

**Developing a Framework
for Derivative Sales within Strategic Business Units
of German Savings Banks**

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Abstract

The implications of the western financial and economic crisis brought the global financial system into a system-threatening imbalance. Even though a total breakdown of the financial system has been averted, all parties concerned are still confronted with the consequences. Thereby, banking institutes are challenged by a high level of complexity and dynamics introduced by new regulatory frameworks, turmoil in capital markets and cautious customers. All these changes result in the need for banks to draw the necessary conclusions for their individual strategies to survive in a fiercer competition. Against this background and challenges, numerous German savings banks currently re-examine opportunities to optimise their (net commission) earning structure by offering liability derivatives to their clients.

The aim of this thesis is to provide a better understanding of such derivative sales in German savings banks by developing a conceptual framework exploring and explaining the critical factors for establishing a business-level strategy for this highly ambivalent business field against the background of the crisis.

Taking the ontological and epistemological position of a constructivist, the strategy of inquiry was informed by a (qualitative) grounded theory approach, using semi-structured interviews with experts as data gathering technique. The underlying emphasis on three different German savings banks in relation to size, location and business strategy offered a solid base to meet the set research objectives and to establish new primary findings.

Based on an exploration of the institutes' courses of action, a discussion of the financial crisis' influences and derived expert views on success and sustainability for the business field, five main categories were elaborated, which differentiate successful from less successful business units. For each main category a partial model was created explaining interdependencies and causalities. By consolidating these findings and partial models, an initial conceptual framework was developed, which supports the implementation of a possible successful and sustainable business-level strategy for derivative sales in German savings banks.

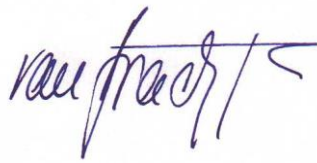
The improved understanding and the conceptualisation of derivative sales in savings banks are highly relevant for practice and theory as they offer in-depth-expertise of a market-environment which is swiftly and radically changing but still has high potential for increasing customer loyalty as well as profits and thus can generate competitive advantages for the institutes offering these services.

Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

Signed:

A handwritten signature in blue ink, appearing to read 'Naufrach', with a stylized flourish at the end.

Date: 31.03.2014

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Foremost, I would like to express my sincere gratitude to my advisors Prof. Dr. Hans Ruediger Kaufmann and Dr. Sue Williams for their continuous and professional support, patience as well as motivation during my DBA study. I also want to thank my family and friends for their support and motivations.

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Acronyms

ACI	Association Cambiste Internationale
ACT/360	Actual/360
AnsFuG	Anlegerschutz- und Funktionsverbesserungsgesetz (Investor Protection and Capital Markets Improvement Act)
Apo-Bank	Deutsche Apotheker- und Ärztebank (special bank for pharmacists and doctors in Germany)
Art.	Article
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)
BBA	Bachelor of Business Administration
BCBS	Basel Committee on Banking Supervision
bn	billion
CCP	Central Counterparty
CDS	Credit Default Swap
CET1	Common Equity Tier 1
cf.	confer
CHF	Swiss Franc
CMS	Constant Maturity Swap
CRD	Capital Requirement Directive
CRR	Capital Requirement Regulation
CSF	Critical Success Factor
CVA	Credit Valuation Adjustment
DBA	Doctor of Business Administration
Dipl.-Kfm.	Diplom-Kaufmann
DSGV	Deutscher Sparkassen- und Giroverband e.V. (German Savings Banks Association)
DTAs	Deferred Tax Assets

EAD	Exposure at Default
EBA	European Banking Authority
EC	European Commission
EDP	Electronic Data Processing
e.g.	exempli gratia
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European Market Infrastructure Regulation
EP	European Parliament
ESA	European Supervisory Authorities
ESFS	European System of Financial Supervision
ESMA	European Security and Markets Authority
et seq.	et sequens
et seqq.	et sequentia
etc.	et cetera
EU	European Union
EUR	Euro
Euribor	Euro Interbank Offered Rate
FH	Fachhochschule (University of Applied Science)
FSB	Financial Stability Board
FTE	full-time equivalent
FX	Foreign Exchange
G20	Group of 20
G-SIB	Global Systematically Important Bank
HRM	Human Resource Management
HQLA	High Quality Liquid Assets
IAIS	International Association of Insurance Supervisors

i.e.	id est
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMM	Internal Model Method
incl.	including
IOSCO	International Organization of Securities Commissions
IR	Interest Rate
IRS	Interest Rate Swap
IT	Information Technology
KfW	Kreditanstalt fuer Wiederaufbau (development bank at federal level in Germany)
KID	Key Investor Information Document
LB	Landesbank
LCR	Liquidity Coverage Ratio
lhs	left-hand-scale
M&A	Mergers and Acquisitions
max.	maximum
MiFID	Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
min.	minimum
mio	million
mod. follow. adj.	Modified Following Adjusted
M.Sc.	Master of Science
MTF	Multilateral Trading Facilities
NCA	National Competent Authority
NRW	North Rhine-Westphalia
NSFR	Net Stable Fund Ratio

no.	number
OECD	Organisation for Economic Co-operation and Development
OJ	Official Journal
OTC	over-the-counter
OTF	Organised Trading Facilities
p.	page
p.a.	per annum
PC	Personal Computer
PIMS	Profit Impact of Marketing Strategies
RBV	Resourced-Based View
rhs	right-hand-scale
RM	Relationship Manager
RO	Research Objective
RTS	Regulatory and Technical Standards
RWA	Risk-Weighted Assets
SB	Savings Bank
SBU	Strategic Business Unit
SCP	Structure-Conduct-Performance
SIFI	Systematically Important Financial Institution
SME	Small and Medium-sized Enterprise
SPV	Special Purpose Vehicle
SWOT	strengths, weaknesses, opportunities and threats
TEUR	thousand Euro
TR	Trade Repository
UK	United Kingdom
URDC	University Research Degrees Committee
US	United States

USD	US-Dollar
vs.	versus
WestLB AG	Westdeutsche Landesbank (former State Bank of North Rhine-Westphalia)
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)
WpDVerOV	Wertpapierdienstleistungs-Verhaltens- und Organisationsverordnung (Investment Services Conduct of Business and Organisation Regulation)
ZWM	Zins- und Währungsmanagement (Interest Rate and FX Management)
2Y CMS	2-year constant maturity swap rate
10Y CMS	10-year constant maturity swap rate

1. Introduction

1.1. Statement of the Problem

In 2007 the global financial and economic crisis spilt over from its origins in the mortgage market of the United States (US) to the whole western financial system. In a rather short time span the implications of this spreading brought the financial system into a system-threatening imbalance, with a potential danger of total disintegration. As a reaction to this situation, national governments, central banks, supervisory authorities, citizens and the banks themselves initiated a variety of international and national rescue mechanisms in order to avoid or to reduce the dramatic consequences of an immediate financial collapse. Even though a total breakdown of the western financial system has been averted by these actions, all parties concerned are still confronted with the consequences of the global financial and economic crisis, e.g. through the subsequent sovereign debt crisis in (Southern-) Europe, which developed in the wake of the financial crisis.

The aforementioned is also true for the German banking system which was confronted with and still faces the multi-dimensional effects of the crisis and its repercussions. Numerous financial institutions are caught up in the dilemma of asset revaluations, too low equity capital levels and negative rating outlooks after already suffering from a bout of rating downgrades. As a consequence the ability to take on further risk-weighted assets (RWAs) is limited. However, the existing three pillar structure in the German banking system had the side effect that not all financial institutions were exposed to the crisis to the same potentially devastating degree. While some German institutions even seemed to have profited from the crisis through the inflow of deposits (Freiberger, Oechner, & Stricker, 2010), other German institutes needed to be rescued and re-capitalised by the Federal Republic of Germany. Some banks were even forced to cease their activities and to fully wind themselves up as in the case of the former WestLB AG.

The remaining institutes are challenged by a high level of complexity and dynamics introduced by new regulatory frameworks, individual EU-regulations, deteriorating economic environments, turmoil in capital markets and cautious customers. All these changes result in the need for banks to draw the necessary conclusions for their individual strategies and to refocus their business model.

Besides the regulatory changes, German savings banks, the banking group this research focuses on, are currently also challenged by an enduring environment of low interest rates which adversely impacts their income structure. Traditionally German savings banks' income structure is dominated by net interest income (nearly 79% of the earnings in

2012), while net commission income plays only a minor role totalling 6.3 bn EUR in 2012 (21% of the earnings) (DSGV, 2012; FitchRatings 2012). However, as a result of the prevailing low interest rates, net interest income of German savings banks declined by 2.6 percent from 23.8 bn EUR (2011) to 23.2 bn EUR (2012). The income generated through the transformation of maturity declined likewise by 0.5 percentage points to 10.5 % of total net interest income or 2.4 bn EUR (DSGV, 2012; Neubacher, 2013). Looking forward, Schabel (2013) refers to findings of an unpublished forecast study which states that interest margins of savings banks in Germany might decline further by 35 basis points until 2015 due to a flattening yield curve. Thus the income from maturity transformation looks set to decline further and operating results of affected savings banks might drop by up to 40% (Schabel, 2013). In addition to these effects induced by changes in the interest rate environment, the Basel III-framework limits the generation of earnings through maturity transformation, for instance by setting requirements for a stable fund basis for a stress horizon over one year (Meller, 2013). Thus, the optimisation of the savings banks' cost and income structures through specialisation on traditional core activities, as the advisory and sale of banking products for retail clients and small and medium-sized enterprises (SMEs), becomes essential to survive in a fiercer competition. Furthermore it seems imperative that outsourcing opportunities are continuously re-evaluated (Lautenschlaeger, 2012; Voigtlaender, 2013).

Against this background and challenges, numerous savings banks re-examine opportunities to optimise their (net commission) earning structure by offering derivative solutions to their clients for hedging interest rate exposure arising from taken liabilities. On the one hand, the business field 'interest rate derivatives' demonstrates a close link to traditional lending activities of savings banks and offers the possibility to generate relatively high margins compared to other services/products. But on the other hand, derivative solutions are afflicted with a negative stigma due to their perceived role in the financial crisis and are subject to a variety of regulatory changes. Hence a detailed and individual discussion is necessary to familiarise oneself with the subject and determine if and how the business field should be treated within the savings banks – especially against the background that savings banks do not only strive for economic goals.

A practical approach to cope with these arising questions and challenges is the critical success factor approach. This approach is based on the assumption that there are a few factors differentiating successful from less successful companies or business units. Thus, the identification and appropriate consideration of these critical success factors (CSFs) is

essential for strategic planning activities and management of the dynamic complexity. However, literature reviews that have been conducted show that there is no relevant information on critical success factors for derivative sales in German (savings) banks, nor is there any analysis of appropriate business strategies for derivative sales in (savings) banks. Decision makers are, therefore, left alone with their questions and challenges if and how to (re-)act.

My thesis explores the arising questions and challenges against the background of the global financial and economic crisis and thus offers new and detailed insights for theory and practice.

1.2. Aim and Research Objectives

The aim of my research is to make a contribution to a better understanding of derivative sales business units within German savings banks by providing a conceptual framework to deal with this ambivalent business area in practice. Special attention is paid to the influences of the global financial and economic crisis, the business field's critical success factors and its corresponding business-level strategies.

The scope of work is guided by the main research question:

What are the critical success factors for implementing a sustainable business strategy for the derivative sales business unit within German savings banks against the background of the global financial and economic crisis?

To systematically achieve the research aim, this research question has been transformed into five research objectives (ROs), which complement each other. These research objectives are:

- to explore the nature of current business strategies and activities for derivative sales within selected German savings banks (RO1),
- to understand external influences – with focus on the financial crisis - on the business field of derivative sales (RO2),
- to determine what success and sustainability mean within this business environment (RO3),

- to examine the critical success factors differentiating successful from less successful business units (RO4) and
- to develop a framework for derivative sales within German savings banks (RO5).

An improved understanding and a conceptualisation of derivative sales in savings banks are highly relevant for the banking and consulting industry. It offers in-depth-expertise of a market environment which is swiftly and radically changing but still has high potential for increasing customer loyalty as well as profits and thus can generate competitive advantages for the institutes offering these products and services. Therefore, throughout the whole thesis the usefulness of the newly developed knowledge to address professional challenges and the practical applicability are at centre of attention.

1.3. Scope of Work

The present thesis consists of seven chapters. The first chapter provides an introduction of the topic under investigation. It states the background of the challenges arising for savings banks by presenting the ‘research problem’ and its relevance to professional business. This contextualisation is followed by a precise description of the research aim, the main research question and the derived research objectives. The third part of Chapter 1 explains the scope of work and the chosen thesis structure.

The second chapter summarises information about the service area and products of the research topic and defines the underlying banking and derivatives sector.

The third chapter reviews the critical success factor approach within the financial industry as well as strategic business models for derivative sales. By providing this background information through literature reviews, the current state of research is illustrated and the necessity of my research project is justified by identifying the research gap.

The fourth chapter describes and justifies the methodology and methods chosen for the research project which is informed by the grounded theory approach. This choice is based on the research gap identified in the literature reviews, the specificity of the research area against the background of the financial crisis and the need to systematically approach and analyse phenomenon in order to derive findings. In addition to this, the role of the researcher is discussed, selected criteria of trustworthiness for qualitative research are presented and ethical issues to be considered for the research project are stated.

Chapter 5 augments the previously given philosophical and methodological aspects of Chapter 4 with detailed and practical descriptions of the data gathering and analysis technique, the time span during which the data was collected, the underlying sample group as well as the procedure for analysing data. By extracting this more practically orientated part from the theoretical methodology part of Chapter 4, redundancies are avoided and transparency is increased through detailed description of the research design's implementation into practice.

The obtained results and findings are presented and discussed in Chapter 6. Following the thematically-orientated structure of the whole work, the sub-structure of the sixth chapter follows the content of the research objectives set forth in Chapter 1.2. This alignment of findings to the research objectives is followed by a reflection on the literature reviewed in Chapter 3 as well as orientation to further literature not covered before.

The last chapter provides a summary of the main findings and explains their contribution to practice and theory. It evaluates the limitations of this research and discusses opportunities for possible future research on the topic under investigation. Figure 1 illustrates the chosen structure of the thesis and its main points.

Finally, the appendices provide additional background information for selected aspects of the thesis.

By using the outlined structure, my thesis differs partly from reporting structures of other theses which are also influenced by grounded theory. As grounded theory often leads researchers to have sequenced chapters corresponding to their research phases, their works are often characterised by chronologically consecutive chapters. This chronological procedure enables traceability of evolvment, but often complicates the selective reading of single parts and increases redundancies. In order to mitigate these risks and for didactical reasons, a thematically focused structure of work is preferred here. The arising risk of decreasing traceability is mitigated by continuous references to chronological evolvments of the research project.

I would like to illustrate and justify the chosen procedure based on an example from my data gathering and analysis phase: After I had conducted the first semi-structured interviews with professionals, I was confronted with rather broad answers regarding business-level strategies as a result of too open questions in the interview. This challenge was overcome by further investigating, in parallel to the interviews, the theoretical background of business-level strategies (in derivative sales) through a (systematic)

literature review, which helped me to specify my questions. I hereby generally followed the argumentation of Strauss and Corbin (1996), who assume that it is not possible to collect data appropriately without any pre-knowledge. The mentioned exemplary literature based research phase could have been presented as excursion within the data analysis part. In contrast to such a chronological structure, the chosen thematically focused structure summarises the gained information in a separate literature review section. Besides the aforementioned arguments, this structure ensures simplified access to specific issues and makes transparent which parts of the thesis are based on knowledge of third parties (Chapter 2 and 3) and which new knowledge is raised through my own research project (Chapter 6).

Following the discussion of Gilgun (2005), I make use of the first person singular throughout the whole thesis to convey and present my findings in a way which is consistent to my underlying constructivism view of the world (cf. Chapter 4.2). Doing so, I make my presence in research explicit and do not pretend a not-given form of objectivity by using an anonymous, distanced third-person voice.

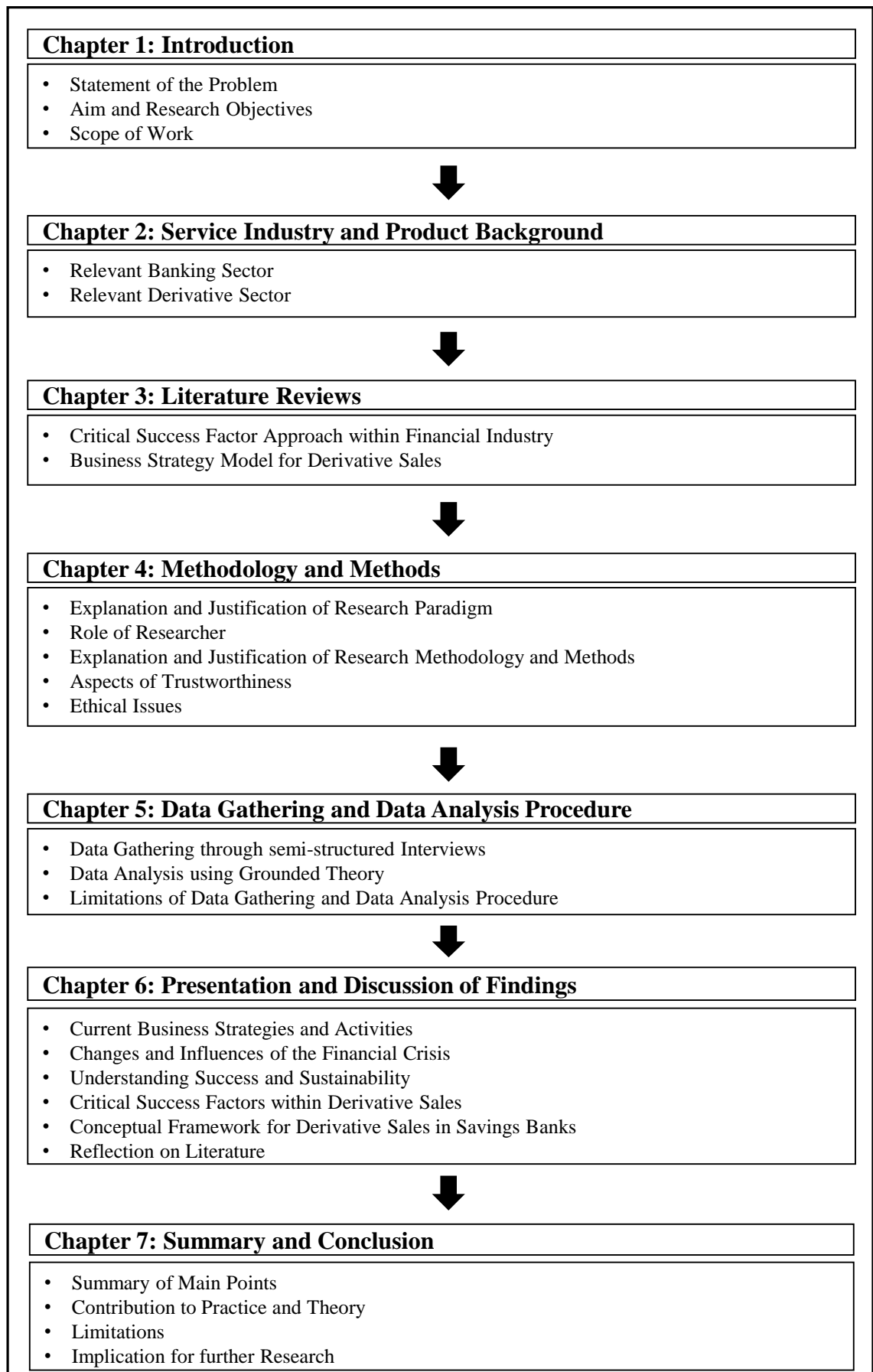


Figure 1: Structure of the Thesis (own creation)

2. Service Industry and Product Background

2.1. Introduction

Following the argumentation of Strauss and Corbin (1996), who – in contrast to Glaser and Strauss (1967) – assume that it is not possible to collect data appropriately without any pre-knowledge (cf. Chapter 4.4.3.4)¹, it seems to be appropriate to describe and illustrate the practical and theoretical background my research is embedded in. This procedure is suitable as it enables a narrowing of the research area while providing background information at the same time, which is essential to understand the current state of knowledge and the research area. Hereby the necessity for my own study is justified by identifying the research gap. The relevant contents for the practical and theoretical background are derived from the research question (cf. Figure 2).

In Chapter 2 the underlying research area is defined and described. For illustrative purposes practical examples are provided where appropriate. In the literature review part (cf. Chapter 3) further (theoretical) background information is given, the state of research is illustrated and the necessity of my research is justified.

