to Ise was Antonius Gandhi. His name gave the impression of Mahatma Gandhi, the thin spiritual leader, but he was totally different, except for the common Indian nationality. He was so energetic that Shiina wanted to swear at him, and despite his silver hair he was very muscular. He was powerful and he didn’t look over 50 years old. In contrast, Shiina was a slender fair man with black-framed glasses, giving the impression of a weakly intellectual. From their looks there was no contest but Shiina was proud of having supported the computer systems of the Long-Term Loan Bank. The loud voice of Shiina was nothing but proof of his pride, as well as the voice of several hundred persons related to the computer systems of the Long-Term Loan Bank who had been working with him.

“What on earth is so difficult, Mr. Shiina?” Ise said while glancing sideways at Gandhi from time to time.

“He asked us to set up retail banking systems in six months, systems that simultaneously enable customer deposits, loans, and foreign currency transactions. That means proceeding with all kinds of transactions at the same time. But we have never done such a thing. We have never heard of such a thing. It is not possible.”

Listening to what Shiina said, Gandhi was going to say something but Ise stopped him.

Shinko Bank intended to expand retail transactions as a main pillar of its rehabilitation. To do that there were big jobs, such as the realization of 24-hour transactions, free handling fees and the integrated management of all transactions. However, under the former Long-Term Loan Bank, Shiina and other officers in charge of computer systems were separately assigned to deposits, loans and other transaction accounts. Naturally, they were of no mind-set for the integrated management of all transactions.

“Besides, he brought a package of Windows software and asked us to use it. Fix them if there are deficiencies. Before, when introducing new computer systems, we used to investigate them for three years at least and started using them after proving that there were no errors. But he asked us to use this software package immediately, right now. A software package only, Mr. President!”

In explaining Shiina gradually got excited. He saw Ise grimace but he could not control his emotions. Since Shinko Bank was reborn, past ideas had been totally rejected. Honestly, he

was losing confidence. This was his reaction.

Shiina graduated from the Faculty of Engineering of the University of Tokyo, and joined the Long-Term Loan Bank Systems Development, a related company, in 1984. It was rare then that a graduate of Tokyo University joined a bank's systems affiliate company. This was because in a bank affiliate, executives were all former employees of the Long-Term Loan Bank and there was no chance for in-house employees of affiliated companies to be promoted to executives. On top of this, executives from the Long-Term Loan Bank were neither well informed about computer systems nor were they interested in the development of computer systems.

However, Shiina didn't care about such things at his work place. By nature, he didn't care about promotion nor had he a strong sense of rank. He joined the company purely out of his fondness for developing computer systems. He was in charge of managing the mainframe IBM computer.

A bank has enormous volumes of customer data. To manage them in a stable manner, a large mainframe computer was necessary. Daily transaction collecting data from several tens of millions of accounts and conducting batch processing by transferring them to the mainframe computer at midnight; then renewing most of the accumulated data by batch processing on the following day in the same manner: this is the basic concept of computer systems management. When the volume of data increases, a new mainframe computer had to be purchased. This adds up to huge costs but still, together with the purchase of a new mainframe computer, software should be renewed because otherwise the system won't function. Such renewals also impose a lot of time and cost. In fact, immediately before its bankruptcy, it took several years for the Long-Term Loan Bank to renew the mainframe computer and related software at the cost of about 40 billion yen. Shiina devoted himself to the relevant renewals wherever and whenever he could.

The task was almost an act of faith. It was Shiina and other "priests" related to computer systems who took care of the gigantic mainframe computer God. It was priests alone who could translate the words of God and freely communicate with God. Even management executives could not directly talk with God and they could not understand what God said. Therefore, management executives pretended and talked to the outside world as if they were interested in God but in reality, they neither understood nor tried to understand God. When management executives said, "IT (information technology) will change management," they embarrassingly pronounced it "*itto*" instead of "*ai-tee*." The fact that they did not understand anything was frustrating for Shiina and the other priests but on the other hand, it was pleasing because they could perform their duties in a closed world of their own. Despite being overloaded in terms of time and physical stress, it could be said that they used to be comfortably devoted to their own world. Ise must be the same as other managers. Let me see how he will do. This is what Shiina used to think.

