

CASE: Prime Bank of Massachusetts

Prime Bank of Massachusetts was started in 1964 with James Rogers as CEO, who is now chairman of the board. Prime Bank had been growing steadily since its beginning and has developed a loyal customer following. Today there are 45 bank locations throughout Massachusetts, with corporate headquarters in Newbury, Massachusetts. The bank offers a wide array of banking services to commercial and noncommercial customers.

Prime Bank has considered itself to be a conservative, yet innovative, organization. Its locations are open Monday–Friday 9–4 and Saturday 9–12. Most of the facilities are located adjacent to well-established shopping centers, with multiple ATM machines and at least three drive-through windows. However, Prime Bank's growth has brought on certain problems. Having the right amount of tellers available in the bank as well as in the drive-through window has been a challenge. Some commercial customers had recently expressed frustration due to long waiting time. Also, the parking lot has often become crowded during peak periods.

While Prime Bank was going through a growth period, the general banking industry had been experiencing tougher competition. Competitors were increasingly offering lower interest rates on loans and higher yields on savings accounts and certificates of deposit. Also, Prime Bank was experiencing growing pains, and something needed to be done soon or it would begin losing customers to competition.

The board, headed by James Rogers, decided to develop a more aggressive strategy for Prime Bank. While many of its competitors were competing on *cost*, the board decided that Prime Bank should focus on *customer service* in order to differentiate itself from the competition. The bank had already begun moving in that direction by offering a 24-hour customer service department to answer customers' banking questions. Yet, there were difficulties with this effort, such as poor staffing and not

enough telephone lines. James Rogers wanted Prime Bank to aggressively solve all customer service issues, such as staffing, layout, and facilities. He also wanted greater creativity in adding improvements in customer service, such as on-line banking, and special services for large customers. He believed that improving most aspects of the bank's operation would give Prime Bank a competitive advantage.

The board presented their new strategy to Victoria Chen, vice president of operations. Victoria had recently been promoted to the V.P. level and understood the importance of operations management. She was asked to identify all changes that should be made in the operation function that would support this new strategy and present them at the next board meeting. Victoria had been hoping for an opportunity to prove herself since she began with the bank. This was her chance.

Case Questions

1. Why is the operations function important in implementing the strategy of an organization? Explain why the changes put in place by Victoria Chen and her team could either hurt or help the bank.
2. Develop a list of changes for the operations function that should be considered by the bank. Begin by identifying operations management decisions that would be involved in operating a bank, for example, layout of facility, staff, drive-through service. Then identify ways that they can be improved at Prime Bank in order to support the strategy focused on customer service.
3. Think of the improvements identified in answering question 2. How different would these improvements be if the bank had a strategy of cutting cost rather than supporting customer service?