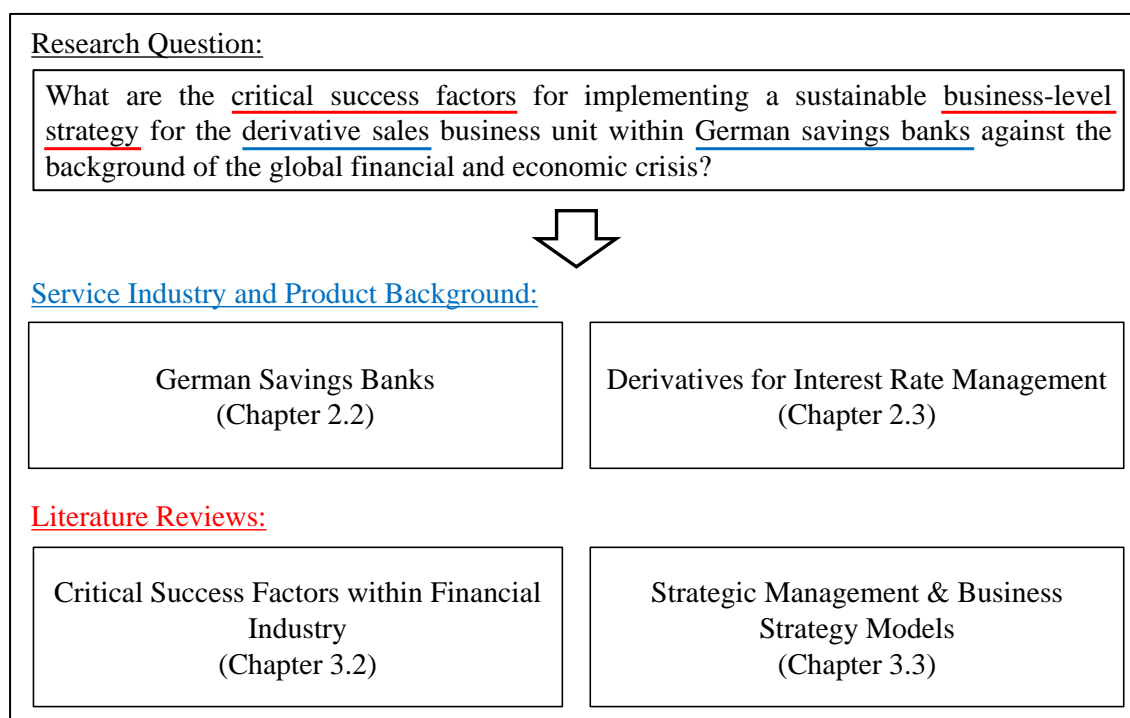


Figure 2: Derived Service Industry and Product Background (own creation)

¹ Further information is also provided by Dunne (2011), who discusses the issue of how and when to conduct a literature review within a grounded theory research design.

2.2. Definition of Relevant Banking Sector

2.2.1. German Banking System

According to Hackethal (2004) the German banking system is a typical universal banking system, as it mainly consists of banks engaging in all lines of client businesses. Besides this the German banking system is characterised by consisting of three major pillars: the private commercial banking sector, the public banking sector (incl. savings banks, landesbanks and DekaBank) and the cooperative banking sector. Besides these three pillars, the group of special institutions (special banks and other monetary institutions) exists. The special institutions with development functions are mostly influenced by public ownership (e.g. KfW) (Brueckner, 2007; Grill & Perczynski, 2003; Hackethal & Schmidt, 2005; Norden & Weber, 2010). Figure 3 provides an illustration of the German banking system in the year 2011 based on official statistical data from Deutsche Bundesbank (2013, p. 104).

German Banking System (2,080)									
Universal banks (1,861)						Special Institutions (219)			
Commercial banks (299)			Public banks (436)			Credit co-operatives (1,126)			
Branches of foreign banks (116)	Regional and misc. Commercial banks (179)	Big Banks (4)	DekaBank (1)	Landesbanks (9)	Savings banks (426)	Regional cooperatives central banks (2)	Primary Institutes (1,124)	Other monetary Institutions (158)	Mortgage banks (18)
								Building and Loan Associations (23)	Banks with special functions (20)

Number in parentheses equals number of banks.

Figure 3: German Banking System in 2011 (based on Deutsche Bundesbank, 2013)

Figure 3 illustrates that nearly 90% of the German banks by count are universal banks, 20% of all German banks are savings banks (426) and 54% of all banks are primary credit co-operative institutes (1,124). In the statistic, Deutsche Bank AG, Commerzbank AG, UniCreditbank AG and Deutsche Postbank AG are classified as ‘Big Banks’ (belonging to the pillar commercial banks) to underline their relevance.

In contrast to the number of banks, the banks' distribution based on total assets shows a different picture of the market shares of the respective institutes. Total assets of all banks in Germany amounted to 9,559 bn EUR by the end of 2011. Nearly 44.0% of total assets of all German banks (4,202 bn EUR) belonged to the commercial bank sector, followed by the aggregated total sum of landesbanks and savings banks with 26.8% (2,564 bn EUR) and the credit cooperatives sector with 10.7% (1,021 bn EUR). Special institutions had a market share regarding total assets of 18.5% (1,772 bn EUR). A dominant market share is taken from the four Big Banks, which had a total sum of assets of 3,162 bn EUR, which equals a proportion of 33% of the aggregated sum of total assets of all banking groups (Deutsche Bundesbank, 2013, p. 106 et seq.).²

In the following the focus shall be laid on public sector banks with special attention to savings banks as these are at the centre of my work.

2.2.2. Savings Banks Finance Group

The 426 savings banks in Germany are embedded in the Savings Banks Finance Group ('Sparkassenfinanzgruppe'), which additionally consists of eight landesbanks³, DekaBank, ten building and loan associations and several other financial and service entities (e.g. leasing and factoring companies as well as service providers for IT and payment transactions) (DSGV, 2011a). In its entirety the Savings Banks Finance Group consists of roughly 600 legally independent entities, which provide services to their customers within a 'network concept' and according to the 'principle of subsidiarity' (DSGV, 2011a; DSGV, 2013; Grill & Perczynski, 2003; Strauss, 2005). The Savings Banks Finance Group is represented by the Deutsche Sparkassen- und Giroverband e. V. (German Savings Banks Association, hereafter referred to as 'DSGV'), which is the umbrella organisation for the previously mentioned entities.

The nucleus of this network and the customer activities are the 426 savings banks with 15,411 branches, 246,000 employees and about 50 million clients in total. The aggregated total assets equals 1,098 bn EUR as of 2011 (DSGV, 2011a). Figure 4 provides an

² Please note that only 1.903 banks participated in the process of data gathering (Deutsche Bundesbank, 2013).

³ Due to legal requirement from the European Union, WestLB AG (former state bank of North Rhine-Westphalia) lost its banking license, was partly taken over by Landesbank Hessen Thüringen Girozentrale (state bank of Hesse-Thuringia) and was transferred into a service provider named Portigon AG in 2012.

overview of the size of the German savings banks and their distribution by size. It illustrates that nearly 70% of all savings banks have total assets of less than 2.5 bn EUR.

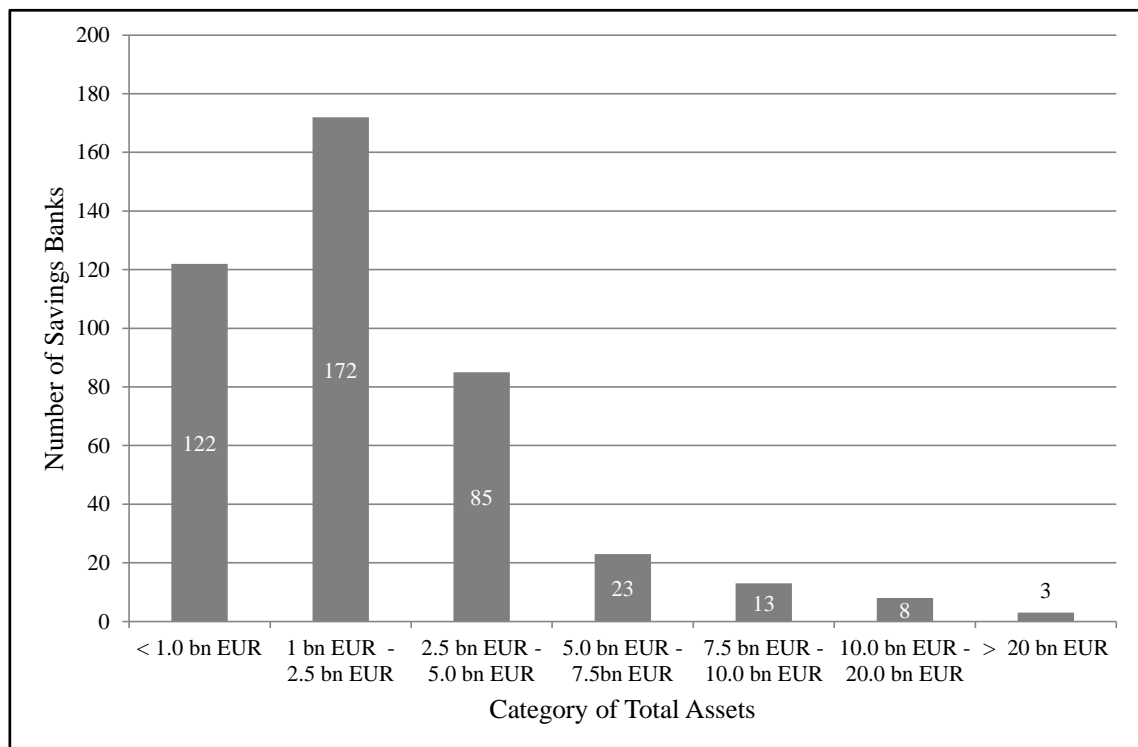


Figure 4: Distribution of Savings Banks' Total Assets (based on DSGV, 2011b)

Restricting their business activities to a specific region ('regional principle') (DSGV, 2013), savings banks avoid competition with other savings banks and traditionally focus on providing payment, deposit and lending services for retail clients and small and medium-sized enterprises (IMF, 2011; Mullineux & Terberger, 2006; Norden & Weber, 2010). Even though savings banks are legally and economically independent institutes (DSGV, 2011a), savings banks "effectively belong to municipalities or rural regions" and only "a few are owned by foundations" (IMF, 2011, p. 5). In front of this background, savings banks (as well as landesbanks) have the mandate to "support economic development in the respective region, and also to subsidise local public goods" (IMF, 2011, p. 5). The business model of the savings banks, therefore, "centres around its regional roots, its business philosophy geared towards the common good, and the collaboration that takes place within the Group" (DSGV, 2011a, p. 6) (cf. Figure 5). Thereby, common good is defined by legal frameworks and corresponding interpretations (cf. Chapter 2.2.3).

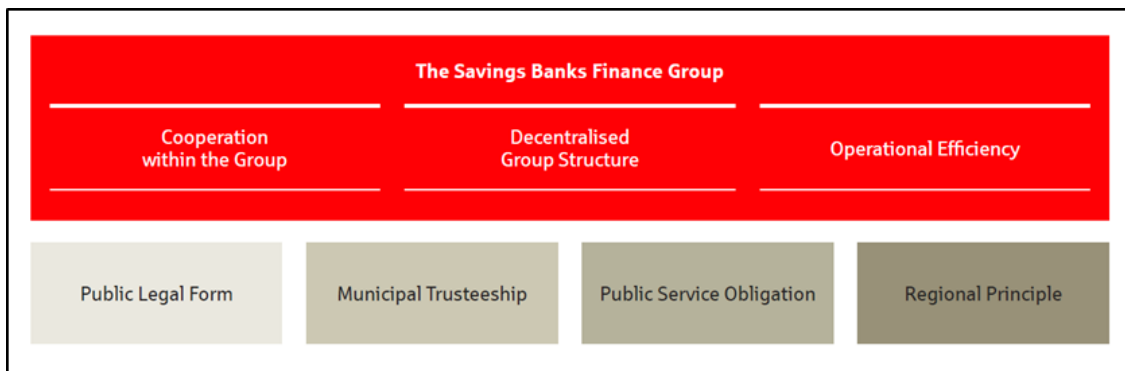


Figure 5: Business Model of Savings Banks (2011a, p. 6)

While savings banks focus on universal banking services for retail clients and SME, landesbanks originally had the intention to serve savings banks as a kind of ‘regional central bank’, covering the savings banks in one or several federal states (IMF, 2011). Nevertheless, they have become actively engaged in the field of “wholesale funding, investment banking, and international business activities, thus directly competing with commercial banks” (IMF, 2011, p. 5).

The present research focuses on the previously mentioned area of savings banks, which belong to the Savings Banks Finance Group, respectively the public banking sector (cf. Figure 3). Due to the structural characteristics of savings banks, the consortium partners (e.g. landesbanks) will be included in the study at appropriate points.

2.2.3. Public Service Obligation, Profit Orientation and Culture

The aforementioned “business philosophy geared towards the common good” (hereafter referred to as ‘public service obligation’) (DSGV, 2011a, p. 6) and the resulting fact that savings banks do not have a pure profit orientation are unique characteristics that differentiate savings banks from competitors and have economical influences on the institutes’ performances, their cultures as well as their strategies (Braemer, Gischer, Pfingsten, & Richter, 2010). Derived from legal frameworks and corresponding interpretations, the public service obligations include the following six purposes:

1. Adequate provision of financial services to all client groups,
2. Satisfaction of regional credit needs, especially to SMEs,
3. Promotion of saving activities and personal financial provision,
4. Economic education,
5. Increasing and ensuring the level of competition between banks as well as

6. Social commitment.

In addition, Braemer et al. (2010) refer to further public purposes or perceptions which are derived from savings banks' self-presentations and communications: These are long-term relationship-banking, job creation and stabilisation of the financial sector. Therefore Braemer et al. (2010, p. 329, translated by the author) conclude that the public service obligation "is subject to a change over time and by no means static in its nature".

However, the savings banks' public service obligations and the resulting limited profit orientation can rather be described by the characterisation "that the institution is subject to certain restrictions that do not apply to other financial institutions, or that it tries to trade-off profit against some other objectives in ways that others do not" (Schmidt, 2009, p. 367) rather than being a total exclusion of financial objectives. The general pursuit of business principles and economic objectives are evident and important and ensure that all purposes are met (Haasis, 2009b; Schmidt, 2009). The former savings banks finance group chairman Haasis (2009a, p. 163, translated by the author) summarises the idea of a complementary structure of financial and non-financial objectives as follows: "A satisfied customer shall be as important for each savings bank as a financial figure". This is also apparent in the savings banks' steering guidelines, which on the one hand, focus on financial figures like the cost-income-ratio, a minimum return, risk and liquidity ratios and, on the other hand, on qualitative data regarding the market share (Haasis, 2009a).

The parallel pursuit of financial as well as non-financial goals influences the employees' behaviours and the savings banks' culture. Analysing savings banks' incentive and remuneration scheme, Anclam-Ruehle (2009, p. 231, translated by the author), for example, concludes, that "financial incentives [for sale] solely exist in the form of commission payments, whose extents are substantively lower than in other banks". Thereby, she recognises that the culture is characterised by employees' characteristics which are actually not typical for the sales industry. Savings banks employees are much more risk-averse and do not focus on high salaries, but rather on continuity and security regarding their job (Anclam-Ruehle, 2009).

The aforementioned public service obligations, the balancing act between financial and non-financial objectives as well as the resulting 'culture' are important factors characterising the defined service industry and are taken into account when conducting my research.

2.3. Definition of Relevant Derivative Sector

Derivatives have gained a central position within the financial industry and the markets. The variety of product innovations in this field has rapidly grown in the last 25 years (Deutsche Boerse AG, 2008). A general definition is provided by Hull (2005, p. 513), who defines derivatives to be an “instrument whose price depends on, or is derived from, the price of another asset”. Usually, these other assets are “market levels (interest rates, foreign exchange rates, indices), assets (shares or bonds), commercial goods (commodities or agricultural products) or risks (credit default risk or weather-related risks)” (translated from Chlistalla, 2010, p. 3). The intended use of derivatives can be distinguished to be either ‘risk protection’ or a ‘trade and investment strategy’ (Deutsche Boerse AG, 2008). A survey based on reporting data from 2008 illustrates that more than 90% of the world’s largest corporations use “derivatives to manage business and macroeconomic risks” (ISDA, 2009, p. 1).

Generally two types of trade executions can be differentiated in the derivatives market: the exchange traded segment and the over-the-counter (OTC) segment (Deutsche Boerse AG, 2008). While the first one asks for standardised contracts, the latter profits from a high level of flexibility and the possibility to negotiate tailor-made solutions. However, a disadvantage of OTC derivatives is the credit risk, which usually accompanies (bilateral) transactions (Hull, 2005). Possible techniques for mitigating this risk are i) bilateral collateralisation, ii) trade compression and iii) clearing through a central counterparty (CCP) (Chlistalla, 2010).

Particularly the market of OTC derivatives has grown rapidly in recent years and the notional amounts of its outstanding contracts account for more than 90% of the whole derivative market (Chlistalla, 2010). Considering the challenges and limitations regarding data gathering and exchange rate changes at reporting date, BIS (2012) estimates that the total notional amounts of outstanding OTC derivatives equalled roughly 639 trillion USD in June 2012. Figure 6 provides an overview of the development of notional amounts outstanding as well as the associated gross market values and gross credit exposure⁴.

⁴ BIS (2012, p. 6) defines the gross market value as “sums of the absolute values of all open contracts with either positive or negative replacement values evaluated at market prices prevailing on the reporting date”. The gross credit exposure is calculated by subtracting “legally enforceable bilateral netting agreements” from the exposure of the OTC derivatives with positive market value (BIS, 2012, p. 6).

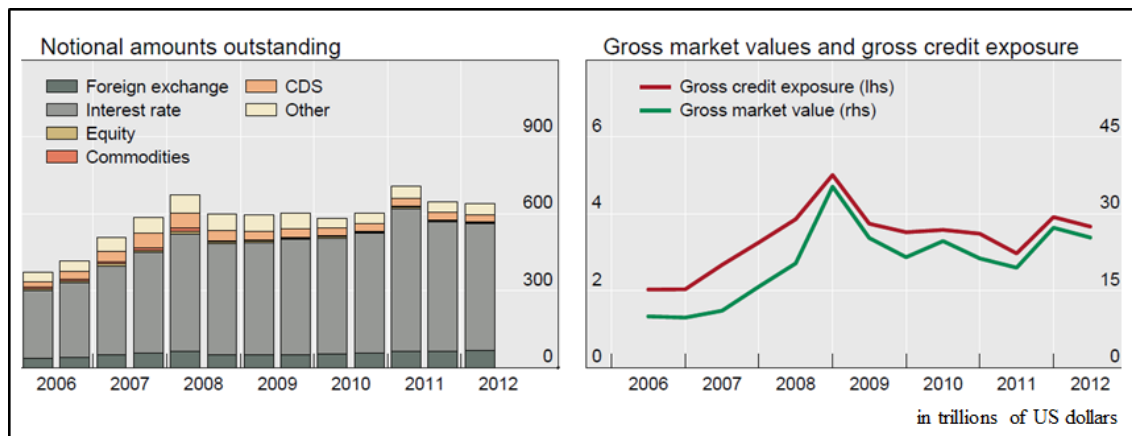


Figure 6: Development of OTC Derivatives (BIS, 2012, p. 1)

Differentiating between six risk categories (foreign exchange, interest rates, equity, commodity, CDS and miscellaneous others), it becomes clear that interest rate derivatives account for over 75% of all OTC derivatives statistically taken into account by BIS (2012). These interest rates derivatives are mainly traded in EUR und USD (BIS, 2012).

By definition, this research focuses on interest rate derivatives with hedging/optimising purposes for interest rate risk resulting from financing activities ('interest rate management using liability derivatives'). Other derivative categories and derivatives as investment strategies are excluded. Thereby, the idea of using derivatives to actively manage interest rate risks resulting from borrowing activities is based on the principle of separating the liquidity management from the interest rate management. For this purpose the underlying financing (e.g. a floating loan) is taken out separately from the corresponding interest rate management agreement – e.g. a Payer Swap or Interest Rate Cap (Bickers, 2012). While in the first transaction liquidity is provided, the latter one determines the interest rate payment structure. This separation has the advantages i) to structure the interest rate payments to individual needs, ii) to increase the flexibility to restructure the financing strategy due to internal and external changes and iii) to adapt developments in capital markets into the own interest rate strategy (Bickers, 2012). Appendix 1 describes the basic idea of interest rate management using liability derivatives and illustrates exemplary products (Payer Swap, Interest Rate Cap and CMS Spread Ladder Swaps) to provide an informational background for the later analysis chapter.

2.4. Intermediate Summary

The previous section and Appendix 1 explain the field of derivatives, define the underlying product area and provide an introduction to the fields of interest rate management, its underlying derivative products and sets an appropriate background for a later understanding of the research area as research participants often refer to specific product groups (e.g. plain vanilla derivatives) as well as certain products (e.g. CMS Spread Ladder Swap) to express the experiences regarding the investigated five research objectives (cf. Chapter 6). Figure 7 illustrates how the previous sections fit into the thesis structure and provides an overview of the upcoming literature reviews.