(To be continued)

(Weekly Toyo Keizai, September 4, 2004)

33rd installment

An Unorthodox Royal Road (*Itan Oodou*)

by Go Egami

Illustration by Shun Itagaki

Chapter 7 Computer systems cannot function without a vision

Part 3

The story up to now: Kogure of World Financial Bank visited the Computer Center of Shinko Bank to take a tour. Perplexed with the differences from his own bank, Kogure decided to listen to what Toru Shiina had to say.

Ise is one of those rare managers who understand that the most important thing in making drastic cost reductions and prompt decision-making is to make the most of IT (information technology).

When assigned to the position of President, Ise made a pledge to his employees, “I will establish two pillars for restructuring this Bank and they are investment banking and retail banking.”

Until then, operations of the Long-Term Loan Bank used to be to collect funds through debentures and then lend them to corporate clients. That was an extremely simple business model. Ise intended to drastically change this business model.

In order to realize the management vision of Ise, it was necessary to establish the IT basis as a tool for immediately dealing with management problems and respecting customers despite thorough cost reductions.

Ise requested the involvement of Antonius Gandhi, who was a manager at Capital Bank, in establishing the IT approach. Gandhi immediately accepted. First and foremost, he trusted Ise and his offer fired up his dream of establishing an integrated culture of East and West in the form of IT systems in Japan where cultures of East and West meet.

Gandhi is a genius systems designer. He is the person who established the retail banking systems for Capital Bank that runs global businesses. When Gandhi decided to move to Shinko Bank, one of the top executives of Capital Bank said in anger to Ise, “I won’t forgive you for poaching Gandhi.” Ise softly answered back by saying, “I didn’t poach him” but his anger didn’t subside for some time.

Early in May, after assuming office, Ise called on a director in charge of financial affairs and asked him, "Did we have a profit last month?" The director had a mysterious smile and slightly inclined his head by saying, "Hm?"

"I am only asking you for last month's profits."

Ise, while calmly continuing to talk, started boiling with anger. He could not stand the silly smile of the director.

"The data won't be ready for a while," the director said gracefully. As Ise hid his anger, he continued speaking in a relaxed way.

"Which term's data will be ready?"

"We are now counting the data as of the end of March. I will rush it, so please wait until the end of next month," the director replied. Ise held back his almost bursting anger.

"Then, please bring me the latest data," Ise said in a stricter tone.

"Yes, sir."

The director finally realized Ise's menacing look and left as fast as he could.

Ise waited. But the data was not presented. He made another call to the director. The director said sorry on the phone but never committed to when he would provide the data.

Several days later the director showed up in Ise's office with a bundle of computer data and hand-written documents. His face was flushed, showing his excitement. The director proudly said, "Here is the data up to the end of April."

"I see."

Looking at the thick pile of data, Ise sighed because the data, including hand-written notes, was apparently made up of materials which were desperately collected from all over. To compile this material, how many members of the staff had to work overtime until midnight using electric calculators? From these materials, he heard cries of complaints by the staff.

"Why was this extra request made?"

"That's why I don't like "foreigners." I can't figure out what they are thinking."

"It's not possible to prepare earnings data for April in May."

He turned his eyes from the data and looked at the director. He looked so proud, as if he were saying that he had done a great job.

Suppressing his irritation, Ise asked, "How credible are these materials?"

"Hum?"

"I am asking you for the degree of accidental error."

The director's face clouded with whis unexpected question.

“I think the rate of accidental error is about 20 to 30%,” he answered in a low voice and showed his yellowish teeth.

Ise drastically changed his gentle look. He was resolved to scold him strictly, to cause him to change his mind-set. After all, this concerned the basics of future management.

“We need to know immediately where our profits are coming from. Without knowing from what sections, from which customers and at what profit level, how can we manage this Bank?”

Ise threw off his polite manner of talking. The director stood upright with his eyes wide open.

“Put in place a system to immediately track monthly accounting!”

The angry voice of Ise made the director cringe. As soon as the director left, Ise called up Gandhi, and explained what happened.

Gandhi listened to Ise and with a smile said,

“I thought that Japanese management was carried out more in real time. They are very slow.”

“You look like you’re having fun.”

“I am glad to have so many things to do. I am glad to have followed you, Ise.”

Bitterly smiling, Ise said, “Accounts closing is done semiannually and the 6-month data comes up two months later.”

“That’s incredible!”, Gandhi exaggeratedly shook his head.

“They are probably compiling data not for use by management but for submitting to the Ministry of Finance.”

“Then, this is understandable. So, probably, the later, the better. Putting on an elaborate expression to conceal his real face. This is like a lady going to a party,” Gandhi laughed.

“You are quite right. The bank is like a lady wearing suitable make-up to appeal to the Finance Ministry. That’s why it went bankrupt,” Ise knitted his eyebrows.

“Besides, I heard that the Japanese don’t like to demand individual accountability. If accounts settlement is announced in real time, what is wrong and who is wrong will become clear immediately. Probably, they don’t like it. We must establish an MIS as soon as possible,” said Gandhi.

MIS stands for “management information system” and it means a computer system that provides the information necessary for business management to each management level.

“What is important is not the pursuit of responsibilities but rather an early resolution of problems to avoid being dragged into the quagmire. Just that. If things remain as they are now, it

will be like being in a comfortable hot spring bath even though we are actually in the mud up to our necks. Please do something,” Ise stared at Gandhi.

“Let me invite you to enjoy a comfortable hot spring bath,” Gandhi laughed aloud.

Gandhi immediately summoned his staff. Toru Shiina was among them.

Ise explained the importance of MIS including monthly settlement information. And Gandhi declared the need to start MIS in June.

Shiina stood up and said with a serious look.

“Impossible. We can’t make it.”

It was his own opinion but he was also representing common feelings of the staff. Shiina expected that because the staff were opposed, neither Ise nor Gandhi would insist on such an audacious request.

However, Ise and Gandhi were not like that. The two kept discussing for several days by spending all their time at the Computer Center where Shiina worked. Shiina silently kept watching them. Then, one day, the two came to the work place of Shiina and others and said, “Throw away the old equipment,” and ordered them to dispose of all the old-type personal computers that amounted to more than 3,000 pieces. Shiina and others appealed them by saying, “They are easy to use” or “They still function” but they did not care and asked, “Do you still use such an old computer at home?” Actually, as Ise said, Shiina was using a new type of computer at home.

And incredibly, they said, “We will dispose of the mainframe computer.” Shiina could not believe his ears. We spent 40 billion yen. This is ridiculous. More than that, his pride as priest of the mainframe computer was hurt.

However, looking at their serious faces, he was afraid of losing his job if he ever uttered a complaint. Ise and Gandhi knew what computers were like. If I continue looking down on them by thinking they do not understand as before, I may be fired immediately. There have been many managers before but no one has ever stepped inside the Computer Center in Meguro. I must brace my nerves.

Shiina looked at nearby staff members. They may be feeling the same way as Shiina. They were staring at Ise and Gandhi with fearful eyes.

Shiina and others could establish MIS under the instruction of Gandhi and start operating it at the end of June. They were desperate. They wanted to show as well that they were capable of doing this. MIS was established as planned. They thought it was impossible but it was accomplished. The reason why it was established in time was that Gandhi renovated the system

used by Capital Bank to accommodate the needs of Shinko Bank and introduced the renovated system. The system started fully functioning on the day it was introduced.