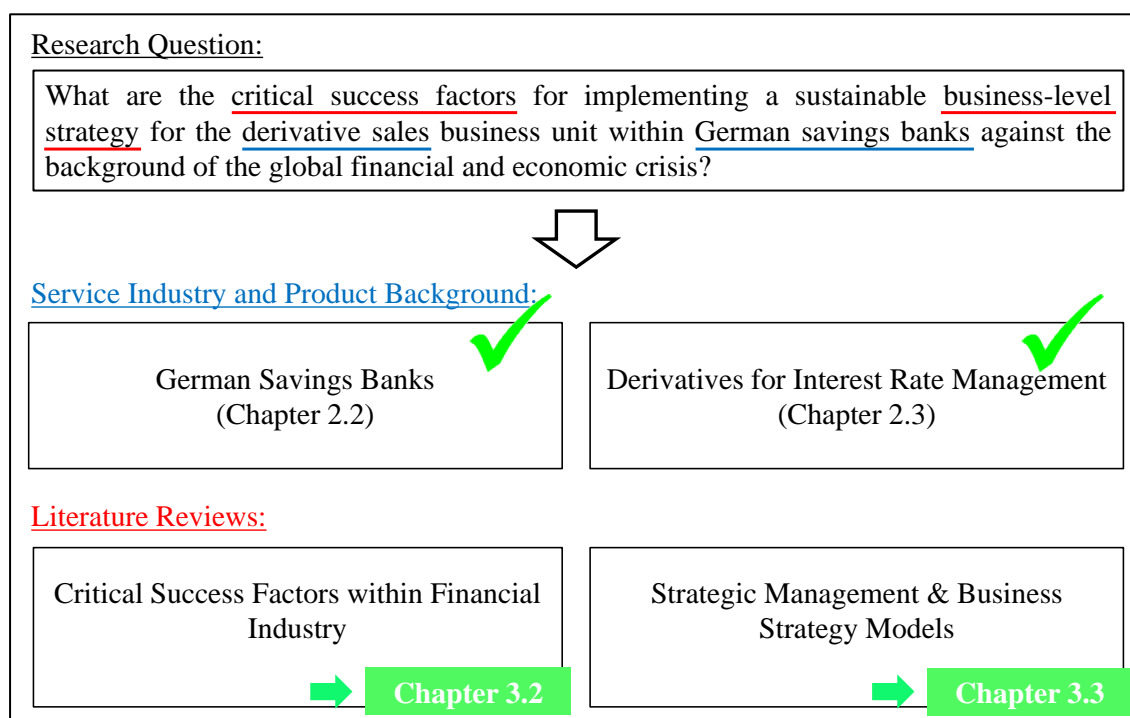


Figure 7: Contextualisation of Service Industry and Product Background (own creation)

3. Literature Reviews

3.1. Introduction

The aim of my literature review is i) to provide the reader with background information on the research topic, ii) to present an overview of the current state of research in the research area and iii) to facilitate the process of data gathering and data analysis for my own study. According to Green, Johnson, and Adams (2006)⁵ there are mainly three basic methods of literature review to address the interest of provision of background information and description of the current state of research:

- Narrative reviews,
- qualitative systematic reviews and
- quantitative systematic reviews (also known as meta-analyses).

Hereby, narrative reviews can be further differentiated into editorials, commentaries and narrative overviews (Dixon, Munro, & Silcocks, 1998; Gray, 1997). Editorials are characterised to be a short review of particular papers, which are often (partly) influenced by personal notes of the reviewer (Dixon, Munro, & Silcocks, 1998; Green, Johnson, & Adams, 2006). This personal opinion is even more clearly emphasised within commentaries, which are used to express a personal opinion or/and to provoke a (scientific) dialogue (Gray, 1997; Green, Johnson, & Adams, 2006). The narrative overview is also known as unsystematic literature review and summarises previously published information.

In contrast to narrative reviews, a qualitative systematic review “employs detailed, rigorous and explicit methods” (Green, Johnson, & Adams, 2006, p. 104). Hereby, a special (research) question or study purpose guides the literature review and helps the reviewer to determine inclusion and exclusion criteria for studies which are included in the synthesis (Friedland, Shlipak, Subak, Bent, & Mendelson, 1998; Green, Johnson, & Adams, 2006). Each step of the reviewing process is described and documented.

Reviews which statistically combine results of identified studies are called quantitative systematic reviews or meta-analyses (Helewa & Walker, 2000; Polgar & Thomas, 1995; Slavin, 1995). This kind of literature review aims to produce an objective/statistically

⁵ The following argumentation is mainly based and inspired by the works of Collins and Fauser (2005) and Green, Johnson, and Adams (2006) and the literature they used.

relevant review and employs the previously mentioned characteristics of the qualitative systematic literature review.

In order to address the above-mentioned aims of my literature review this chapter contains two qualitative systematic literature reviews. Thereby, both systematic reviews are introduced by narrative parts in order to offer the reader a compact but also broad overview of the research topic (cf. Figure 11). This differentiated and clearly focused way of proceeding – the choice of form of literature review based on intention – suits the readers interest in receiving the utmost level of information while taking into account the respective strengths and weaknesses of the different approaches.

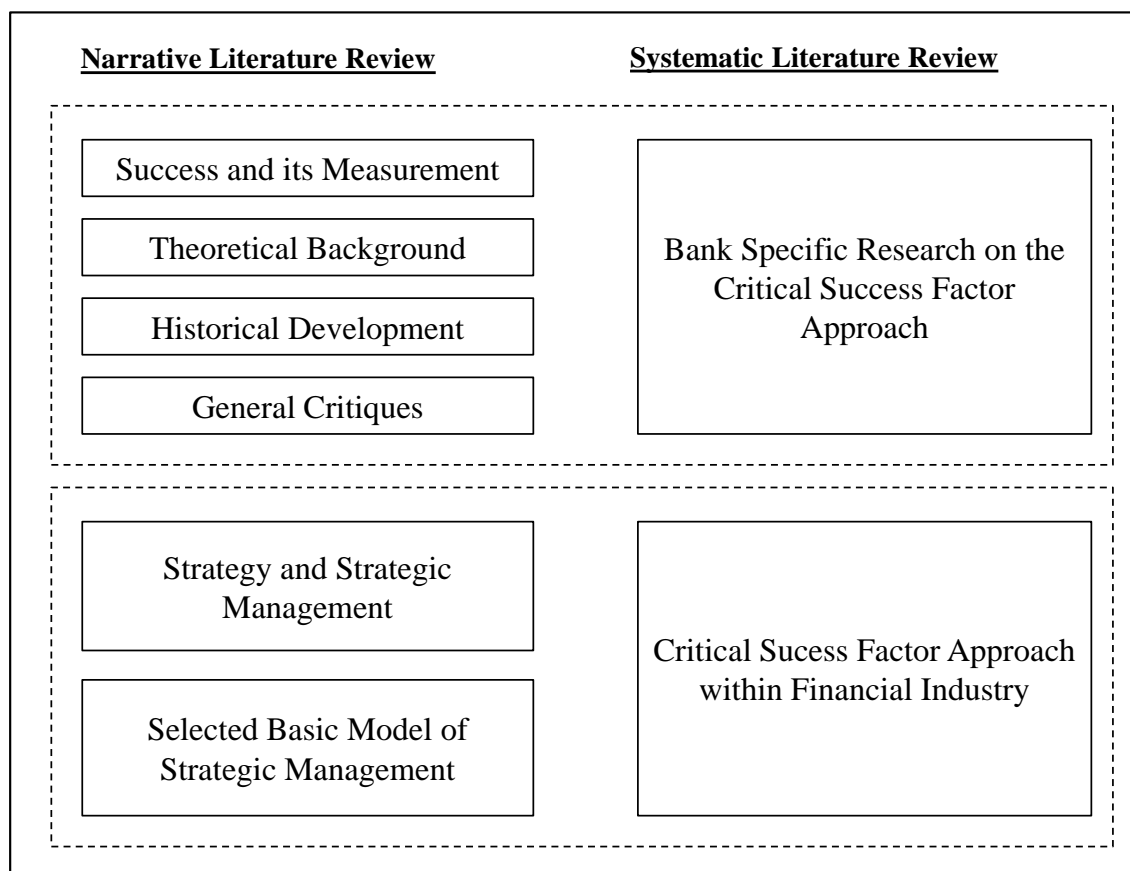


Figure 8: Overview of Literature Reviews (own creation)

The literature review on the critical success factor approach within financial industry initially puts an emphasis on the definition of success and its measurement, the theoretical background, the origins of the critical success factors approach as well as its critiques. These introducing and narrative parts are followed by a systematic literature review on bank specific studies regarding critical success factors. This is done for systematically gathering information regarding the question if there are critical success factors which

have to be considered when implementing a meaningful and sustainable business-level strategy for ‘derivative sales’ in German savings banks. The systematic literature review is chosen to be most appropriate as it i) offers the chance to reduce the reviewer’s bias, which is elementary presenting the scientific status quo and the research gap, ii) has transparent and reproducible criteria and methods, which offer the reader the chance to access the validity, and iii) provides the opportunity to focus on a specific question in all detail. A critical analysis of the success factor theory as well as a positioning of my own work into the research environment conclude this part (cf. Chapter 3.2.6).

Following these reviews a further systematic literature review on business strategy models for derivative sales is conducted. This second systematic literature review broadens the first review and thus the theoretical framework of the research by taking a further theoretical basis into consideration. The choice of a systematic literature review is justified by the previous mentioned rationales for this type of literature review. The systematic literature review is preceded by a narrative summary and definition of strategy, strategic management and strategy development. Hereby general approaches are described and a profound basis for a systematic literature review and the own individual research design is set.

It is reiterated that the literature reviews were conducted simultaneously to interviewing as part of the process of data gathering and data analysis in order to bring me into the position to ask more specific and focused questions (cf. Chapter 1.3).

3.2. Critical Success Factor Approach within Financial Industry

3.2.1. Success and its Measurement

Even though the term ‘success’ is used quite often, an appropriate definition is far from being simple as it appears to be an abstract parameter, which cannot be measured directly. In addition to this, the terms ‘success’ and ‘success measurement’ cannot be discussed separately as at least the performance measurement is determined by the definition of success (Strauss, 2005). Traditionally the term success has been defined to be the difference of an input-parameter to an output-parameter. A positive balance has been defined to be success, while a negative difference has been characterised to be a failure (Fritz, 1995). As organisations and companies do not only strive for economic figures, further considerations have taken place. These have for example the objective to determine the organisational effectiveness and therefore success of a company (Grabatin, 1981; Khan, Khan, Ahmed, & Ali, 2012) in a relative and multi-dimensional perspective by explaining that “success is normally relative and may be perceived in different ways by various stakeholders” (Cooper & Downer, 2012, p. 29). However, a generally accepted holistic conceptualisation of success and its measurement is still outstanding (Koll, Woodside, & Muehlbacher, 2005).

Therefore, in the following three selected approaches to determine success are described, mentioning the underlying definition of success as well as its measurement, followed by their respective advantages and disadvantages. The three approaches are the: i) the goal approach, ii) the system resource approach and iii) the multi constituency approach (Ford & Schellenberg, 1982).

The first approach to measure success is the so-called ‘goal approach’, which assumes that companies are systems serving different purposes. The enterprises’ goals are clear and identifiable (Etzioni, 1964) assuming that “a general agreement on the specific goals” exists and that the “people involved should feel committed to fulfilling them” (Ashraf & Kadir, 2012, p. 81). Therefore success is defined to be the achievement level of the defined and set objectives (Buehner, 1977). The goal approach is highly relevant as the enterprise’s goals provide guidance for other strategic activities (Kalka, 1996) and represents “the most basic model of effectiveness” (Khan, Khan, Ahmed, & Ali, 2012, p. 24). Besides the advantage to be easy to implement and handle, there are several disadvantages going along with this approach. A main argument is that only internal stakeholders are taken into account. The environment as well as competitors are completely disregarded and therefore the approach lacks the possibility to compare

enterprises with each other (Grabatin, 1981). In addition to this the (self-)determination of non-sustainable goals might lead to failure even though the defined goals and therefore ‘success’ might be technically achieved (e.g. by setting wrong or too easy to achieve goals) (Mohr, 1983). Finally the approach assumes that each company has a main goal, which is quite problematic regarding the bundle of goals defined by companies (Staehle, 1999).

An extension is made with the ‘system resource approach’, which considers – in addition to the internal processes and structure of the organisation included in the goal approach – the relationship of the entity with its environment (Yuchtman & Seashore, 1967). Within this concept, success is defined to be an “abstract, multidimensional construct” (translated from Staehle, 1999, p. 445), which focuses on the survivability of the company in this environment. On the one hand the abstract level of definition leads to problems regarding the implementation, but on the other hand it offers the possibility of including external dimensions. Analogous to critiques on the goal approach, the possibility of determining non-sustainable goals is also valid for the system resource approach (Mohr, 1983).

The ‘multi constituency approach’ makes use of a completely different idea (Thompson, 1967, as cited in Dess and Robinson, 1984). It assumes that each internal/external stakeholder (shareholder, employee, customer, etc.) assesses the organisation/object in a different way, depending on the respective motivation and intention (Staehle, 1999). Following this idea success is defined to be the level of agreement between the groups and their individual assessment criteria (Ford & Schellenberg, 1982) and therefore “generally multi-dimensional” (translated from Schoenbuecher, 2010, p. 20). By widening the perspective the constituency approach considers far more dimensions than the other approaches, but can also be characterised to be more abstract. Therefore a practical implementation seems to be even more difficult.

3.2.2. Theoretical Background of Critical Success Factors

The critical success factor approach has the aim to identify the general, sustainable factors, which differentiate successful from less successful companies (Fritz, 1995; Hesse, 2004; Hildebrandt, 2002; Hoffmann, 1986). Following the arguments of

Riekeberg (2003, p. 10, translated by the author) critical success factors⁶ can be characterised to be

- “definable,
- sustainable in the long-term,
- either influenced or not influenced by the company and their management itself,
- company- or industry-specific,
- limited in their amount,
- original influencing variables leading to empirical or analytical assumptions about causal links, which help to explain the current or future positive or negative success of a business (unit).”

Riekeberg (2003) further distinguishes between ‘critical success factors’ and ‘success factor categories’. While their characterisation seems to be quite similar, the levels of abstraction make the important difference as success factors can be aggregated to success factor categories.

The general aim of the success factor approach can be split into three objectives (Jenner, 1999). These are firstly the identification of the determinants, secondly their characteristics and thirdly the intensity regarding their influences (Fritz, 1995). These pieces of information about the cause and effect relationship lead to the ability to make predictions for the future. Therefore the knowledge of the critical success factors helps a company to make transparent and rational decisions regarding their strategy (Grimm, 1983).

A general assumption of this approach is the hypothesis that only a few factors determine the success or failure of an enterprise, parts of a company or a business unit (Cooper & Downer, 2012; Hoffmann, 1986; Leidecker & Bruno, 1984). This leads to the argument, that the identification of all influencing factors is not necessary as only some of them have relevance (Daschmann, 1994; Lange, 1982). The identification of these critical factors is the aim of the critical success factor approach (Liehr-Gobbers, 2006), offering the company’s management a framework for their strategic decisions and planning (Boeing, 2001; Fracziewicz-Wronka, Szoltysek, & Kotas, 2012) as well as illustrating

⁶ In literature, the terms ‘success factors’, ‘key success factors’ and ‘critical success factors’ are used synonymously (Fraczkiewicz-Wronka, Szoltysek, & Kotas, 2012 ;Kube, 1991).

“the few areas of activity in which favorable results are absolutely necessary for a particular organization to reach its goals” (Cooper & Downer, 2012, p. 88).

Referring to the approach’s application in academic sub-disciplines, Albers and Hildebrandt (2006) comment that the critical success factor approach has especially become popular in the fields of explaining success referring to employees’ and clients’ complex behaviours and Yaraghi and Langhe (2011, p. 552) comment that “Identifying CSFs can bridge the gap between literature and practice”.

3.2.3. Historical Development

The first steps to a critical success factor approach were made with the research of Daniel (1961). Researching information systems Daniel (1961, p. 116) originally states that these systems “[...] should focus on ‘success factors’. In most industries there are usually three to six factors that determine success; these key jobs must be done exceedingly well for a company to be successful“. Daniel’s thesis was followed and developed further by Rockart (1979, p. 85), who came to the conclusion that “critical success factors thus are, for any business, the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. They are the few key areas where ‘things must go right’ for the business to flourish”.

Based on this a more professional and more academic examination took place (Woywode, 2004) with the result that the search for success factors also spilt over from single enterprises to whole industries as well as the theoretical organisation itself. Beginning in 1980 strategic management research became also interested in the critical success factor approach and several large research projects were introduced, e.g. the Profit Impact of Marketing Strategies-Project (‘PIMS-Study’) (Woywode, 2004). Even though they became quite popular, their results often were not very meaningful and Ghemawat (1991, p. 11) sums up: “The whole idea of identifying a success factor and then chasing it seems to achieve something in common with the ill-considered medieval hunt for the philosopher’s stone, a substance that would transmute everything it touched into gold.”

Research on critical success factors can be roughly distinguished in works which either concentrate on the success or focus on the failure of economic activity. Studies which focus on failure of a company (‘negative success’) can be accredited to the insolvency or crisis research (Fritz, 1990). The latter kind of studies will not be regarded further as ‘negative success factors’ are not part of my research scope.

Depending on the method, the identification of critical success factors can result from theoretical or conceptual findings, logical considerations, knowledge (from experts) or empirical analysis (Lange, 1982). Until now, two general directions of scientific approaches regarding success factors have been established: a qualitative and a quantitative approach (Tomczak, 1992). The qualitative approach analyses a variety of qualitative arguments in order to find similarities and overlaps by using certain (soft) criteria. These are then defined to be critical factors (Haenecke, 2002). In contrast to the qualitative approach, the quantitative approach focuses on statistical methods to analyse data. Its researchers base their analysis on figures, trying to identify coherences by using mathematical methods for analysis (Werries, 2008).

Additionally, studies can be differentiated according to their scientific objective and the type of study (Haenecke, 2002). While explorative studies have the aim to identify patterns for setting up hypotheses, confirmatory studies have the goal to deduct practical suggestions by an assessment of logical causalities or to empirically prove theoretical theses. These confirmatory studies try to identify critical success factors by using a logical-deductive method (Werries, 2008). In contrast, explorative studies are usually based on empirical-inductive findings. In the history of critical success-factor research both approaches have had relevance and were used (Gruenig, Hecker, & Zeus, 1996).

3.2.4. General Critiques on the Critical Success Factor Approach

In summary it becomes clear that beside the variety of former and present studies also the methodological approaches strongly differ. Deficits regarding comparability and possibilities to draw hypotheses for setting up frameworks have been the result and a holistic concept of the critical success factors approach, which has been generally accepted and fully empirically examined, is still outstanding and missing (Fritz, 1990; Goettgens, 1996; Rehkugler, 1989). While Nicolai and Kieser (2002, 2004) for example argue that neither success nor its determining factors can be captured and reviewed, Bauer and Sauer (2004) strictly underline the approaches' relevance to the strategic business planning. Therefore the critical success factor approach can still be seen at its beginnings and has problems regarding its acceptance (Fritz, 1990; Goettgens, 1996; Haenecke, 2003; Nicolai & Kieser, 2002; Kube, 1991; Schroeder, 1994). Against this background selected points of general criticism are summarised in the following. These are: i) theoretical deficits, ii) data deficits, iii) methodological deficits and iv) specificity deficits.

Theoretical Deficits

On the one hand studies using the critical success factor approach are often criticised for disregarding existing theoretical concepts for an appropriate selection of variables and/or for deriving hypotheses. Instead of using existing variables/concepts these are often weighted/generated through interviews with experts as well as through own intuition and experiences (Strauss (2005) with reference to Haenecke, 2002; Kube, 1991 and Wahle, 1991) (Pathak, Hussein, Sriram & Ahmed, 2010). But on the other hand and referring to theoretical constructs and missing qualitative aspects, Schroeder (1994) concludes that theoretical deficits are additionally caused by i) problems regarding the operationalisation, ii) the accessibility of gathering data and iii) missing time for data raising. Trying to explain such missing qualitative aspects Schroeder (1994) mentions the variety of existing methods to analyse quantitative data, which might be easier to use than qualitative data analysing methods.

Fritz (1990), furthermore, criticises that the majority of the studies are explorative and data-orientated, instead of being confirmative. While Haenecke (2002) explains that this deficit is caused by the missing of an empirically validated and generally accepted theory for assessing the effect relationships, Schroeder (1994) explains this recognition by referring to the relatively young history of the critical success factor approach.

Data Deficits

Critical success factor approaches often make use of data, which were not specifically gathered for the research purpose which can be classified to be secondary information (Kube, 1991; Schroeder, 1994). Especially in those cases where the data originally has had another purpose of usage or was heterogeneously built the inclusion of such data is questionable. Schroeder (1994) explains this questionability referring to different accounting standards which might be used for setting up a balance sheet. Hence, he concludes that no kind of data shall be included in a study without being validated or adjusted before.

Besides these aspects, the completeness of data is often criticised and data shall be raised through including data sources of all dimensions and perspectives of the research project (Kube, 1991; Schroeder, 1994).

Furthermore, Schroeder (1994) stresses the point that most of the studies on success factors do not take the specific backgrounds of the research objects into consideration.

This in turn leads to a significant constraint with regard to the usage of the identified success factors for the strategic planning.

Methodological Deficits

Besides theoretical and data problems, the methods and techniques used for analysing data are often criticised. In this context, the weaknesses of the utilised approaches, as for example the quantitative regression analysis and its shortcomings with regard to the explanation of correlation and causality, are frequently mentioned (e.g. Chrubasik and Zimmermann (1987) and their critiques of the PIMS-Study as well as Kube (1991)).

Other analysis techniques condense the raw data in such way that the informative value of the research results is limited, if the research objects become more and more heterogeneous (Schroeder, 1994).