Shiina was greatly relieved more than enjoying the fact that he could accomplish what he determined to accomplish. And yet, for Shiina who had grown up with mainframe computers, it was extremely difficult to get along with Gandhi. He disliked the conclusion and the goal but ways to get there, each one had to find out. Team play is good in name but it is painful for Shiina and his staff who were used to working as instructed by superiors. It was also stressful to communicate in broken English mixed with Japanese words. Gandhi posed the new difficult task of establishing retail systems. Not only that, he hurried us up again and again. Too much! Help me out! What is impossible is impossible. This is what Shiina thought.

Ise softly told excited Shiina, “Back then, you said it was impossible but you all completed the job all right.” When Ise spoke softly, he could not be contradicted.

“Mr. President, somehow we were able to do it that time but this time, it is really impossible. He told us to process a million accounts with personal computers. A million, is a million. He is crazy, Gandhi is crazy!”

Shiina glared at Gandhi who sat next to Ise. Ise with a smile asked Shiina in a soft tone, “Is it a million accounts?”

Shiina got a little bit upset because Ise did not show any sign of astonishment. He nodded saying, “Yes.”

“It is not enough. I think we will get three million accounts before we know it,” said Ise.

“Three million accounts! Then we have all the more reason to use a mainframe computer to process them. Otherwise, we cannot finish.”

He desperately appealed. He felt as if he was staking all his life as a systems engineer.

(To be continued)

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34th installment

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Chapter 7: Computer systems cannot function without a vision

Part 4

The story up to now: Troubles for Shiina started occurring as soon as the Long-Term Loan Bank was reborn as Shinko Bank. The newly arrived Gandhi as the responsible person in charge of systems gave instructions that simply revoked the existing common sense way of doing things. Shiina felt like having a nervous breakdown.

“May I?”, Gandhi asked for permission from Ise. Ise nodded. Gandhi slowly looked at Ise and others.

“They say mainframe computers have high reliability but from my experience this is wrong and only superstition. The problems I have seen so far had mostly been caused by mainframe computers. When we shift to new computer systems, it is extremely risky to depend on only one mainframe computer. It is safer to distribute risks by designing systems that link several computers by assuming that computers do make errors or fail. I put this idea into practice at Capital Bank,” Gandhi quietly said. He looked full of confidence.

“I have been working with Ise for a long time. I trust him. I want to make this bank a truly excellent bank. I have no intention of causing it to break down or working here briefly. I think this is the best work place. I am determined to establish retail systems that I can be proud of to the world. Let’s work this out together!”

Gandhi deeply bowed. Shiina was listening to him while looking down.

“That was his honest feeling. He knows the difficulties. But why don’t we establish retail systems of our own, not by imitating other banks so that they may come to us for advice. Let us unite our efforts!”, Ise said in a strong tone.

Shiina felt emotional. He never had such emotion before. The computer systems section has never been a glamorous section at the Long-Term Loan Bank. Belonging to an affiliated company, Shiina’s existence had never even been recognized. If you say the computer systems section is a silent force behind the scenes, it may sound nice but top management had almost never been interested in computer systems. However, Ise and Gandhi are saying to us, right

to our faces that computer systems are at the center of management and they mean it.

“I will try.”, Shiina stood up and offered his hand to Gandhi, whose big and rough hand shook his hand. What a powerful hand, I will rely on it, Shiina thought.

“Here is computer systems development, the core unit for maintenance of each system.”

Shiina guided Kogure and Risako to the room.

“It’s clean and quiet,” Kogure said admiringly.

In the room each member’s desk is partitioned just like a beehive. In each booth there is a personal computer and each staff member seems to be engaged in his own work. They do not wear uniforms or gray suits. What is most striking is that there are many foreigners.

“Our computer center is not like this. It’s more like a jumble and many persons can be seen at a glance,” Kogure said with an air of admiration.

“Isn’t this like an ordinary office?”, Shiina said proudly.

“More relaxing and more comfortable than ordinary offices. But this does give an impression that things are done by teamwork. I thought that in the computer systems section work is done by a team unit,” Kogure asked.

“Our manner of working is a little unique. We have organized teams. But each team is assigned a theme and a term and team members approach the given goal in their own way. As each member can freely approach a subject system through his own personal computer, as long as his goal is clarified, each one can work at his own pace,” Shiina replied.

Kogure has been to the computer center when he was a member of the Personnel Division. Many men were at a big table with their sleeves rolled up and drawing a systems design on a paper spread sheet there and systems engineers with the air of craftsman were shouting at young staff. What a difference from this atmosphere.

I used to think that many members work together while shouting or bawling at each other. Besides, there is no paper here.

“There is no paper.”

“We work paperless here. Anything inefficient is completely eliminated.”

“Have you been so organized since the beginning?”

“Oh, no. We’ve come a long way,” Shiina said smiling.

“For example?”

“Since when we decided to discard the mainframe computer, we have been repeatedly discussing the office layout and the structure of systems development. What was most perplexing was the fact that the structure of systems development became the same as Lego blocks.”

“Lego? You mean that toy children put together to build a castle.”

As if enjoying Kogure’s bewilderment, Shiina smilingly said,

“Yes. We were overwhelmed. Gandhi purchased packages for retail transaction systems. Of course, they were used in many countries of the world. He said that they were already fully functional, so use them from tomorrow. We asked how we could use such ready-made software. We all shouted at him. It is natural to think anything could happen unless software is tested before using. But he ordered us to use them and think more rationally.”

“What happened then?”

“For example, interest on ordinary deposit is capitalized in February and August, right?”

“Correct.”

“The package didn’t have such a function. Interest was capitalized every month. We said this did not suit Japan. Then he asked us why interest was capitalized in February and August. He asked the question in all earnest. Do you know why interest is capitalized this way?” Shiina grinned at Kogure. Kogure asked Risako who was next to him for help but she shook her head.

“We didn’t know either. Then he said, let’s make it monthly. Customers will be more satisfied. As for loans, the idea of interest payment is even simpler. The package contained a method of accruing loan interest payable on the last day of the interest period. This is more advantageous to customers. That was his conclusion.”

“When you think again about loan interest, it is disadvantageous to customers to make interest payable on the first day of the interest period.”

When interest is payable on the first day of the interest period, borrowers can use only the remaining portion of the loan proceeds net of payable interest. This makes applicable interest rate substantially higher and such method of interest payment is advantageous to lenders.

“In each and every segment, Gandhi makes it a rule to buy the best software in the world at the lowest price. He then made adjustments to make them suitable to Shinko Bank and put them together like building Lego blocks. This way, the pace of systems development was drastically improved and cost was drastically reduced.”

“How do you compare this with the past?”

“Let’s see.”

Shiina glanced up and thought,

“The former Long-Term Loan Bank could not have achieved this high level of retail systems even in five years. I think it would have cost more than 60 billion yen. But we completed systems in about eight months at 6 billion yen.”

“You spent one-tenth cost, didn’t you? But what makes you think that the Long-Term Loan Bank could not have completed systems with an enormous amount of cost?”

“Well.....”

Shiina made a face.

“They didn’t have a clear vision. They had no clear idea about what services to offer to

customers,” he said right out.

Kogure painfully understood what Shiina meant. Executives of World Financial Bank always said that they put priority to retailing but there was no one who could articulate a clear vision about what services to offer and how to systemize them.

Shiina guided them to another floor.

“This is the Call Center. Here inquiries on accounts are handled 24 hours a day.”

Kogure imagined a scene where female staff members are lined up side by side all the way with a personal computer and a microphone but here every one has their own partitioned booth as if it were an individual office. On the desk are two personal computer screens.

“One screen shows all the transactions of a customer and a staff member explains and conducts sales by using this screen. The other screen is used to process transactions,” explained Shiina.

Noticing the atmosphere of the office, Kogure thought that this way each staff member could act like a financial consultant to offer consultations on asset management to customers rather than just responding to inquiries.