Furthermore Schroeder (1994) criticises that most of the studies are designed to be cross-sectional analysis or/and confirmative studies and do not focus on longer periods of investigations nor on long-term factors. According to his view, this somehow contradicts the theory's aim to identify the factors, which have long-lasting impacts on the company's success.

Specificity Deficits

The critical success factor approach aims to identify the factors, which sustainably influence a company's success. These identified success factors are caught in the area of conflict between generalisability and practicability. Hereby success factors with a high generalisability for management decisions often suffer from a low level of practical and concrete applicability (Kube, 1991; Strauss, 2005). This generalisability is caused by the chosen kind of research objects. A heterogeneous group of research objects ensures the chance to receive a high level of generalisability but leads to a low specificity and therefore also low practicability (Schroeder, 1994). In contrast to this, a homogenous group might lead to a higher specificity, but lack the (maybe) favourable degree of generalisability.

Reviewing the critiques in general, Annacker (2001) for example concludes that criticism of the critical success factor approach might be justifiable to a certain degree, but a

fundamental negation of the critical success factor approach has to be rejected. I follow Annacker's conclusion and accept the critiques towards the critical success factor approach. Nevertheless, it becomes apparent that a variety of critiques are based on different philosophical assumptions and different set of criteria to judge trustworthiness (e.g. 'quantitative vs. qualitative criteria of trustworthiness') and somehow contradict each other. Therefore each research needs to be evaluated against its own research aim, its own research objectives and its chosen strategy of inquiry. Nevertheless, reviewing such general critiques helped me to address and minimise potential weakness in my research design as far as possible, to implement appropriate strategies to ensure trustworthiness (cf. Chapter 4.5) and to transparently outline remaining limitations (cf. Chapter 5.4 and 7.4).

3.2.5. Bank Specific Research

3.3.5.1. Literature Scoping

Works on literature reviews, like Tranfield, Denyer, and Smart (2003, p. 214), suggest to make use of (iterative) scoping studies for management research in order to "assess the relevance and size of the literature and to delimit the subject area or topic". This has already been done in the previous chapters in order to present the theoretical, historical and methodological developments.

As an iterative process such scoping studies were rerun focusing on bank-specific research regarding 'critical success factors'. The online databases EBSCO was searched on 15.10.2010 using the following search terms: *(Success Factors) and Banks*, *(Critical Success Factors) and Banks*, *(Success Factors) and Derivatives*, *(Critical Success Factors) and Derivatives*. In addition to this the German expressions/translations were used, offering even more possibilities to gain pieces of information.

As an intermediate result it became apparent, that the historical research on success factors had been mainly done in the fields of the producing industry, IT-business as well as on the consumer retail market. In contrast to their quantity and variety the research on success factors in the banking industry seemed to be quite small. This was also recognised previously by Riekeberg (2003) and Strauss (2005). Riekeberg (2003) assumes that the small quantity might be influenced by the banks' caution regarding customer data.

Especially focusing on 'derivatives and (critical) success factors' it appeared that so far no quantitative or qualitative research had been conducted. Keeping in mind that the

review should be part of the theoretical background for the overall question of what the critical success factors for setting up a sustainable business-level strategy for derivative sales are, the issue should be discussed from the management's point of view. Therefore the assumption was drawn that the review has to start on a higher level, illustrating in the following sections previous research and empirical findings on critical success factors in banking. Relevant meta-level factors were consecutively selected for the search on lower levels (e.g. like relevant business units).

3.3.5.2. Literature Reviews by Riekeberg (2003) and Strauss (2005)

Through the scoping studies it became clear that Riekeberg (2003) and Strauss (2005) had already carried out literature reviews regarding critical success factors in banking some years ago. As their chosen inclusion/exclusion criteria generally fit the research question of my study their findings were taken into account. As, therefore, valid literature reviews until the year 2005 already exist, a summary of the outcomes as well as a critical reflection on the methods will follow in order to illustrate the strengths and weaknesses of the existing literature reviews. My own, complementary search follows hereafter, trying to identify research work which has been written after 01.01.2005.

Riekeberg (2003) as well as Strauss (2005) decide to limit their core literature review⁷ to bank-specific, empirical work which considers more than one determinant to be a critical success factor. Limitations regarding countries in which the banks are located as well as restrictions regarding the date and time-frame of analysis are not set. Riekeberg makes use of a 'traditional narrative approach' within his literature review, summing up the studies and their outcomes in all detail. In contrast to this, Strauss presents a descriptive overview in table form.

Due to their different intentions a detailed description of each review as well as a comparison of both reviews takes place in the following. A synthesis of both literature reviews was deliberately omitted as Riekeberg's and Strauss' findings were not used in the present research to derive and validate hypothesis nor are both findings comparable, e.g. regarding hierarchy ('success factor categories vs. success factors') and intention ('preliminary study vs. presenting state of knowledge').

⁷ Additionally Riekeberg (2003) presents an overview of multi-branch studies (p. 101 et seqq.) as well as a description of analytical works, which made use of a logical-deductive scientific approach (p. 160 et seqq.).

Riekeberg identifies ten studies to match his criteria. The first study (Martin, 1967) was published in 1967, while the last study included was released in 1992 by Krueger, Theissen, and Olemotz. Four research projects took place in the US, two in Great Britain, two in Germany, one in Switzerland and one study focused on international banks and could therefore not be allocated to a specific country.

Riekeberg (2003) initially assesses the identified studies on an individual level using the following six criteria: Specificity, precision, causality, intention, representativeness and validity. 'Specificity' determines the level of abstraction, illustrating how general the study is – based on the homogeneity of the objects of investigations. 'Precision' illustrates the standard of the results. Unstructured and incomparable results, e.g. due to unstructured questionnaires, lead to a low level of precision, while a structured questionnaire with comparable answers might lead to high level of precision regarding the results. According to Riekeberg 'causality' seems to be the central point as the critical success factor approach tries to identify cause-effect-relationships. Therefore Riekeberg concludes that due to the variety of the objects of investigations as well as the methods used, this criterion has to be assessed individually. 'Intention' is defined by the researchers themselves and connected to the methods they make use of. Originally it can be differentiated between 'explorative' and 'confirmative' intentions, but Riekeberg (2003) states that results often cannot be exactly allocated; as for example some studies make use of a two-steps-approach: Firstly exploring causalities than confirming them with empirical tests using a different sample group. In contrast to the specificity the level of 'representativeness' of a study determines how transferable a study is for other target groups. Finally, 'validity' determines the degree to which the used measurement method actually assesses the target sample.

Using these criteria he illustrates the strengths and weaknesses of the studies. In a second step Riekeberg (2003) aggregates the individual research results by making use of the 'vote counting-technique'. Hereby the harmonised results ('success factors') of the primary research are added to each other, without testing their reliability and significance. If a critical success factor is tested to be positively significant in several studies (e.g. seven times out of ten) it will be defined to be a success factor. The dominance of a factor in the respective research as well as the sample the research is based on has no influence. Furthermore, no tests regarding the significance and correctness of the primary research are made. In case of doubt regarding a factor's significance, Riekeberg (2003) gives more

importance to the European studies as he defines them to be more relevant than the American ones in context of his own research project.

By using these methods Riekeberg (2003) isolates 73 critical success factors, which he aggregates into twelve success categories, which he further distinguishes to be either external or internal success categories. For identifying success categories, Riekeberg (2003) makes use of a '33-Percent-Rule', meaning that he considers those success categories to be relevant which appear more than three times within his sample of ten studies.

The initial individual assessment of the studies helps Riekeberg (2003) to allocate the mentioned success factors to success categories. Hereby, he takes care of the operationalisation the researchers made use of in order to aggregate them according to their determination. For example he comes to the conclusion that the initially independent success factors purchasing power, market potential and the structure of population can be summarised in the category 'potential demand' (Riekeberg, 2003). Table 1 illustrates the aggregated results Riekeberg gains from his literature review.

	Success Category	Quantity of Mentioning	Quantity of Studies	Author/Source
External	Potential Demand	12	5	Clawson (1974), Doyle et al. (1979), Fenwick (1979), Martin (1967), Olsen & Lord (1979)
	Competitive Position	6	5	Clawson (1974), Doyle et al. (1979), Fenwick (1979), Martin (1967), Olsen & Lord (1979)
	Attractiveness of Location	5	3	Clawson (1974), Doyle et al. (1979), Olsen & Lord (1979)
Internal	Customer Focus	9	6	Davis (1989), Doyle et al. (1979), Hansen & Weinberg (1979), Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	Organization	5	4	Davis (1989), Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	Management (institutional sense, business policy and administration)	12	4	Davis (1989), Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	Qualification and Motivation of Employees	5	4	Davis (1989), Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	'Governance'	3	3	Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	Focusing on targets, Focusing on closings	3	2	Davis (1989), Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	Business Culture / Corporate Identity	3	2	Krueger et al. (1992), Priewasser (1992), Zimmermann (1988)
	'Image'	1	1	Hansen & Weinberg (1979)
	Miscellaneous	9	3	Clawson (1974), Hansen & Weinberg (1979), Zimmermann (1988)

Table 1: Success Categories according to Riekeberg's Literature Review⁸

Riekeberg publishes his work in 2003, not stating on which date he has conducted his literature review. Two years later Strauss (2005) identifies 20 studies, including Riekeberg's citations. The additional studies are works of Heggestad (1997), Lenz (1980), Lynge and Shin (1981), Cool, Dierickx, and Jemisson (1989), European Banking (1993), Priewasser (1994), Avkiram (1995), Mercer Management Consulting (2002), Krauss

⁸ Illustration taken and translated from Riekeberg (2003, p. 180 and p. 188).

(2003) and Riekeberg (2003). Strauss (2005) summarises the studies by presenting an overview, shortly characterising the studies according to the method of data gathering (quantitative/qualitative), the intention (explorative/confirmative), the specificity and the representativeness. Besides information about date, time frame, underlying customer group and measurement categories, Strauss (2005) follows Riekeberg's differentiation and filters out internal and external success factors (cf. Appendix 3).

In contrast to Riekeberg (2003), Strauss (2005) does not aggregate the contents regarding the critical success factors neither does he add them to Riekeberg's findings. Strauss rather focuses on the mentioned characteristics and their meaning against the state of research regarding bank-specific empirical work on a meta-level within his literature review (cf. Table 2). Concentrating on the methods used and the researchers' intentions, he assumes that due to the small amount of qualitative studies the bank-specific research is far developed (as qualitative studies are usually used to analyse new research areas) while also contrarily recognising that the amount of explorative studies indicates that research is still at the beginning. Hence, Strauss (2005) finally concludes that due to the variety and the general amount of existing studies the critical success factor approach is not a new research approach within the banking industry. Commenting on the underlying data he observes that newer studies (per definition: studies after 1992) focus on more general research data and that five out of twenty studies focused on German banks. While explorative studies cover on average 79 primary data-units, confirmative studies generally include only 57 data-units. 18 studies exclusively base their performance measurement on economic figures, while only one study includes non-financial figures. Furthermore, Strauss (2005) observes that newer studies focus their measurement rather on ratios of several key data than on one single indicator.

	Information			Outcome/ Conclusion
Method	12 x quantitative	4 x qualitative	4 x quantitative & qualitative	small amount of qualitative studies indicates that bank-specific research regarding critical success factors is far developed, in contrast to this the amount of explorative studies indicates that research is still at the beginning => the variety and amount of the studies in general indicate that this is no new research field
Intention	12 x explorative	8 x confirmative		
Underlying Data	7 x branch-specific	13 x company specific		newer studies focus on more general research objects/data, five studies focus on German banks, three of them have regional priorities
Specificity	5 x high	6 x high/middle	9 x middle/low	-
Customer Group	7 x Private Clients	3 x Private & Business Clients	2 x Business Clients (SME)	-
Data Sample	average: 70 units			explorative studies cover on average 79 data-units, while confirmative studies only cover 57 data-units
Time Frame of Analysis	6 x less than one year	3 x two up to three years	7 x more than 3 years	-
Categories of Measurement	18 analysis only rely on economic figures			only one study deals with non-financial figures, newer studies focus on ratios of several key data
Representativeness	8 x not representative	7 x only limited representative	3 x representative	-

Table 2: Aggregated Results from Strauss' Literature Review

For critical reflection of the literature review conducted by Riekeberg (2003) and Strauss (2005), the focus is laid on the way they identified and built up their review, the methodology they made use of to assess the individual studies as well as the way they aggregate their findings to draw conclusions. Regarding the first criteria the typical disadvantages of the traditional narrative approach of literature review have to be mentioned. In contrast to systematic literature reviews as illustrated by Tranfield et. al (2003) narrative literature reviews often lack thoroughness as they do not offer a replicable way of search and selection. Both Riekeberg (2003) and Strauss (2005) only show the inclusion/exclusion criteria, which they have chosen for their literature reviews to their readers not mentioning the date of search, technology of search or the databases they have been made use of. A replicable and transparent search process is therefore missing. Especially regarding the fact that Strauss (2005) identifies more studies in a comparable time frame, using the same criteria as Riekeberg, the disadvantages become apparent. This leaves the reader with the question if Riekeberg has rejected these studies for any purpose or if different search techniques are responsible for the different results.

The criteria and the argumentation Riekeberg (2003) has chosen for his selection, which were joined by Strauss in 2005, are logical and comprehensible. Due to the limited amount of bank-specific empirical research, it does not make sense to set further limitations regarding time or region/country. Nevertheless comments, which point at disadvantages and limitations of a special work, seem to be useful and necessary. Riekeberg (2003) does this, arguing e.g. that Zimmermann's (1988) best-practice study denotes several hypotheses, but to some extent might not be very representative for banks which are not located in Switzerland (Riekeberg, 2003). This problem is caused by the specific factors Swiss banks have to deal with, e.g. the relevance of offices abroad.

Riekeberg's method (2003) to analyse the studies on an individual level is self-consistent and logical. For aggregating the results Riekeberg (2003) explicitly discusses several scientific techniques and their advantages and disadvantages. Finally he concludes that the method of vote-counting combined with the '33-Percent-Rule' is the only method which can be applied to the sample of included studies. Riekeberg (2003) admits that this is due to the variety and heterogeneity of the ten studies as only this procedure is applicable and offering results. Riekeberg's discussion illustrates the problem connected with 'meta-analysis' of empirical studies and is well-founded. The 33-percent-rule does not follow any scientific thoughts but has been accepted to be a practical method for deciding relevance (Riekeberg, 2003).

Riekeberg (2003) clusters the critical success factors to success factor categories and therefore only focuses on form and contents. There are no comments to trends and developments which have been taken place in the history of bank-specific research regarding the critical success factor approach. As Riekeberg (2003) only focuses on ten studies this might be conclusive.

In contrast to this Strauss (2005) focuses on the methods and intentions used by the researchers making their analysis. On the one hand this completes Riekeberg's work, but on the other hand it is questionable how representative the outcomes and results are. Especially against the background of the variety and heterogeneity of the studies the findings have to be treated carefully, e.g. regarding the time frame of 40 years or the different locations the research has taken place in.

In summary Strauss' review is an important amendment to Riekeberg's literature review as Riekeberg only describes the success factors and does not focus on the aggregation of the scientific method, their representativeness and trends. The different approaches are caused by the different intentions Riekeberg (2003) and Strauss (2005) follow with their

literature reviews. Riekeberg (2003) uses the literature review as alternative for a preliminary study to his own confirmative study. He argues that due to limitations regarding the sample group and economic factors this seems to be sensible. Additionally, he concludes that the chance to detect other success factors, not mentioned in previous works, seems to be very small so that a confirmative analysis of already identified factors is adequate and reasonable (Riekeberg, 2003). In contrast to this Strauss' literature review has the aim to describe the current state of scientific work and to detect a scientific gap, which he can close with his own 'semi-explorative' work (Strauss, 2005). Therefore both reviews are acceptable and build an appropriate platform for the subsequent own literature review.

3.3.5.3. Inclusion/Exclusion Criteria

In the previous chapter the inclusion/exclusion criteria of former literature reviews have been described, discussed and finally evaluated to be logical and reasonable. For conducting my own literature review, the argumentation of Riekeberg (2003)/Strauss (2005) was followed, focussing the literature review on primary research dealing with empirical findings regarding critical success factors within the banking sector. This included studies which made use of quantitative, qualitative as well as combined approach of both of them. Studies could have an explorative as well as a confirmative intention as long as the results were empirical founded and not received through a logical-deductive line of arguments. Studies just focussing on one success factor were excluded and only research which had been open to any result and several success factors was included.

The time frame was set from the year 2005 onwards, including the work of Strauss (2005). Due to language capabilities the review was limited to studies written in English and German. Regarding the aim of this literature review only banks or banking offices from industrialised countries (criterion: OECD-member) were taken into account. This was justified by the assumption that critical success factor of banks located in non-industrialised countries are not representative/comparable for/to German savings banks. A comprehensive overview of the inclusion/exclusion criteria is provided in Table 3.

Parameters	Inclusion Criteria	Exclusion Criteria
Location	Industrialised Countries (OECD members)	Non-Industrialised Countries
Time Frame	Studies published from 01.01.2005 onwards	Studies published before 2005, already discussed by Riekeberg (2003)/ Strauss (2005)
Language	Studies written in English/German	Studies not written in English/German
Study Type	Primary Research, studies which report on findings which use qualitative and quantitative methods	Book Reviews, opinion pieces, policy documents
Outcome	Studies which are open to any result and do not focus on one single success factor	Studies which focus on the relevance of one success factor
Miscellaneous	Studies focussing on critical success factors in business units with relevance for derivate sales (e.g. corporate banking)	Studies focusing on critical success factors in non-relevant business units (e.g. Personal & Private Banking, M&A) or services (e.g. Transactions Services, e-Banking)

Table 3: Inclusion/Exclusion Criteria for Reviewing Critical Success Factors

3.3.5.4. Search Outline and Results

The search was focused on core databases, which include a variety of relevant books, publications, journals and dissertations. In detail these were the following databases: EBSCO, German National Library, Google Scholar (incl. Emerald), ZETOC and Ethos. Due to this subjective choice of databases the literature review cannot meet the claim to capture all existing relevant studies, but it should deliver a basis of the German/English-speaking published sources.

For stating the search terms more precisely and to extend them, publications before the year 2005 were included in a first trial search. This had the intention to check to which extend the used search terms lead to already identified citations and how they have to be adjusted. It became apparent that many of the citations Riekeberg identified were not detected. This effect was mainly caused by the heterogeneous use of central terms, e.g. the term ‘critical (success) factor’. While Martin (1967) speaks about ‘predictive factors’, Lenz (1980) names them ‘competitive factors’. On the other hand some researchers avoid the expression ‘bank’ and entitle them ‘Savings and Loan Offices’ (Martin, 1967). Therefore an iterative search process was used; calibrating the search terms to deliver the expected results as far as this was possible. References within the found results were also assessed and included if useful.

In general the search terms were set more broadly in order to identify as many empirical studies as possible. Hereby the manual effort rose in order to decrease the possibility of not identifying relevant studies by using inappropriate search terms. As each database offers individual possibilities regarding their search techniques, a description of each search will be given in the following. Additional information regarding date of search, search phrases and number of hits can be taken from Table 4. In order to retrieve upcoming new pieces of information, corresponding alerts were set in the electronic databases after each initial search.

The initial search took place between November and December 2010 during the module work of the DBA-program and was published in a reviewed publication in 2011 (van Bracht & Kaufmann, 2011). In order to include relevant information which might have been published since 2010 the initial literature review was updated at the end of 2012. In case newer information regarding search terms were raised or search techniques needed to be adjusted this is stated within Table 4. The whole literature review on critical success factors was finalised on 23.12.2012.