“What’s that?” Kogure pointed to an electric signboard on the wall.

“That board indicates situations of calls from customers to the Call Center. Waiting time is indicated as well so that it is possible to determine who will handle what call by making a shift.”

Listening to the explanation by Shiina, Risako nodded with understanding and said, “This Call Center is a cornerstone of retail transactions. Handling of customers at this place determines evaluations of Shinko Bank.”

“Besides, while working out thorough cost cuts, we are maintaining a comfortable working environment. This is a secret to achieve free handling fees,” Shiina said in a precise tone.

Kogure realized that Shinko Bank did not achieve free handling fees by ignoring cost and it made him feel threatened. If World Financial Bank offered services free of charge as a measure to compete with peers without having realized cost reduction to this level, it will only inflate its deficits.

“This place is interesting.”

Shiina guided them to a room surrounded by glass. While Shiina was feeling curious, Risako was smiling.

There is a speakerphone on the table, and a big liquid crystal screen on the wall. This is a TV-telephone system using the Internet. Shiina explained that they were connected with all branches, groups and divisions of the Head Office, customers of the collaborating companies all over the world as well.

“May I use it?”

A young man entered the room.

“Please. Where do you want to be connected with?”

Shiina asked.

“A bank in Taiwan.”

By saying so, this man operated a remote control switch. Immediately an image appeared on the screen. The image moved when he operated a switch.

“He is moving a camera there.”

Shiina explained to Kogure.

“Is he moving a camera in a room in Taiwan?”

Kogure with his eyes wide open did not hide his astonishment. The camera was moving for some time and then two men were shown on the screen. They spoke to us. They naturally spoke in Taiwanese and Kogure didn't understand a word. The young man started talking using his fluent Taiwanese.

“We had a request from a bank in Taiwan to have instructions on the systems design of our bank. So, they are having our guidance through a conference like this by using a video-telephone. They don't have to visit us here each time,” Shiina said.

Kogure was shocked at the remarkable development of Shinko Bank but he was so amazed that oddly enough he felt refreshed. Then he was guided to the next floor. Kogure was amazed to find that loan-related documents including written contracts and attested notes were all image-processed and credit analysis processes of loans were computerized. At the next place, computer operation situations of all branches were consolidated for management. Here at the Center what is happening everywhere is monitored on the spot.

(To be continued)

(Weekly Toyo Keizai, September 18, 2004)

35th installment

An Unorthodox Royal Road (*Itan Oodou*)

by Go Egami

Illustration by Shun Itagaki

Chapter 7: Computer systems cannot function without a vision

Part 5

The story up to now: Kogure of World Financial Bank made a tour of the Computer Center of Shinko Bank. Much more advanced Shinko Bank made him feel refreshed rather than shocked.

“What is the biggest reason for realizing so much cost reduction and efficient systems?” Kogure asked while watching the monitoring center through the glass. In the monitoring center, which is strictly partitioned there were servers lined up. They are more powerful than a mainframe computer. When more transactions are made and new products are launched, they can be added easily. It was made possible to establish this system by discarding the mainframe computer system that used to consume huge investments in the past.

“Let me reiterate that it was made possible because our top management had a clear-cut vision and they truly understood computers even better than us.”

After saying this, Shiina had a thought and said with a smile,

“If I may add something, that is that they didn’t bring in systems business.”

“Do you mean that you did not blindly follow what was said by computer manufacturers?”

Kogure remembered impolite employees of a computer manufacturer whom he crossed on the way here.

“Yes. The Long-Term Loan Bank had transactions with many computer manufacturers. Therefore, it seems that each manufacturer competed to come to Ise one after another when our Bank was reborn. None of them extended a helping hand in rehabilitation of our bank but they shamelessly came to him. It seems Ise did not deal with them at all. One of the presidents of the manufacturers was said to have bitterly criticized Ise by accusing him of not wanting to do business in Japan at all.”

Shiina’s face showed respect for Ise as if he were there right in front of him.

“But still, an investment in systems of 6 billion yen is too little, isn’t it? Because the main reason for banking mergers is the huge amount of investment in computer systems, you know.”

Kogure remembered what the president and others told the media when Yotsuwa Bank and Tozai Bank announced a merger to establish World Financial Bank. They said an annual investment of several hundred billion yen in computers was necessary to compete against gigantic banks of the U.S. and Europe on an equal footing.

“I think that the investment amount increases mainly due to cost of maintenance and management of a mainframe computer and purchases of its special terminal equipment. Japanese banks use computers and software that are all specially ordered. We don’t use custom-made articles. We freely buy the best articles at the lowest cost from all over the world. Ise even said

during a discussion with an economic commentator that ‘there had been a deeply rooted misunderstanding that a bank’s competitiveness depends on the amount of money spent on computer systems,’” Shiina said confidently.

“Even if we wish to provide free-of-charge services, to continue offering such services for a long time, we must thoroughly minimize cost,” Risako said with a serious look.

“That’s right. Cost that is cut here is returned to many customers,” Shiina said, staring at Risako.

Kogure was quietly looking at the line of servers.

“I wish our bank could do like Shinko Bank. We will probably start offering similar services such as free handling fees and 24-hour transactions a day. But even though they may look the same services from outside, the contents will be totally different. In our case, we will have to offer distress sales,” Kogure said with a gloomy face.

Kogure was trying to achieve 24-hour transactions a day and so on as a staff in charge of retail products development. As soon as he expressed this idea at his bank, directors including the president suddenly behaved as if they were agents of manufacturers. They argued loudly saying that another mainframe computer was necessary or this and that were necessary, which only require more costs, following what manufacturers told them.

What made things worse was a tug of war between the two banks. Each bank had its own main computer manufacturer and they were clearly opposed to each other. The two banks didn’t have an idea of doing something new and they were only concerned about expanding their own vested interest in systems of a new bank. Therefore, they continued arguing strenuously until they were both worn out. Then, how about throwing away all the old vested interest that was instigated under the initiative of manufacturers as Shinko Bank did? He did give some thought to such an idea. But instantly he thought such an idea can never be put into practice. After all, our bank will finally settle down on a compromise system by two manufacturers after repeated negotiation. He thought that this way what will be realized will be for the convenience of our bank and the viewpoint of offering the best services to customers will be sorely lacking.

Kogure sighed a deep sigh and smiled helplessly.

“I wish I could take our bank’s top executives to make a tour of this place.”

“Persons from major banks don’t come here for a tour. After all, they must be thinking that in terms of retailing the system of a late starter a small bank has nothing for them to refer to,” Shiina smiled pleasantly.

Suddenly, something hectic occurred in the monitoring center.

“What happened?”

Risako was looking at employees anxiously. Kogure looked at Shiina as well. Shiina unlocked the security system of the monitoring center and entered the monitoring center.

Shiina was instructing bank employees with a serious look on his face. Ten minutes passed. Shiina came out with a look of relief.

“What happened?”

Kogure asked.

“Shall we go? I have to report to the Corporate Communications Division.”

After leaving the monitoring center, Shiina went to his own office on the fifth floor. Kogure and Risako followed him.

“Online inquiries failed. It seems an error occurred when a packaged program was

repaired. I restored transmission quickly.”

“That was good. But what are you going to do?”

Shiina without answering her quickly called up the Corporate Communications Division using a cell phone. Shiina reported the situation precisely.

“Only ten minutes, right? The system failed.”

Kogure asked.

“Right. Why?”

Shiina looked dubious.

“Why? What will the Corporate Communications Division do after receiving your call?”

“Corporate Communications Division will report to President Ise and the Financial Services Agency and they will soon put up an online article of apology to customers. I will have to report to Gandhi though,” Shiina answered naturally.