No.	Source	Date searched	Search Terms	Limitations	Hits	Relevant
1	Business Source Complete (EBSCO)	15.11.2010	1) ("Critical Success Factor*" or "Success Factor*" or "Predictive Factor*" or "Performance Predictors*") and ((Savings and Loan Offices) or Banking* or Bank* or Derivative*) 2) ("Kritische Erfolgsfaktoren*" or "Erfolgsfaktoren*" or "Faktoren") and ((Sparkassen) or Banking* or Bank* or Derivat*)	All fields, Full Text: No, Published Date from: 01.01.2005 - 31.12.2010	1) 97 2) 4	1) 0 2) 0
		21.12.2012	1) ("Critical Success Factor*" or "Success Factor*" or "Predictive Factor*" or "Performance Predictors*") and ((Savings and Loan Offices) or Banking* or Bank* or Derivative*) 2) ("Kritische Erfolgsfaktoren*" or "Erfolgsfaktoren*" or "Faktoren") and ((Sparkassen) or Banking* or Bank* or Derivat*)	All fields, Full Text: No, Published Date from: 01.01.2005 - 21.12.2012, Scholarly (Peer Reviewed) Journal	1) 74 2) 4	1) 0 2) 0
2	German National Library	28.12.2010	sw=Erfolgsfaktor* or sw=Faktor* and sw=Bank* or sw=Sparkasse*	Key Word Search, Search only in Economics ("Wirtschaft"), 2004-2011	201	1
		21.12.2012	sw=Erfolgsfaktor or sw=Faktor and sw=Bank or sw=Sparkasse and jhr=2005-2013	Key Word Search, Search only in Economics ("Wirtschaft"), 2005-2013	264	1
3	Google Scholar / Google Books incl. Emerald	27.12.2010	1) Bank "Success Factor" OR "Success Factors" OR "Predictive Factor" OR "Predictive Factors" OR "Performance Predictor" OR "Performance Predictors" - Chinese - Malaysian - Korean - Namibia - Philippines - Indian - Ethiopia - Thailand - Brazil - "South Africa" - Hawaii 2) Erfolgsfaktoren Sparkasse OR Bank OR Regionalbank - Fusion - Privatkunden - Privatkundengeschäft - China - Taiwan - Russland - Afrika - Lateinamerika - Thailand - Retailbanking	1) Search only in Business, Administration, Finance, and Economics. / Articles excluding patents / since 2004 / at least summaries 2) since 2004 / at least summaries	1) 3550 2) 3300	1) 0 2) 1

No.	Source	Date searched	Search Terms	Limitations	Hits	Relevant
		22.12.2012	1) Bank empirical "Success Factor" OR "Success Factors" OR "Predictive Factor" OR "Predictive Factors" OR "Performance Predictor" OR "Performance Predictors" -Chinese -Malaysian -Korean -Namibia -Philippines -Indian -Ethiopia -Thailand -Brazil -"South Africa" 2) Erfolgsfaktoren empirisch Sparkasse OR Bank OR Regionalbank --Fusion --Privatkunden --Privatkundengeschäft --China --Taiwan --Russland --Afrika --Lateinamerika --Thailand --Retailbanking	Articles ecluding patents and citations / 2011 - 2013 / only English and German Pages	1) 1940 2) 275	1) 0 2) 0
4	ZETOC (British Library)	25.12.2010	1) Critical Success Factors* Bank 2) Critical Success Factors* Banking* 3) Success Factors* Bank 4) Success Factors* Banking*	Search Conditions: General Search - for conferences and journals	1) 4 2) 12 3) 10 4) 22 (Overlaps)	1) 0 2) 0 3) 0 4) 0
		23.12.2012	1) general: Critical Success Factors* Bank, 2005- 2) general: Critical Success Factors* Banking*, 2005- 3) general: Success Factors* Bank, 2005- 4) general: Success Factors* Banking*, 2005-	Search Conditions: General Search - for conferences and journals, 2005-	1) 17 2) 16 3) 68 4) 39	1) 0 2) 0 3) 0 4) 0
5	Ethos	27.12.2010	1) Success Factor AND Bank OR Banking 2) Predictive Factor AND Bank OR Banking 3) Performance Predictor AND Bank OR Banking	no further limitations	1) 13 2) 10 3) 0	1) 0 2) 0 3) 0
		23.12.2012	1) Success Factor AND Bank OR Banking 2) Predictive Factor AND Bank OR Banking 3) Performance Predictor AND Bank OR Banking	no further limitations	1) 15 2) 16 3) 0	1) 0 2) 0 3) 0

Table 4: Search Process for CSFs regarding Derivative Sales

EBSCO (Business Source Complete) was searched through on 15.11.2010 and 21.12.2012 using the search phrases illustrated in Table 4. The search according to the mentioned criteria and method resulted in 101 citations (15.11.2010), respectively 78 citations (21.12.2012). The smaller amount of hits within the second search process was caused by the limitation to only consider 'peer-reviewed journals'. By reading the abstracts and titles all studies were rejected as they did not match the inclusion criteria (cf. Table 3) or did not seem to be relevant. It became clear that the majority of publications had no empirical character or only focused on one single business-unit (e.g. private banking) or service (e.g. electronic banking) which was not relevant. A further reason was that many publications about success factors in banking base their outcome on data samples raised from non-industrialised countries.

The German National Library was searched through on 28.12.2010 and 21.12.2012 (cf. Table 4). Restrictions were set by only including publications from the category 'Wirtschaft' ('economy'). Regarding the data type no limitations were set and all available materials (e.g. books, journals, sound recording mediums) were searched through. The initial search resulted in 201 citations on 28.12.2010. It became visible that a lot of publications have been written in form of a compendium and thus lack empirical relevance. Furthermore they often were too specialised and concentrated on one factor (e.g. bank's reputation as critical success factor). By reviewing the abstracts and titles 199 studies were rejected within the initial search as they did not match the inclusion criteria and did not seem to be of relevance. The last two citations were read through a second time and one of them was excluded as it focuses on critical factors regarding customer satisfaction. The remaining work was the already identified publication by Strauss (2005). Even though only one of the results had relevance for the following considerations, some others offered useful pieces of information for the previous sections (e.g. Paffrath, 2010; Werries, 2008). These search results were confirmed by a second literature review on 21.12.2012. Hereby the search termini were slightly adjusted to receive a higher concretisation. Even though a higher amount of hits (264 hits) were received the majority of studies did not fit to the inclusion criteria or focused only on one single critical success factor (e.g. Broxtermann (2011), who discusses the relevance of sales coordination for the bank's success regarding retail clients). Therefore also the second systematic literature review using the German National Library did not offer new pieces of information.

On 27.12.2010 the internet source GoogleScholar/Google Books was searched through as it includes several other databases. Using initially the search terms << Bank "Success

Factor" OR "Success Factors" OR "Predictive Factor" OR "Predictive Factors" OR "Performance Predictor" OR "Performance Predictors" >> it became apparent that further restrictions were necessary as 7.110 citations came up (27.12.2010). An initial skim reading made clear that restrictions regarding non-industrialised countries would be helpful to narrow the search and were therefore added to the search terms. Due to the limited amount of possible search terms in GoogleScholar/GoogleBooks no further limitations could be set and the second adjusted search led to 3.550 (English) citations which were read through as far as Google offered initial information. Only 21 citations were treated to be relevant and were read through a second time. All of them were rejected as the majority had no empirical background or concentrated on single, non-relevant business units. Using the corresponding German search phrases in combination with appropriate limitations 3.300 citations were detected and only Strauss' work could be identified to be useful.

Due to the considerable high amount of up-coming citations using GoogleScholar the second, up-dating literature review on 22.12.2012 only focused on the time period between 2010 and 2013, accepting that relevant citations which might have been overseen within the previous literature review, which focused on the period between 2005 and 2010, might not be detected. Due to technical reasons (limited possibility to enter 'excluding words' in the search process) a favourable further concretisation of the search terms was only conditionally possible and the second review led to 1.940 (English) citations (22.12.2012). Hereby, language settings were set to only include English and German speaking web pages and the search term 'empirical' was added to narrow the findings. By skim reading the brief description of the search results about 1.932 citations were rejected and eight were read through in detail and rejected hereafter as they also did not fit to the inclusion criteria. The corresponding review using German search phrases – including the term 'empirical' - did not offer further information either.

Due to the limitations regarding the search techniques offered by ZETOC four different steps of search were made on 25.12.2010 as well as on 23.12.2012. On both dates the detected citations were nearly identical to the results offered by GoogleScholar and all of them were rejected as they did not fit to the inclusion criteria.

Also when using three different search expressions in Ethos no further relevant pieces of information could be detected neither on 27.12.2010 nor on 23.12.2012.

To sum up only the already known work of Strauss (2005) fitted the inclusion criteria. Therefore the following critical assessment has to take place on Riekeberg's and Strauss'

literature work as well as Strauss' work which has not been included in previous literature reviews. Nevertheless it was always kept in mind that the subjective choice of search methods, search terms and their combination cannot deliver a result with all possible citations, which might be useful and the search can therefore be only regarded to deliver limited results which always have to be treated carefully. Additionally, reading only the abstract does not offer sufficient information about the source and it might be the case that through the first and second reading some sources were rejected, which also might have fitted to the literature review. Furthermore the huge amount of available literature and studies complicates the appropriate review of relevant literature. Referring to the high number of citations offered by GoogleScholar, it becomes clear that even a systematic literature review cannot guarantee that all relevant sources are detected and appropriately included/rejected. Hence, each literature review is limited and subjective to the researcher's decisions. Furthermore research projects and thesis, which are embargoed for a certain period of time, cannot be included.

However, the lack of new studies confirms Riekeberg's impression that there is not much bank-specific empirical work on critical success factors in comparison to other branches. This circumstance might be strengthened by the financial crisis of the recent years which might have led to the fact that no further research regarding banks and their success determinants has been carried out.

3.3.5.5. Empirical Work of Strauss (2005)

As only Strauss' work on critical success factors in banking itself was not covered by previous literature reviews this study has to be assessed individually before all results can be summed up and valued against the background of the global financial and economic crisis. Strauss makes use of a quantitative, semi-explorative approach by initially setting up a theoretical framework from which he derives a variety of single performance measures whose suggested significance (and relevance as critical success factors) he tests using empirical data. With reference to an outstanding theory of critical success factors, the components of the theoretical framework are deductively derived from general strategic management approaches such as the resource-based and market-based view.

The framework's performance measures that he investigates are clustered into three segments: an external and internal segment as well as a strategic segment. While the 'external segment' considers the 'customers' bargaining power' as well as the 'intensity of competition', he makes further differentiations regarding the 'internal segment'. The

internal segment's measures belong either to the class of 'management potential' or 'achievement potential'. Strauss (2005) defines the 'management-potential-class' to cover all functions and tasks which are traditionally related to management. In his work these are the organisation, human resources, planning, sales and risk management. In contrast to this, he derives the categories of the 'achievement-potential-class' from literature regarding the bank-specific value-added chain. According to Strauss these are sales, production and marketing. Performance measures of the 'strategy segment' are suggested to be the 'market segment strategy', 'strategy of market allotment', 'strategy of market stimulation' and the 'strategy style'. Regarding each performance measure Strauss defines corresponding performance indicators as well as measurement categories (e.g. Strauss specifies the 'level of qualification' as performance indicator measured by the percentage of employees with academy degree within the workforce for the success factor 'human resources').

Strauss (2005) bases his empirical work on data from German savings banks and credit cooperative banking institutions. As he assumes that especially small institutions would not provide relevant information, he makes use of the 'cut-off'-technique, not including savings banks with total assets below 1.4 bn EUR and cooperative banking institutions with total assets below 0.32 mio EUR. In total 639 institutes (198 savings banks and 441 cooperative banking institutions) are included in his empirical survey. Data is created by a questionnaire sent to the institutes' chief executive officers in October/November 2004 by email. Out of 66 responses 62 questionnaires were valid and could be analysed (response rate: 9.5%). The statistical analysis of the responded data leads to the following results.

Generally, each segment influences the institute's success to a certain degree, leading to the hypothesis that success is not determined by a single parameter, but rather by a bundle of success parameters. Focusing on the external segment and its performance measures, Strauss could not identify any (strong) relationship from the intensity of competition to the institute's success. In contrast to this, the second external performance measure, the customers' bargaining power, seems to have a strong link. Regarding the whole external segment it became clear that this has - out of the three defined segments (external, internal and strategic segment) - the lowest link to company's success.

In contrast to this, the internal segment shows the strongest link to the institutes' success. Furthermore the data illustrates that the performance measures subsumed under the management-potential class have more influence than the measures belonging to the class

of ‘achievement potential’. Considering in detail the management-potential class, the most relevant performance measure with the strongest link are ‘risk management’, ‘organisation’ and ‘sales management’. The most relevant measure of the achievement-potential-class is ‘sales’.

All tested performance measures of the strategy segment had a positive relationship to the company’s success except the ‘strategy of market allotment’. Quite dominant is the ‘strategy style’ in form of an aggressive strategy towards competitors. In general the strategy segment had the second largest link to the institutes’ success after the internal segment.

Strauss (2005) semi-explorative research intention is based on a quantitative approach, including answers of 62 banks. According to the selective choice of savings banks and cooperative banking institutions and the used cut-off-technique the specificity can be assumed to be high. The same attribute seems to fit to the precision as Strauss bases his empirical work on quantitative data and almost exclusively uses ‘closed questions’ in his questionnaire. While causality and validity cannot be assessed, the level of representativeness seems to be quite low as the sample group does not represent the distribution and characteristics of the population. Nevertheless, especially because of his precise work on internal factors Strauss’ work provides further pieces of information regarding critical success factors within the banking industry and therefore extends the information received from the meta-analysis of the previous literature reviews.

Besides this, Strauss’ (2005) operationalisation of success factors within strategic planning on the business level of corporate client relationship management leads to further insight on this topic. Especially against the background of Chapter 3.3 (‘Business Strategy Model within Derivative Sales’) these results shall be briefly described in the following. Strauss (2005) starts with an illustration of the basic principles of strategic management with a special focus on strategic planning before integrating and justifying the concept of critical success factors into the context of strategic planning. Within this context, he refers to 13 selected research studies on strategic planning in banks, of which four consider success factors (Lehmann, 1999; Thiesing, 1986; Weigele, 1983; Wurl & Mayer, 2000), while two studies incorporate this concept partially (Christians, 1998; Frischknecht, 1996) and seven do not mentioned the critical success factor approach at all (Dannenberg, 2001; Hintsch, 1984; Jacob, 1986; Kuespert, 1991; Leichsenring, 1988; Marten, 2000; Wissmann, 2001). A transparent description of the method and the criteria used to identify the conducted searches is not provided. As all mentioned studies are

German studies one can come to the conclusion that he exclusively focuses on German bank-specific research studies.

Following this introduction a generic approach of a planning process is given, which consists of strategic analysis, strategy development and strategy evaluation. Strauss (2005) accompanies these elements with specific instruments such as the environment-, resource-based-, SWOT-, cost-benefit- and success factor-analysis. Thereby Strauss (2005) focuses on a theoretical discussion and a logically derived implementation of the success factor approach in planning processes for the business area of corporate client relationship management as the employed type of data gathering does not allow for a more practical concretion.

3.2.6. Intermediate Summary

In the previous section the development and theoretical background of the critical success factor approach has been described. This has been further specified by focusing on empirical derivative-specific work. It has become clear that until now no empirical research regarding critical success factors for the business segment derivative sales within regional banks exists.

As this thesis should close this scientific gap, the decision was made to carry out a review on a meta-level, setting an appropriate basis for my own research, e.g. by helping to formulate an initial set of questions for data gathering. As Riekeberg (2003) and Strauss (2005) already carried out such literature reviews on bank-specific studies their results have been described and critically reflected. Since 2005 no further study could be identified according to the defined inclusion criteria. The literature review was therefore only extended by the work of Strauss (2005), which had not been covered by literature reviews before. Following the idea of a 'systematic literature review' the searches as well as the search terms were precisely documented and updated until December 2012. Through the literature reviews it became apparent that the theory of critical success factors regarding the banking industry mainly and especially in recent history took place in the German-speaking areas and that a generally accepted list of critical success factors for the banking industry does not exist. The trend that newer studies tend to focus on more general and therefore more transferable work instead on company-specific research was interrupted by Strauss (2005), who focuses on the business-level segment of corporate banking only. Besides these findings, it became apparent that the critical success factor approach strongly differentiates between methods and gained results. Until now no

generally accepted methodological framework of the critical success factor approach seems to exist.

Against the background of the identified research gap regarding success factors for derivative sales, the fundamental changes in the banking sector (cf. Appendix 2) and the impacts on the specific field of derivative sales, it can be assumed that the current state of research needs to be complemented and concretised by newer, independent research. The present study addresses these points, by extending the existing academic knowledge through the investigation of i) the specific business area of derivative sales, ii) in German savings banks, iii) against the background of the global financial and economic crisis. Thus practical and scientific progress of knowledge can be expected. The high level of the specificity of the area, the variety of environmental and regulatory changes affecting the offered services, the ambiguous role of derivatives during the financial crisis, the varying perceptions of the different involved parties and the remaining high profit potentials underline the uniqueness of the business field and the requirement to design the research innovatively and ‘grounded’.

However, it can be noted, that for applying the critical success factors into a conceptual framework (RO5), the necessity occurs to extend the critical success factor approach by a broader theoretical background on ‘strategy’. This need is also recognised in literature. Amit and Schoemaker (1993, p. 34), for example, come to the conclusion that success factors „need to be related more carefully to strategy theory“. Focusing on bank-specific issues, Bueschgen (1999) and Marek (2004) for example conclude that most of the existing linkages between strategic planning and success factors have limited applicability for the banking sector as they were developed from an industrial background. Furthermore it becomes apparent that challenges often arise when applying theoretically or logically derived success factors into ‘real’ practice.

This necessity to include ‘strategy theory’ became additionally transparent in the process of data gathering and analysing of my own specific study (cf. Chapter 6.5.2). After having conducted the first interviews, the challenges occurred that the data raised was unspecific, hard to contextualise and that further background information was required.

For these reasons, the review on critical success factors is extended by a (separate) literature review on strategy planning and business strategy models (cf. Chapter 3.3), which was conducted simultaneously to the research project (cf. Chapter 1.3). It addresses the mentioned criticism and extends the theoretical basis for my own research design. Additionally, and in line with the systematic literature review on critical success factors,

the subsequent systematic literature review on business strategy models aims i) to identify existing knowledge on business-level strategies for derivative sales, ii) to provide background information for the own research (e.g. for developing an appropriate set of questions) and iii) to facilitate my process of data gathering and analysis.

3.3. Business Strategy Model for Derivative Sales

3.3.1. Strategy and Strategic Management

3.4.1.1. Definition of Strategy

The following sections provide background information on strategy and strategic management before the findings of my own systematic literature review on business-level strategies for derivative sales are presented.

Even though the word ‘strategy’ originally describes the skills of governance (Gaelweiler, 1983), it was later on mainly influenced by military aspects (e.g. von Clausewitz, 1976). Its inclusion into the fields of economics took place with the development of the Game Theory (von Neumann & Morgenstern, 1944). Additionally, Marek (2004) names the works of Chandler (1962), Ansoff (1965), Learned, Christensen, Andrews and Guth (1965) as well as Andrews (1971) as basic introductory works within the fields of economy.

Referencing on the ancient Greek term ‘strataegeo’, Gaelweiler (1987) generally defines strategy to orientate thoughts, decision and activities to superior and supreme goals or objective conditions without being deflected by superficial emergencies. This idea was transferred into the context of business administration, e.g. by Hinterhuber (1990) and Zakon (2000), who interpret this superior and supreme goal to be the achievement of competitive advantages within a certain business segment a company engages itself in or would like to enter.

A broader definition within management research is given by Hofer and Schendel (1978, p. 25), who define strategy as “fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organisation will achieve its objectives”. A substantively similar definition was formulated by Hambrick in 1980 (p. 567), who summarises that “Strategy is generally viewed as a pattern of important decisions that (1) guide the organization in its relationships with its environment, (2) affects the internal structure and processes of the organization, and (3) centrally affects the organization’s performance”. Both definitions of strategy belong to the classical, prescriptive school, which assumes a strictly rational behaviour of the individuals and has the aim to actively develop recommendations for the strategic management within a formalised planning procedure (‘synoptic planning’) (Miller, 1998; Schreyoegg, 1984).

This assumption of rationality is, however, strongly questioned by the advocates of the descriptive concept of strategy⁹, who argue that individual's rationality is bounded due to lack of information, positions of power as well as personal emotions (Erlei, Leschke, & Sauerland, 1999). According to the descriptive concept, all decisions happening in an organisation are allocated to a certain pattern – no matter if the individuals interpret their actions/behaviour to be strategic or not (Schreyoegg, 1984). In contrast to the synoptic process of planning, which is assumed to take place by the prescriptive school, the descriptive school makes use of a concept of incremental planning ('muddling through') (Lindblom, 1959). Hereby decision makers do not have a defined set of goals they want to achieve, but rather decide 'step-by-step' depending on the situation they are confronted with (Becker, 1996; Miller, 1998). Based on his observations on managers' behaviours, Mintzberg (1987), therefore explicitly contradicts the fundamental consideration of the existence and possibility of one unique definition of strategy. Instead he differentiates his definitions by types of usage, which he named plan, ploy, pattern, position and perspective ("Five Ps for Strategy"). Mintzberg (1987, p. 20) argues that even though these definitions compete, they also complement each other and that "each definition adds important elements to our understanding of strategy". Besides this, he distinguishes between five labelling forms of strategy named i) intended, ii) deliberate, iii) emergent, iv) unrealised and v) realised strategies (Mintzberg, 1978; Mintzberg, 1987; Mintzberg, 1994; Mintzberg & Waters, 1985) (cf. Figure 9). This distinction refers to the idea that not all strategies, which are intended by the management, will be realised. In addition to this some strategies which get implemented might not be those which have initially been planned (Haberberg & Rieple, 2007).

⁹ It has to be considered that the differentiation between prescriptive and descriptive school reduces the discussion to two extreme positions. Schreyoegg (1984) e.g. explicitly mentions that the relationship between both positions is far more complex and differentiable with a variety of definitions and nuances.