After some time, when Shiina used the keyboard of his personal computer, Shinko Bank’s Website appeared on the screen. An apology for failed transmission was posted.

Kogure felt almost overwhelmed. They don’t hide anything, even problems. They had been thoroughly instructed to make complete disclosure. There are no standards to differentiate big errors and small errors. Errors are errors and it is natural that they make accurate announcements and apologies.

“What happened?” Suddenly, Ise entered Shiina’s office. Kogure was taken aback. He has seen this person only in a photo but he looked like a mild gentleman.

“I came here quickly because Mr. Kawai of the Corporate Communications Division called me to report on a failure in transmission,” Ise told Shiina in a friendly manner.

“Mr. President, it is all right now. I have restored transmission quickly. It failed for ten minutes. Please take a look at this.”

Shiina showed him an apology on the screen of his personal computer.

Ise nodded several times and smiled with satisfaction.

“Who are they?”

Ise finally noticed Kogure and others. With a smiling face he spoke to Risako.

“You were recently assigned to the Head of the Center of the Head Office. Please do your best.”

Risako happily said, “Yes.”

“I am Kogure of World Financial Bank. General Manager Sumita of the Human Resources Division recommended that I visit here for a tour,” said Kogure tensely, as he introduced himself.

“Are you an acquaintance of Sumita-kun?”

“Yes. I went to the same college. He is my senior.”

“Have you got some hints for World Financial Bank?”

“Yes. I learned many things,” Kogure replied emphatically.

“Good. Please take your time to continue the tour, if you like,” Ise smilingly replied.

“Where are you heading for, Mr. President?”

“I am going to see the reaction of Gandhi. Have you already reported this transmission failure to him?”

“I am going to,” Shiina said with a look of embarrassment.

“I will make a report to him. I will tell him that this is no good,” Ise winked at him.

“Mr. President! Please don’t. Then, we’ll be given a tremendously difficult assignment again,” Shiina said smilingly.

“If a difficult assignment is given, you will pursue the principle of non-violent resistance of Gandhi, won’t you?”

Ise laughed out loud.

“I learned quite a lot today. Thank you very much.”

Kogure deeply bowed to Shiina in front of the Computer Center.

“Oh, I am so grateful that you were so attentive,” Shiina said.

Kogure and Risako left the Computer Center. They took the Toei Mita Line again to head for Uchisaiwaicho.

“It was really something,” Kogure said to Risako. The train was not crowded.

“I think he had a hard time. Mr. Shiina was an expert of mainframe computers.”

“That’s right. He had to change his sense of values completely and discarded the entire past.”

Kogure remembered the face of Shiina. His face didn’t show his past troubles at all.

“One day I will take our top executive to Meguro and give him a big shock.”

Kogure flexed his arm muscle.

“Please do your best. I will do my best too,” Risako said, staring at Kogure.

After walking away from Kogure at the Uchisaiwaicho Station Risako walked in the direction of the Head Office. A man came walking with his head down from the other direction. It was Takamizawa.

“General Manager Takamizawa!”

Risako called his name. Takamizawa looked up and squinted at Risako.

“Oh, I saw you that time.....”

“Thank you very much. You helped me out.”

Risako bowed deeply.

“Well, I didn’t do anything. But I hope the problem will be resolved soon.”

“Yes,” Risako replied cheerfully.

“Where have you been today?”

“I took a guest to the Computer Center in Meguro.”

“Meguro? I heard it was drastically renovated. It used to have a dark image.”

“More than a drastic renovation. The Center is now more comfortable than the Head Office. It would be good if you visit there once.”

“Yes, I will. Excuse me, I am in a hurry.”

Takamizawa lightly bowed to Risako and envied her cheerful and positive attitude. Takamizawa was going to see Yuuji Kawanabe. Kawanabe had submitted a letter of resignation but Takamizawa had not accepted it. He had asked the Human Resources Division to postpone his retirement procedure. Takamizawa intended to change the mind of Kawanabe.

(To be continued)