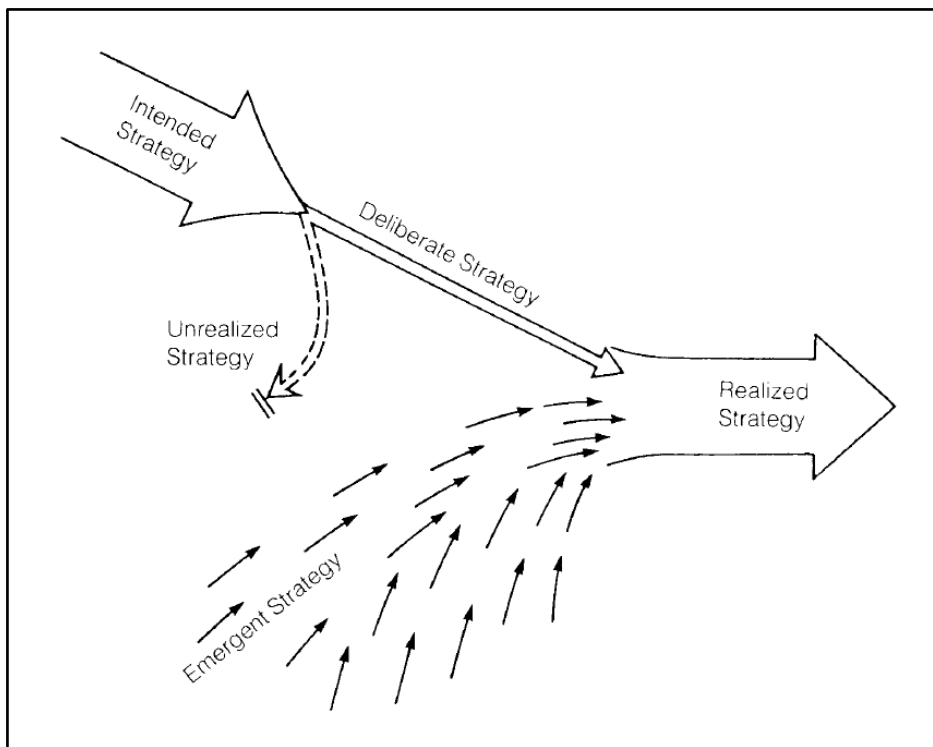


Figure 9: Deliberate and Emergent Strategies (Mintzberg, 1987, p. 14)

Referring to these different positions/definitions, Ruocco and Proctor (1994) and Kammel (2000) conclude that a unique and generally accepted definition is still missing and outstanding. However, Schmid and Kutschker (2002) contradict this statement, explaining that the concept of strategy is ‘actually’ uniformly defined within literature as definitions mainly refer i) to the company’s long-term goals ii) and include decisions and actions, which consider the company’s characteristics (e.g. resources) as well as the characteristics of the environment (e.g. competition). Trying to consider the above mentioned contradictions between planned as well as emergent activities, Schmid and Kutschker sum up, that the concept of strategy can be described being on the one hand the “proposed bundle of activities for achieving the company’s long-term goals as well as on the other hand the unplanned, resulting patterns of action of a company” (translated from Schmid & Kutschker, 2002, p. 1238). Using these kinds of strategies, companies try to achieve competitive advantages, which are based on their potentials of performance. For developing and applying such strategies, companies “consider internal resources, capabilities and competencies as well as the characteristics of their environment” (translated from Schmid & Kutschker, 2002, p. 1238).

Despite discussions about descriptive, prescriptive or uniform definitions, Schreyoegg (1984) and Wengelowski (2009) conclude that a reorganisation of the existing theoretical

strategic management process has not occurred and that besides the prescriptive school no consistent plan of actions for the development of strategic processes exists.

3.4.1.2. Types of Strategy and Strategic Business Units

Besides the aforementioned definitions and understandings of strategy, literature differentiates between various types of strategy according to their characteristics. These are for example the organisational level as well as labeling forms of strategy. Both are described in the following.

Regarding the organisational level, literature differentiates between two, respectively three, levels of strategy, depending on which part of the organisation the strategy relates to. These are i) the corporate strategy, ii) business strategy and the iii) functional strategies (Haberberg & Rieple, 2007) (cf. Figure 10). Hereby, functional strategies are seen to be the “least general concept” (Beard & Dess, 1981, p. 664), “are likely to be short-term” (Haberberg & Rieple, 2007, p. 60) and are developed deductively (Welge, 1985) and are for these reasons often disregarded when discussing levels of strategy (e.g. Beard & Dess, 1981; Marek, 2004). This argumentation is followed within my work and emphasis is laid upon the corporate-level strategy and the business-level strategy.

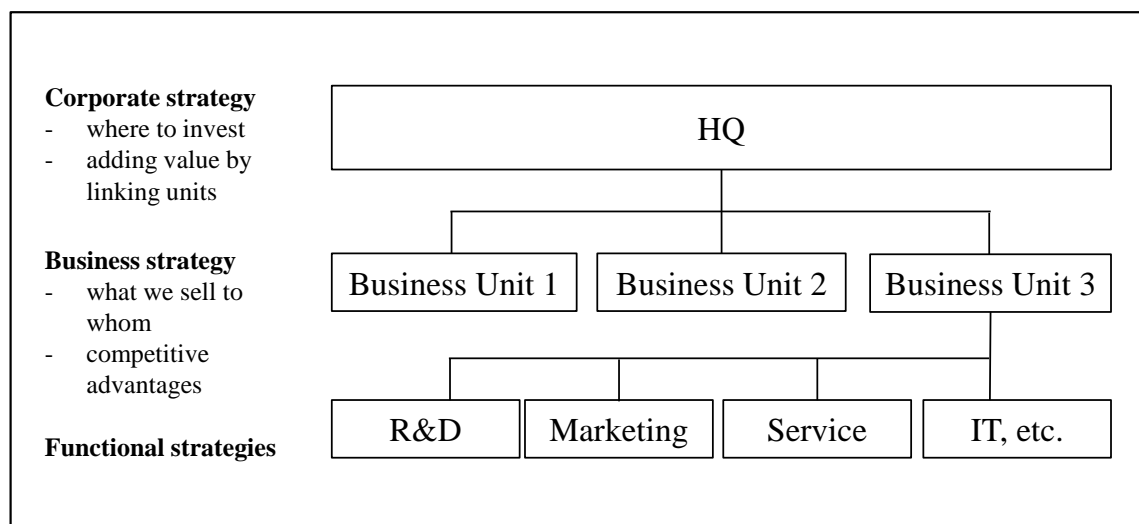


Figure 10: Three Levels of Strategy (Haberberg & Rieple, 2007, p. 60)

The corporate-level strategy determines the general orientation of the organisation (Bea & Haas, 2005; Collis & Montgomery, 1998) and answers the question of what portfolio of industries the firm should be engaged in (Beard & Dess, 1981). “Consequently, scope

and resource deployments among business are the primary components of corporate strategy” conclude Hofer and Schendel (1978, p. 27). The establishment of appropriate architectures, decisions to enter, stay or leave a business and the management of relationships can be therefore seen to be the main part of the corporate-level strategy (Haberberg & Rieple, 2007).

With increasing significance of a business, each (strategic) business unit requires its own business-level strategy. Hereby, a strategic business unit (SBU) can be defined to be a “separate, distinct, and identifiable” business unit (profit center) operating in clearly defined markets that can be planned independently from the other business units (Collier, 1982, p. 85). In contrast to corporate centres, SBUs are usually directly engaged and responsible for the production and/or delivery of a service (Goold, Campbell, & Alexander, 1998) and act as “full-fledged competitor in an external market” (Collier, 1982, p. 85). Managers of SBUs are in control of most of the critical areas of their business unit. A business-level strategy relates to questions which clients an organisation should serve and which services and/or products are offered (Haberberg & Rieple, 2007). It therefore answers the question what has to happen to achieve a defined position in relation to other competitors within a market segment and what has to be fulfilled to remain successful in the long term (Collis & Montgomery, 1998; Grant, 2002). The business-level strategy shall set up conditions for the effective arrangements of offers, resources and abilities for the business unit and defines conductive ‘competitive strategies’ (Collis & Montgomery, 1998; Gruenig & Kuehn, 2000; Hofer & Schendel, 1978). Hence, Hofer and Schendel (1978, p. 27 et. seq.) conclude: „At the business level, strategy focuses on how to compete in a particular industry or product-market segment. Thus, distinctive competences and competitive advantage are usually the most important components of strategy at this level”.

3.4.1.3. Definition of Strategic Management

Based on the previously given prescriptive definition of strategy (cf. Chapter 3.4.1.1), strategic management is often described to comprise “all activities of the top-management to formulate, implement and control a set-up of conditions, which becomes a framework for fulfilling subordinated decisions for achieving the company’s goals” (translated from Boerner (2000, p. 18), who refers to a similar definition provided by Bartol and Martin (1994)). This characterisation follows the (prescriptive) definition of Schendel and Hofer (1979, p.11), who define strategic management to be the “process that deals with the

entrepreneurial work of the organization, with organizational renewal and growth, and more particularly, with developing and utilizing the strategy which is to guide the organization's operations". The 'particular' relevance of strategy development and utilisation as central part of strategic management is also mentioned by Andrews (1987). Primary goal of strategic management is the achievement of a leading market position within a market environment (Porter, 1997).

Taking the aforementioned critical success factor approach into consideration (cf. Chapter 3.2.2), the achievement of such a leading market position is based on the identification, preservation and management of critical success factors, which are derived from internal and external success potentials and are therefore key for the process of strategic planning (Bea & Haas, 2005). Cooper and Downer (2012, p. 95) for example conclude regarding their study on strategic planning: "Through focusing the strategic planning process on critical success factors, there was a better dialogue and understanding of the obstacles, challenges and goals facing the Institute as well as the broader profession".

In contrast to these views, critiques of the prescriptive school argue that the definitions are too limited and do not include the multi-faceted and interactive dimensions of strategic management (e.g. Mintzberg, 1990a; Richardson, 1994). Richardson (1994, p. 31), for example, defines strategic management to be the "proactive attempt to manage the "strategic configuration", which he defines to consists of i) processes, ii) patterns of activities, iii) power structures and systems, iv) problems within the organisation, v) ploys, vi) perspectives, vii) people motivation and the viii) environment ("8Ps plus Environment"). A detailed description of the different schools, approaches and perspectives of 'strategic management' is given by Mintzberg (1990b, p. 105-209) as well as Obring (1992, p. 54-59).

Nag, Hambrick, and Chen (2007, p. 937), therefore, constitute that "definitions range widely" and that even describing the basic terms (e.g. regarding the "relevant unit of analysis") a heterogeneous understanding exists. Nevertheless, they (Nag, Hambrick, & Chen, 2007, p. 937) argue that "strategic management scholars" might have an "implicit (and perhaps even explicit) consensus about the meaning of the field". Trying to identify this consensus for strategic management, Nag, Hambrick, and Chen (2007, p. 944) analyse abstracts published in leading US-journals and develop the following implicit definition: *"The field of strategic management deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization*

of resources, to enhance the performance of firms in their external environment”. Also trying to identify intentional and deliberate formulated terms of definition they asked scholars of a variety of research fields, to formulate a definition. Analysing the respondents’ answers, they only add the element “internal organization” to the above mentioned implicit definition (Nag, Hambrick, & Chen, 2007, p. 950). Accepting the weaknesses and limitations of Nag, Hambrick, and Chen’s (2007) study (e.g. method of data analysing and strictly use of selected US-journals), the conclusion can be drawn that, analogical to the definition of strategy, a uniform definitions is still outstanding, but that an implicit consensus of what strategic management is about might exist.

Referring to the previously mentioned types of strategy (cf. Chapter 3.4.1.2), strategic management can either take place on corporate-level as well as on business unit-level (Grant, 2002; Hungenberg, 2001). Analogically, strategic management on corporate-level considers the identification and choice of the markets an organisation wants to enter in/stay/leave (Hungenberg, 2001; Kuehn & Gruenig, 2000), while strategic management on business-unit-level primary refers to the achievement of competitive advantages within a defined business segment (Johnson & Scholes, 1999; Schreyoegg & Koch, 2010).

Looking at the concrete context of this thesis the transfer can be made that strategic management on the corporate level of a savings bank includes the top management’s decision/vision, if the savings bank shall enter, stay or leave the business segment of derivative sales. In case they enter or stay in the business segment it shall determine which kind and amount of resources shall be spent. In case the savings banks engage in the business segment, the strategic management on business unit-level deals with the decision as to how competitive advantages shall be achieved.

3.3.2. Selected Basic Model of Strategic Management

3.4.2.1. Introduction

In contrast to historical works, which reduce strategic thinking to internal and external analyses, newer works add further perspectives to this procedure (Schreyoegg & Koch, 2010). They basically refer to the elements of i) formulation (strategic planning including the analysis of the environment and the organisation as well as the determination of the strategy), ii) implementation and iii) evaluation/control for the process of strategic

management (Boerner, 2000; David, 1989; Schreyoegg & Koch, 2010). Figure 11 provides an overview of this generic process model.

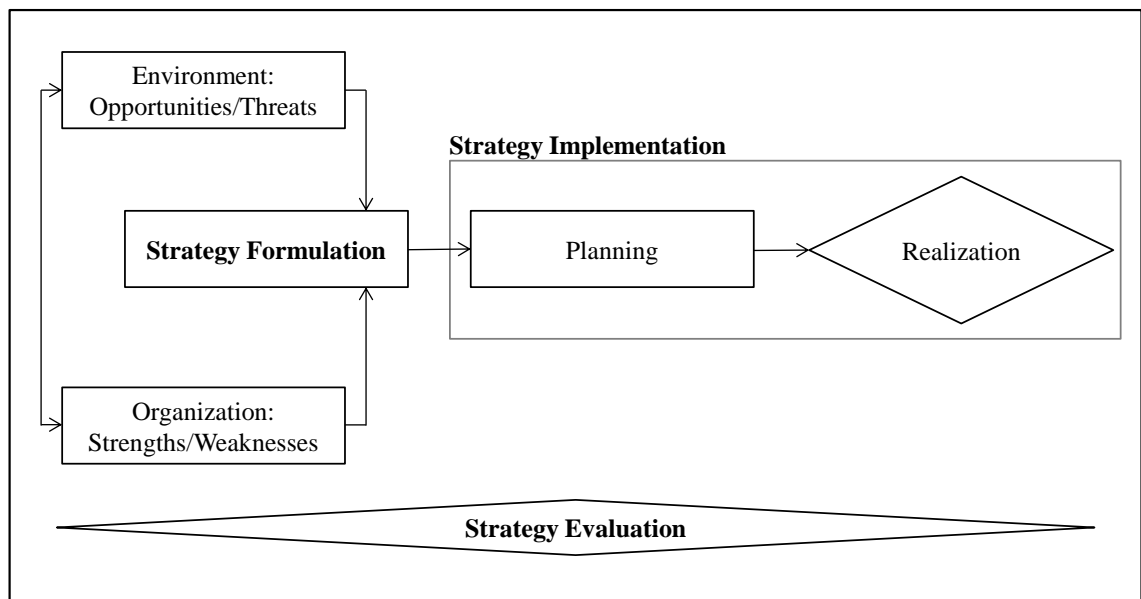


Figure 11: Process of Strategic Management (based on Schreyoegg & Koch, 2010, p. 74)

As this section should deliver on the one hand a conceptual background for the systematic literature review on derivative-specific business models as well as on the other hand a theoretical background for my own research, the basic model and its components shall be briefly explained in the following. Due to this purpose it was seen to be appropriate to base the review and its structure on summarising works. These are Bea and Haas (2005), Schreyoegg and Koch (2010) as well as Rothaermel (2013) and the underlying primary literature. Page numbers are provided when seen to be appropriate following the recommendation of the American Psychological Association (2009, p. 171) to help the reader to “locate the relevant passage in a long or complex text” when paraphrasing.

3.4.2.2. Strategy Formulation

2.4.2.2.1. External Environment Analysis

Strategy formulation is based on a detailed analysis of both the organisation’s environment as well as the organisation itself. Both analyses are equally important and provide a detailed and well-founded basis of information for strategy formulation (Schreyoegg & Koch, 2010).

The external environment analysis has the aim to identify opportunities and threats in the specific as well as in the more general global business area and considers trends (Schreyoegg & Koch, 2010). It is based on a clear determination of the vertical level of the strategic management (corporate-unit vs. business-unit-level) as well as the precise definition of the relevant business field (synonymously used to the term ‘industry’). The environmental analysis consists of an analysis of the general ‘global environment’ and the ‘competitive environment’, whereby the boundaries are not always clearly definable. Generally, the analysis of the competitive environment focuses on the direct influences, while the analysis of the global environment lays stress on the indirectly affecting systems and parameters (Schreyoegg & Koch, 2010, p. 76 et seqq.).

Figure 12 provides an overview of the different parts of the external environment analysis, their contents and their relation to the business area and gives an overview of the following brief explanations and their interactions.

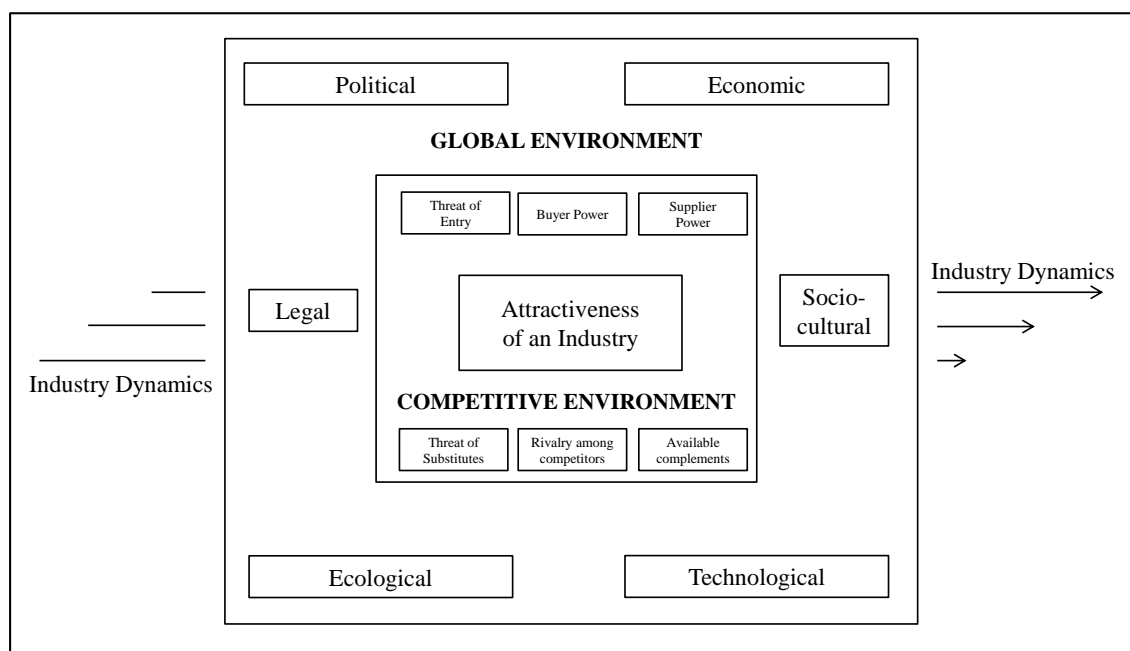


Figure 12: External Determination Factors of the Attractiveness of an Industry (based on Schreyoegg & Koch, 2010)

Global Environment

Even though the analysis of the global environment shall include all potential trends and parameters, Rothaermel (2013, p. 56 et seqq.) notes that it has become common practice

to separate the ‘global environment’ into six main macro segments for analysing (so called PESTEL model). The segments are

- the Political environment (e.g. political pressure on companies),
- the Economic environment (e.g. interest and currency exchange rates),
- the Socio-cultural environment (e.g. norms and values),
- the Technological environment (e.g. innovations in process and product technology),
- the Ecological environment (e.g. natural environment and global warming) as well as
- the Legal environment (e.g. laws and regulations).

Competitive Environment

In contrast to this, the competitive environment focuses on the narrower economic environment of a business field. For handling the variety and huge amount of influencing factors, different models and frameworks have been developed and are illustrated in the following. These are the structure-conduct performance model, Porter’ five forces model as well as selected extensions which focus on the strategic role of complements and the dynamics of an industry.

The structure-conduct-performance model (SCP Model), analyses the influence of the structure of the competitive environment (‘structure’) on the firm’s courses of action (‘conduct’) which determines the organisation’s performance (‘performance’) (Bain, 1968; Bea & Haas, 2005; Rothaermel, 2013). The model assumes that an organisation’s ability to differentiate its goods/services as well as to set prices depends on the underlying competitive structure. Four types of competitive environment exist: i) perfect competition, ii) monopolistic competition, iii) oligopoly and iv) monopoly. Figure 13 provides a brief overview of the four types of competitive environment.

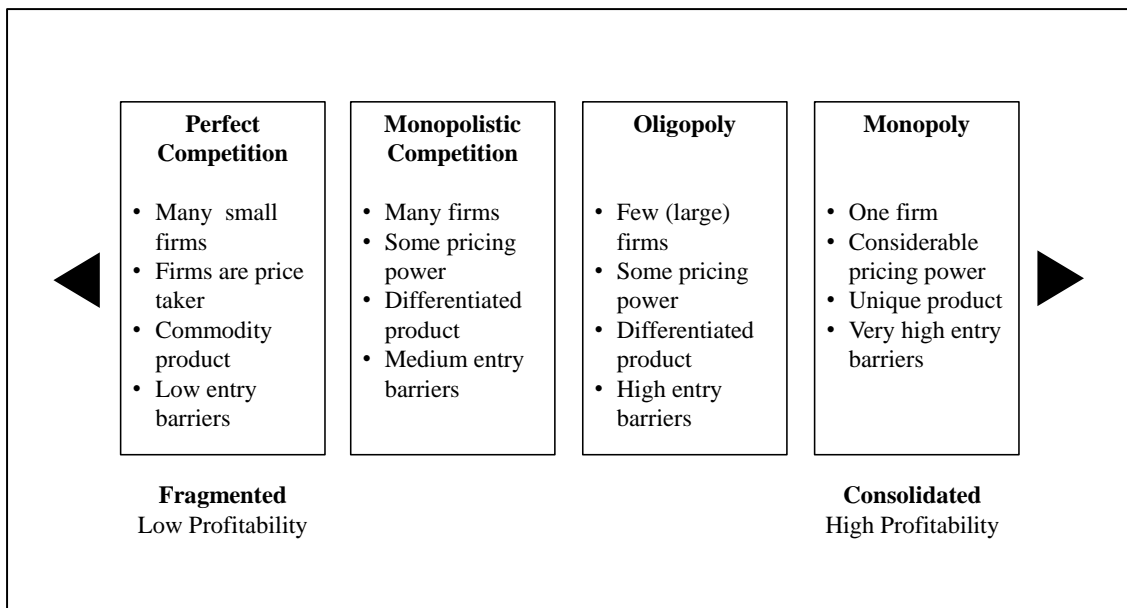


Figure 13: Industry Structures (Rothaermel, 2013, p. 62)

Porter (1979, 1980, 2008a) transfers the hypotheses of the SCP Model to the area of strategic management and states that performance of an organisation is determined by the profit potential of an industry and the (chosen) competitiveness strategy of the organisation ('market-based view'). According to Porter (1979) the profit potential of an industry itself is determined by five forces ('Porter's Five Forces Model'). Assessing these five forces (cf. Figure 14) and identifying the organisation's strengths and weaknesses, offer the management the chance to formulate a strategy. Porter (1979, p. 143), hereby, exemplary refers to the strategies of i) "positioning the company so that its capabilities provide the best defence against the competitive force", ii) "influencing the balance of the forces" and iii) "anticipating shifts in the factors underlying the forces and responding to them". Figure 14 provides an overview of the strategy-shaping five forces, named i) threat of entry, ii) power of buyers, iii) power of suppliers, iv) threat of substitutes and v) rivalry among existing competitors. Rothaermel (2013, p. 68) sums up that the *"key take-away from the five forces model is that the stronger (weaker) the forces, the lower (greater) the industry's ability to earn above-average profits, and correspondingly, the lower (greater) the firm's ability to gain and sustain a competitive advantage"*.

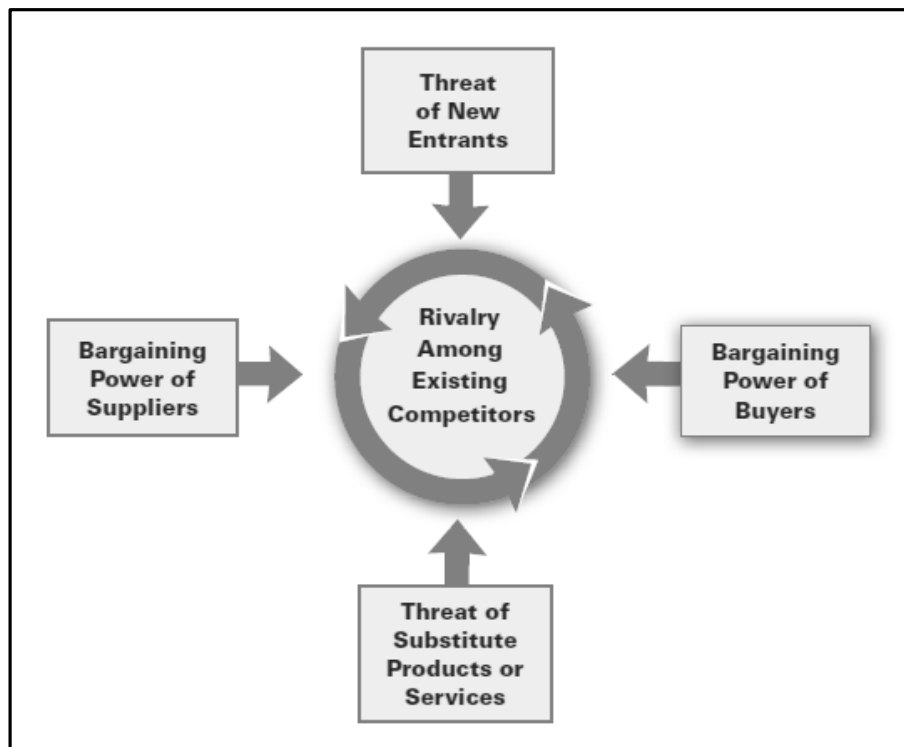


Figure 14: The Five Forces that shape Industry Competition (Porter, 2008a, p. 80).

Porter's five forces model has been discussed and extended by several scholars. One extension includes the strategic role of complements (Brandenburger & Nalebuff, 1996; Grove, 1999, both as cited in Rothaermel, 2013). The availability of complements, which add value to the primary product or service increase the demand for the initial product and therefore for the business field. Hereby the complement might be offered by the firm itself or by other companies/competitors. In contrast to the five forces model, the proponents of "the five-forces-plus-complements-model suggest that industry competition can be a positive-sum game" instead of being a zero-sum game by making use of competition to enlarge the industry (Rothaermel, 2013, p. 71).

Despite the inclusion of the strategic role of complements the previous illustrated static models only deliver an analysis of a certain period of time within a market field. The speed of change and innovation is, however, disregarded. These factors characterise the dynamics of an industry (e.g. by industry convergence), which have great influence on the profitability of a business area and should be included in an analysis (Rothaermel, 2013).

2.4.2.2.2. Internal Environment Analysis

In contrast to the external environment analysis the internal environment analysis focuses on the specific strengths and weakness of an organisation, which establish a competitive (dis-)advantage towards competitors (Schreyoegg & Koch, 2010, p. 87 et seqq.). In this connection, strengths and weaknesses are regarded to be relative measures, which indicate an advantage or disadvantage compared to the resources or capabilities of (potential) competitors. Hence, an appropriate strategic evaluation of the resources and capabilities of an organisation can only take place considering third parties. Focus shall not only be laid on the existing business fields, but also on future business fields, which might be able to be entered using the organisation's resources and capabilities (Barney, 1991). Prahalad and Hamel (1990, p. 80) summarise that "the critical task for management is to create an organization capable of infusing products with irresistible functionality or, better yet, creating products that customers need but have not yet even imagined".

The goal of the internal environment analysis is rather a visionary model construction and a kind of potential analysis, than a precise description of an organisation's resources (Schreyoegg & Koch, 2010). For achieving an advantage towards (potential) competitors an organisation should possess resources and capabilities, whose combination and interplay forms core competencies (Prahalad & Hamel, 1990). Figure 15 provides an overview of these relevant parameters leading to competitive advantages and a superior firm performance by leveraging firm activities (e.g. strategic choices) (Rothaermel, 2013).

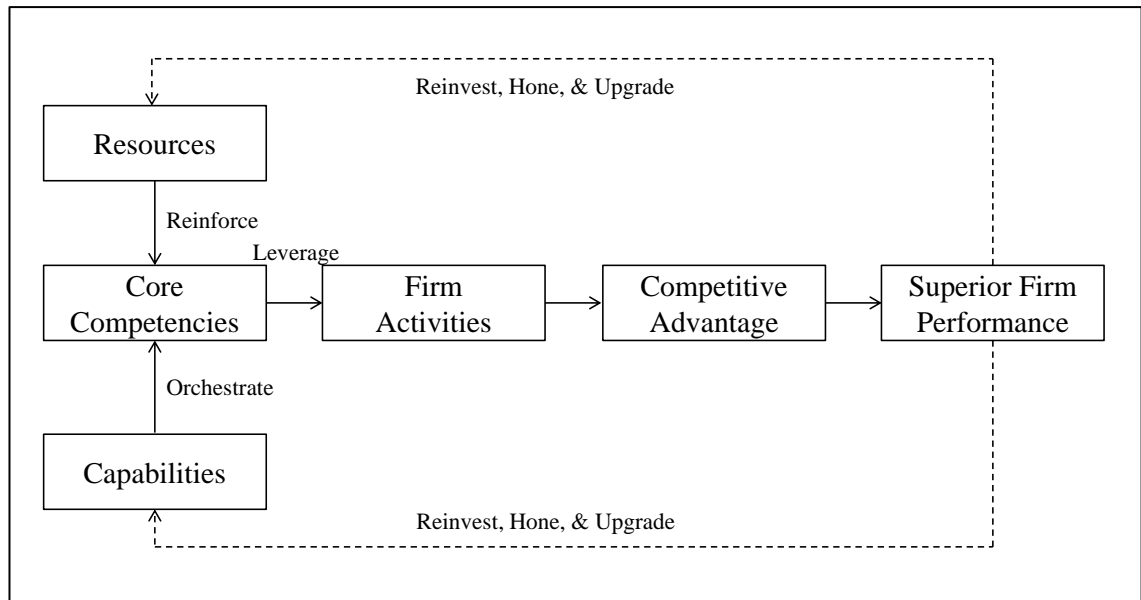


Figure 15: Parameters for Achieving a Superior Firm Performance (Rothaermel, 2013, p. 87)

Resources are assets “such as cash, buildings, or intellectual property”, while capabilities are “organizational and managerial skills” (Rothaermel, 2013, p. 86 et seq.). Core competencies as referred to in Figure 15 are defined to be “unique strengths, embedded deep within a firm, that allow a firm to differentiate its products and services from those of its rivals” and are therefore able to generate competitive advantages (Rothaermel, 2013, p. 86 et seq.). Prahalad and Hamel (1990) name three criteria for identifying core competencies. These are the ability i) to provide “access to a wide variety of markets”, ii) to deliver a remarkable contribution to “the perceived customer benefits of the end product” and iii) to become difficult to imitate (Prahalad & Hamel, 1990, p. 83).

The idea of using resources and capabilities to generate competitive advantages is captured in the resource-based view, which is briefly reviewed in the following. In addition to this view, Porter’s value chain analysis is presented, which sets the resources in context to their part in the value chain and assumes that enterprise’s activities determine competitive advantages. This approach is extended by discussions about strategic activity systems and dynamic capabilities to determine competitive advantages.

Resource-Based View (RBV)

A systematic and precise approach to generate competitive advantages is illustrated by the resource-based view¹⁰, which assesses resources, which are heterogeneously distributed across the organisations, to be the key to a superior firm performance and profitability (Barney, 1991; Grant, 1991; Amit & Schoemaker, 1993).

Within this approach resources are defined to be all assets useful when formulating/implementing a strategy and are distinguished either being ‘tangible’ or ‘intangible resources’ (Barney, 1991; Wernerfelt, 1984). While tangible resources are characterised to have physical attributes and are visible (e.g. buildings), intangible resources are not physical and hence invisible (e.g. reputation).¹¹ In case these resources meet certain criteria and match to environmental opportunities they enable an organisation to achieve a competitive advantage (Andrews, 1971; Thompson & Strickland, 1990). Hereby intangible assets are more likely to generate competitive advantage than tangible assets as tangible assets often can be bought in the market (Peteraf, 1993; Rothaermel, 2013).

The criteria resources need to meet to establish a competitive advantage are that they must “be valuable (V), rare (R), costly to imitate (I) and the firm must organise (O) to capture the value of the resource” (Rothaermel, 2013, p. 91). This criteria catalogue is named VRIO framework (Barney, 1991; Barney & Hesterly, 2009). Figure 16 provides an overview of a possible decision tree for determining such sustained competitive advantage.

¹⁰ Revisiting resource based research Peteraf (1993) identifies the following works to be influential: Penrose (1959), Lippman and Rumelt (1982), Teece (1980, 1982), Nelson and Winter (1982), Rumelt (1984, 1987), Wernerfelt (1984), Barney (1986, 1991), Dierickx and Cool (1989), Castanias and Helfat (1991), Conner (1991) as well as Mahoney and Pandian (1992). Lado, Boyd, Wright, and Kroll (2006) identify a similar set of works for the fields of strategic management and additionally confer to related fields, like for example human resource management (Lado & Wilson, 1994; Wright & McMahan, 1992), operations management (Cox, 1996), marketing (Hunt, 2000; Hunt & Morgan, 1995) and management information systems (Bharadwaj, 2000; Mata, Fuerst & Barney, 1995).

¹¹ Hereby, several other classifications exist. Referring to other works (Becker, 1964; Tomer, 1987; Wiliamson, 1975), Barney (1991, p. 101) for example classifies firm resources to be either “physical capital resources”, “human capital resources” and “organizational capital resources” and Hofer and Schendel (1978) distinguish between five types of resources named i) financial resources, ii) physical resources, iii) human resources, iv) organisational resources and v) technological resources.

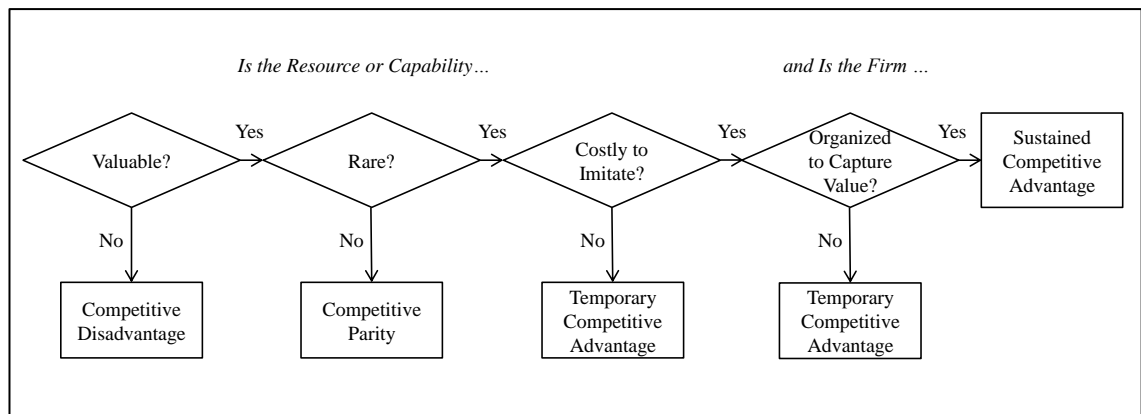


Figure 16: Decision Tree for Determining Competitive Advantages (Rothaermel, 2013, p. 91)

The model of the RBV makes two critical assumptions named resource heterogeneity and resource immobility. The first assumes that each organisation has its unique and specific bundle of resources and capabilities which are different to some extent to the resources of other companies. The latter assumes that resources do not move quickly from one company to another and therefore cannot be replicated easily. These assumptions are criticised by the model of perfect competition (cf. Figure 13) that assumes that all companies have access to capabilities and resources, which are characterised to be mobile in an industry structure of perfect competition (Amit & Schoemaker, 1993; Barney, 1991; Peteraf, 1993; Rothaermel, 2013).¹²

Porter's Value Chain Analysis and (Dynamic) Activity Systems

For analysing the interplay of resources and an organisation's potential, resources need to be analysed against the background of their role within the value chain (Schreyoegg & Koch, 2010). While the RBV supports the identification of resources and capabilities, the analysis of the value chain offers managers the chance to "see how competitive advantages flows from the firm's system of activities" (Rothaermel, 2013, p. 96).

A famous model for this kind of analysis is Porter's (1985, 1991, 1999) value chain analysis, which focuses on the internal activities a firm fulfils for adding incremental value by transforming input into output during the value chain transformation process. Hereby the "term value refers to customer value" as the basis and driver for company profit (Porter, 1991, p. 102). Activities are distinguished to be either primary or support

¹² For a discussion of further critiques on and paradoxes within the RBV please refer to Lado et al. (2006).

activities. Primary activities are directly connected to the production or transformation of inputs into outputs, while support activities are only indirectly connected and support the primary activities. Figure 17 provides an overview of the activities' interplay and their assignment.

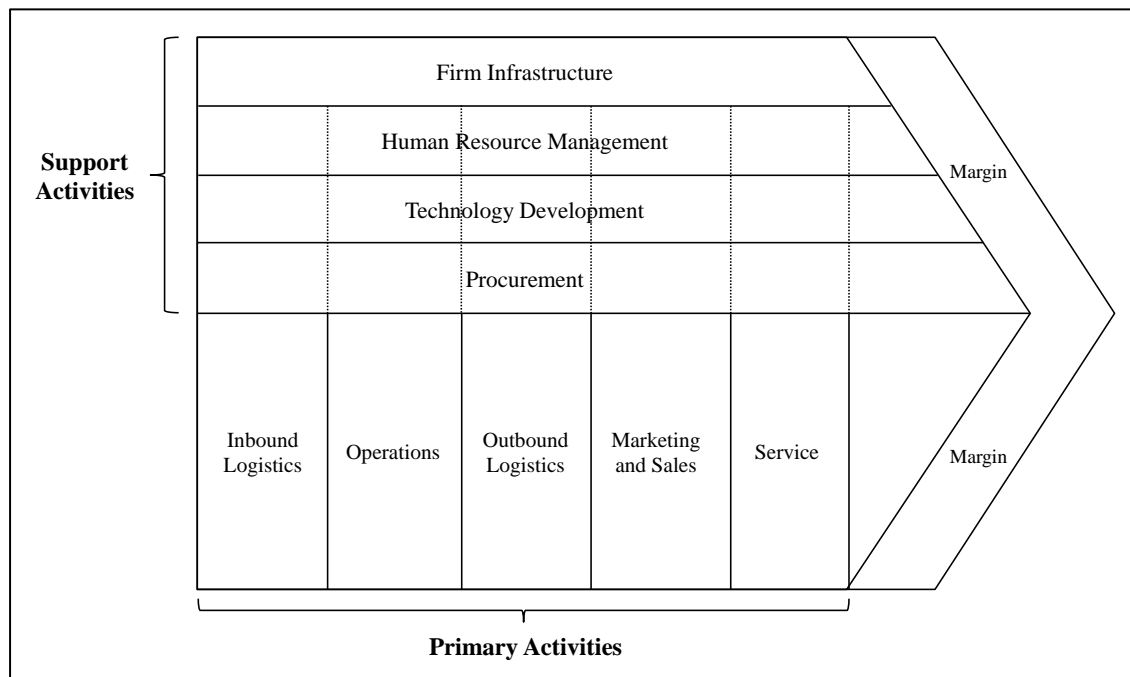


Figure 17: Generic Value Chain (Porter, 1985, p. 37)

The value chain perspective assumes that the activities a company fulfils are the basis for a competitive advantage. Hereby, all of the activities are responsible for creating a competitive advantage (Rothaermel, 2013). Porter (1996; 2008a), emphasises that most important within strategy is the decision what actions to do and what actions not to do.

The combination of such actions generating competitive advantage in a complex network, which is hard to imitate is referred to as strategic activity system (Rothaermel, 2013, p. 96 et seqq.). Porter (1996, p. 68 et seqq.) concludes that the “essence of strategic positioning is to choose activities that are different from rivals” and that “strategy is about combining activities”. Strategic activity systems are seen to be socially complex, which makes it hard to become imitated. Even though competitors might be able to see parts of strategic activities, the underlying and conceptualising capabilities are hard to observe. Hence, the concept of the strategic activity system concludes that it is difficult to use imitation as strategy for creating competitive advantages (Rothaermel, 2013).

Nevertheless, to achieve competitive advantages in the long-run, strategy activity systems need to change over time, due to a changing (external) environment or improving competitors (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2009). The adding, changing and omitting of activities also demands changes within the resources and capabilities (Rothaermel, 2013). The concept of dynamic strategic activity systems assumes that a unique and dynamic network of activities is the basis for a competitive advantage (Porter, 1996).

Dynamic Capabilities Perspective

The dynamic capabilities perspective takes up this idea of a “constantly changing environment” and focuses on organisations’ abilities to “modify and leverage its resource base” to create competitive advantages within a changing environment (Rothaermel, 2013, p. 99). It hereby focuses on the fit between internal strengths and the changes of the external environment. Within this perspective a competitive advantage is therefore created by the capacity of an organisation to fit their internal strengths to the external changes, rather than by only using static resources. In this context, dynamic capabilities are not limited to react on changes, but also able to create changes (Eisenhardt & Martin, 2000). The relevance of such dynamic capabilities increases with the dynamics of the environment: the higher the (external) dynamics, the higher the relevance of dynamic capabilities. For differentiating such dynamic capabilities, which are characterised to be intangible resources, literature distinguishes between ‘resource stocks’ (“current level of intangible resources”) and ‘resource flows’ (“level of investments to maintain or build a resource”) (Rothaermel, 2013, p. 100 et seq.).

2.4.2.2.3. (Business-Level) Strategy Determination

After the analysis of the external and internal environment has taken place the question arises how the gathered information can be combined and used for evaluating or changing an existing strategy or creating a new strategy. One method is the so-called SWOT analysis, which is illustrated in Figure 18 against the background of the external and internal analysis (Rothaermel, 2013).

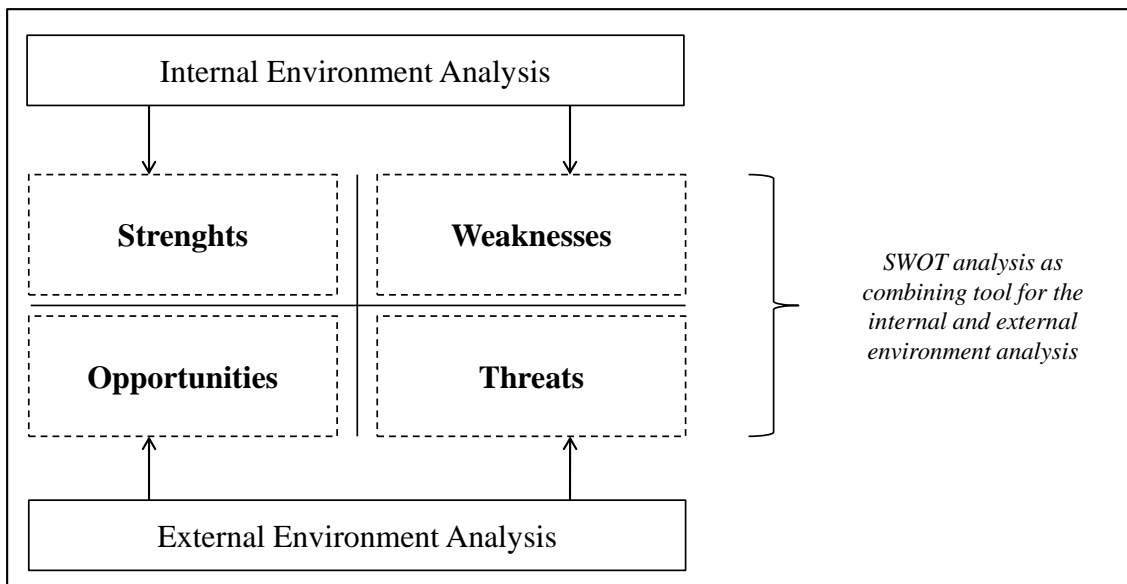


Figure 18: SWOT Analysis as Combining Tool (based on Rothaermel, 2013)

The question how to formulate and determine the (new) strategy has originally often been answered with “creative gut decisions” and later on with “norm strategies” (translated from Schreyoegg & Koch, 2010, p. 104). As both diametrically opposed approaches either lack practicability or reference to reality, Schreyoegg and Koch (2010) recommend nowadays a third alternative, named option approach. This approach accepts the orientation-giving framework of norm strategies on the one hand, but on the other hand treats them not to be mandatory, but rather as strategic options. Hence, the pieces of information gathered through the external and internal analysis are summarised and condensed to a set of strategic options. All realistic possibilities are compiled and evaluated against the set of objectives. Hereafter, the determination of an appropriate strategy is made (Schreyoegg & Koch, 2010).

As my own study focuses on business-level strategy, the following passages only focus on the formulation of this level of strategy determination. Basic questions to be answered for the formulation of business-level strategies are (translated from Schreyoegg & Koch, 2010, p. 105):

- “Where shall an organisation compete (place of competition)?
- What are the rules to compete (rules of competition)?
- How shall we compete (focus of competition)?”

The question where an organisation shall compete can be principally answered with the extreme positions of either the core or the niche market (as part of the core market). In this context, niche markets may be preferable if they offer the organisation the chance to achieve their set value-adding goals more easily than in a complete market. Such a decision may cause the loss of potential earnings as the complete market is excluded. Such niche strategies are usually successful if providers of the core market are not able to serve niches due to structural reasons (e.g. organisation of sales). Nevertheless niche strategies face erosion risk, for example the risk of losing structural advantages, as well as the risk that the niche appears to be too small to be profitable (Schreyoegg & Koch, 2010).

The second question refers to the fact if a company shall accept the given business segment structure or if it shall change the structure. While 'rule takers' accept the given segment structure and try to identify the optimal placement for their organisation, the 'rule breakers' do it the other way round. They focus on innovation-strategies leading to a different weighting or addition of success factors (e.g. by changing the combination of resources) (Schreyoegg & Koch, 2013).

For answering the third question Porter (2008b) refers to two generic strategies: the cost leadership and the differentiation strategy. While the first one focuses on the creation of equal standard products or services at a lower price, due to lower production cost, the differentiation strategy does it the other way round. It seeks to create a higher value for the customers with their products and/or services, while holding the price at (at least) the same level (Miller, 1998; Rothaermel, 2013). Managers focusing on the cost leadership strategy especially need to focus on the manipulation/changing of the cost drivers of their company. Manageable drivers are for example the cost of input factors, economies of scale, learning curve-effects and experience curve-effects (Rothaermel, 2013, p. 147 et seq.). In contrast to this, managers implementing a differentiation strategy need a focused view on the value drivers of their organisation. These are for example the product features, customer service, customisation and complements (Rothaermel, 2013). Nevertheless, literature (e.g. Fleck, 1995; Hill, 1988; Jenner, 2000; Thornhill & White, 2007) also refers to combination strategies of both previous mentioned types. These are often referred to as 'integration strategies' and refer to the concept to add uniqueness to a product/service as well as trying to produce at lower costs. This type of strategy is quite difficult to develop and to apply.

Schreyoegg and Koch (2010, p. 104 et seqq.) make clear that each business-level strategy has to answer the three basic questions of strategy mentioned above. For summarising these three standard questions and their generic answers they refer to the image of a strategic cube, providing eight basis options for the formulation of a strategy (cf. Figure 19). Hereby, they underline that these standard alternatives might not be equally suitable for all organisations and that they have to be individually customised or extended against the background of the then relevant environmental and structural background.

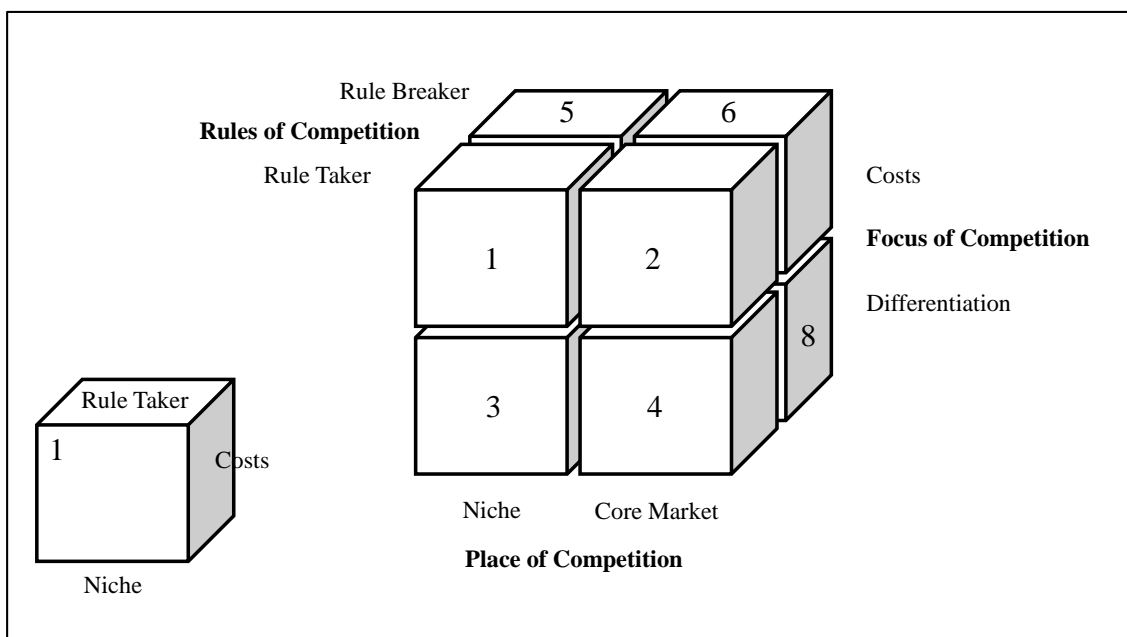


Figure 19: Strategic Cube for Business-Level Strategies (translated from Schreyoegg & Koch, 2010, p. 111)

3.4.2.3. Strategy Implementation

The process of strategy formulation (“what to do”) is followed by the process of the implementation (“how to do it”) of the chosen strategy (Rothaermel, 2013, p. 302). This part of the strategic management has been disregarded for a long period of time by the academic world and became more and more relevant with the rise of the descriptive strategy theory, which illustrates the problems applying strategy into practice (cf. Chapter 3.3.1). In addition to this, the practice realised that the formulation of visions is not enough for creating competitive advantages if the implementation fails. Even though different definitions exist, literature defines ‘strategy implementation’ to be “all kind of activities, which are necessary for realising strategy” (translated from Bea & Haas, 2005,

p. 198). Bea and Haas (2005, p. 198 et seqq.) distinguish three different functions strategy implementation has:

- splitting strategy into individual measures (e.g. defining separate measures for affected divisions),
- managing the operational structure of strategy implementation (e.g. handling sequencing and coordination problems) and
- establishing human resources/capacities for implementation.

Kolks (1990) characterises the first function of strategy implementation to focus on applying strategy, while the other can be classified as part of enforcing the chosen strategy.

3.4.2.4. Strategy Evaluation and Control

Traditionally, the control of a formulated and implemented strategy has been seen to be the last step of the process of strategic management. Hereby, the set goals have been compared to the realised goals and implementation gaps have been identified “with the resulting information being used to solve problems or take corrective actions” (Preble, 1992, p. 392). In contrast to this, newer approaches understand the control as accompanying, continuing process during the whole steps of strategy formulation and implementation as illustrated in Figure 20 (Kazmi, 2008; Schreyoegg & Koch, 2010). This perspective and interpretation of control offers organisations the chance to realise and react on possible unfavourable developments as early as possible. This procedure also reflects the necessity that initially made assumptions might need to be adjusted and reconsidered and that strategic planning is a selective process of choosing (strategic) alternatives, which are formulated on assumptions (Schreyoegg & Koch, 2010). Schreyoegg and Koch (2010, p. 126 et seq.) therefore define the procedure of strategy control to be the “counterweight” to the process of selective planning and distinguish between three elements of control, which build the strategic control system: the premise-control, the implementation control and the strategic surveillance (cf. Figure 20).

Parallel to the set-up of premises within the strategic planning process, the premises control takes place to continuously check the premises’ validities. As the choice of premises may not include all possible circumstances, this premise-control does not only

have to include the taken premises, but also further possible as well as the rejected premises. With the beginning of the strategy implementation, the control of the strategy implementation needs to be initialised. By comparing progresses made with set milestones, this procedure ensures the monitoring of arising risks and challenges. While premise and implementation control “are specific in nature” (Kazmi, 2008, p. 494), the third component, named strategy surveillance, “is designed to be a relatively unfocused, open, and broad search activity” to detect “events or issues that may threaten ongoing strategic projects” (Preble, 1992, p. 396). The general purpose of the three components is to evaluate the chosen strategy (Bea & Haas, 2005; Schreyoegg & Koch, 2010).

In addition to these three elements other literature refers to further elements (e.g. Kazmi, 2008; Sekhar, 2010). This is for example the ‘special alert control’ introduced by Preble (1992) which monitors “low-probability, high-impact threatening events” (Dewar, 2002, p. 194).

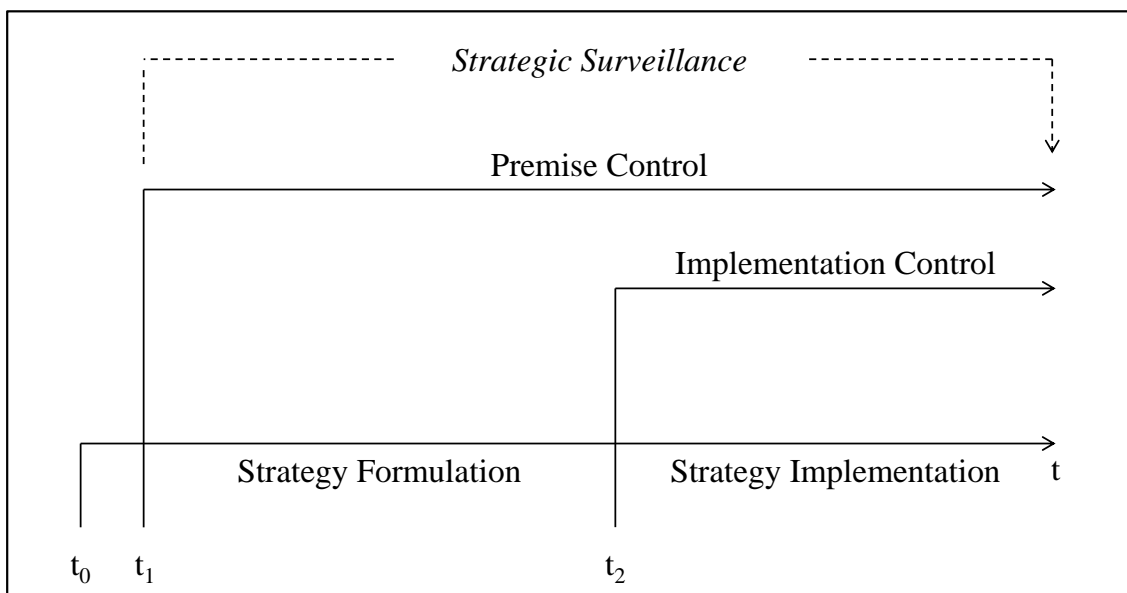


Figure 20: Strategic Control Process (translated from Schreyoegg & Koch, 2010, p. 127)

Besides the procedure and type of control, the question needs to be answered if the strategic control shall be either organised centralised (e.g. within a central staff division) or decentralised. Schreyoegg and Koch (2010) emphasise that strategic control needs a direct monitoring of the customers, services and products and that therefore a decentralised information gathering and interpretation appears to be advantageous. Independent from the decision about where to set up such control unit, both forms of

control institutionalisation need i) an organisation-wide unique understanding of strategy control, ii) an organisation-wide uniform terminology and iii) an organisation, which is able to criticise itself. The last point is necessary as often invisible barriers and challenges regarding the transmission of information on control exist (Schreyoegg & Koch, 2010).

3.3.3. Derivative Specific Research

3.4.3.1. Literature Scoping

The previous sections have provided a theoretical background on strategy and strategic management and have outlined a generic model of strategic management. Special attention has been paid to the external/internal environmental analysis. The review was done for both creating a theoretical background for the present research as well as establishing (theoretical) knowledge for conducting a systematic literature. Analogically to the systematic literature review on critical success factors, the literature review on business strategy models for derivative sales helps to illustrate the state of research as well as to complete the theoretical background information for my own research (cf. Chapter 3.2.6), which is informed by the Grounded Theory approach and makes use of a parallel approach of data gathering and data analysis (cf. Chapter 1.3). It explicitly focuses on empirically derived business strategy models for derivative sales from the banking industry's perspective.

Following the previously given argumentation by Tranfield et al. (2003), an initial scoping study was conducted for assessing the width of the topic as well as the possible existence of previous (systematic) literature reviews. For this purpose, a search of the online database EBSCO was carried out on 01.02.2013 using the preliminary terms: *("Business-Level Strategy" OR "Business Strategy Model") AND (Derivative* OR "Risk Management")*. Additionally the corresponding German terms were used.

Considering the used preliminary search terms and the underlying online database, the initially rough scoping study demonstrated that so far neither a literature review had been conducted nor empirical research with main focus on derivatives had been published. For validating and challenging these intermediate results the search termini as well as the sources needed to be widened against a background of appropriately defined inclusion/exclusion criteria. The necessity for precise and closed inclusion criteria was also recognised by Marten (2000), who comments that the available number of strategic management work is suffocating.

3.4.3.2. Inclusion/Exclusion Criteria

In line with the previously definition of inclusion and exclusion criteria (cf. Table 3), the systematic literature review regarding business strategy models for derivatives only focused on primary research which were empirically collected within either a quantitative, mixed-method or qualitative approach. Non-empirically developed business

strategy models were rejected as my study focuses on practical relevance and applicability, which a unilateral theoretical approach might lack. Only studies published after the year 1980 were included as it was assumed that previous research has no relevance to nowadays (due to a changing technical and cultural environment). The review on business strategy models focused on strategy models and frameworks for derivative sales or risk management advisory from the banking perspective. In contrast to the review on critical success factors the literature review was not fulfilled on higher meta-levels. This procedure was deemed to be appropriate as it was assumed that the research area on the business-unit derivative sales is too specific to be comparable to other business-units of a bank and that the illustration of the area of generic whole-bank business strategy models would be too broad and not effective. Furthermore, a compacted generic description of strategic management and business-level strategies has already been provided within the previous chapters. In line with the review on critical success factors it was assumed that research based on data from non-industrialised countries lack comparability to German savings banks. Table 5 presents an overview of the made inclusion and exclusion criteria.

Parameters	Inclusion Criteria	Exclusion Criteria
Location	Industrialised Countries (OECD members)	Non-Industrialised Countries
Time Frame	Studies published from 1980 onwards	Studies published before 1980
Language	Studies written in English/German	Studies not written in Englisch/German
Study Type	Primary Research, studies which report on findings which use qualitative and quantitative methods	Book Reviews, opinion pieces, policy documents
Outcome	Studies focussing on business strategy models for derivative sales or risk management advisory for interest rate exposure within the banking industry	Studies focussing on general business strategy models within banking industry

Table 5: Inclusion/Exclusion Criteria for Reviewing Business Strategy Models

It goes without saying that only published studies were included and that works with restriction notice could not be detected. The search results were additionally limited due to the choice of databases as well as the researcher's ability to identify relevant works.

3.4.3.3. Search Outline and Results

In line with the literature review on critical success factors, the core search was focused on the following databases: EBSCO, German National Library, ZETOC, Ethos and separately Emerald without using GoogleScholar. This change towards the systematic literature review on critical success factors was seen to be appropriate to focus on named academic databases and while also ensuring that through a large amount of hits the identification of appropriate resources did not suffer.

The subjective choice of databases limits the literature review, but is valued to be appropriate for identifying main academic works on business strategy models. In contrast to the initial scoping study the search terms were set more broadly and extended in order to increase the chance of detecting relevant literature. Hereby a four-step approach was taken by separating the search terms into four categories. The first category within each search query referred to the 'strategic' aspect, the second category referred to 'underlying task of the business unit' and the third category tried to ensure that only bank-specific research was shown. In case, the amount of results was still high and too imprecise, a fourth 'customer' category was added to narrow the hits. A precise documentation of the choice of databases, date of search, used variations of search terms as well as the search limitations is described in Table 6.

No.	Source	Date searched	Search Terms	Limitation	Hits	Relevant
1	EBSCO Business Source Complete	03.02.2013	1) ("Business-Level Strategy" OR "Business Strategy Model") AND (Derivative* OR "Risk Management") 2) ("Business-Level Strategy" OR "Business Strategy Model") AND Treasury 3) ("Business Model" OR Framework) AND (Derivative* OR "Risk Management") AND (Bank* OR Savings Bank*) 4) ("Business Model" OR Framework) AND (Derivative* OR "Risk Management") AND (Bank* OR Savings Bank*) AND (Client* OR Corporates* OR Customer*) 5) ("Business Model" OR Framework) AND Treasury AND (Bank* OR Savings Bank*) AND (Client* OR Corporates* OR Customer*) 6) (Geschäftsfeldstrategie OR Geschäftsmodell) AND (Zinsmanagement OR Risikomanagement OR Treasury) AND (Bank* OR Sparkasse*)	Scholarly (Peer Reviewed) Journals; Full-text; published from 1980 onwards	1) 0 2) 0 3) 425 4) 20 5) 4 6) 1	1) 0 2) 0 3) 0 4) 0 5) 0 6) 0
2	German National Library	03.02.2013	1) sw=Geschäftsfeldstrategie or sw=Geschäftsfeldmodell and sw=Derivate or sw=Risikomanagement	Key Word Search, Search only in Economics ("Wirtschaft"); 1980 onwards	1) 1210	1) 0
3	ZETOC	04.02.2013	1) "Business-Level Strategy" Derivative* 2) "Business-Level Strategy" "Risk Management" 3) "Business-Level Strategy" Treasury 4) "Business Model" Derivative* 5) "Business Model" "Risk Management" 6) "Business Model" Treasury 7) Framework Derivative* Bank* Customer* 8) Framework Derivative* Bank* Client* 9) Framework "Risk Management" Bank* Customer* 10) Framework "Risk Management" Bank* Client* 11) Framework Treasury Bank* Customer* 12) Framework Treasury Bank* Client* 13) Geschäftsfeldstrategie Derivat* Bank* 14) Geschäftsfeldstrategie "Risiko Management" Bank* 15) Geschäftsfeldstrategie Treasury Bank*	Search Conditions: General Search - for conferences and journals; 1980 onwards	1) 0 2) 0 3) 0 4) 1 5) 8 6) 5 7) 0 8) 0 9) 7 10) 1 11) 0 12) 0 13) 0 14) 0 15) 0	1) 0 2) 0 3) 0 4) 0 5) 0 6) 0 7) 0 8) 0 9) 0 10) 0 11) 0 12) 0 13) 0 14) 0 15) 0

No.	Source	Date searched	Search Terms	Limitation	Hits	Relevant
4	Ethos	04.02.2013	1) "Business-Level Strategy" AND "Risk Management" OR Derivative 2) "Business-Level Strategy" AND Treasury 3) "Business Model" AND Derivative OR "Risk Management" 4) "Business Model" AND Treasury 5) Framework AND Derivative AND Bank 6) Framework AND "Risk Management" AND Bank 7) Framework AND Treasury AND Bank 8) Geschäftsfeldstrategie AND Derivat OR "Risiko Management" OR Treasury		1) 0 2) 0 3) 9 4) 0 5) 18 6) 7 7) 0 8) 0	1) 0 2) 0 3) 0 4) 0 5) 0 6) 0 7) 0 8) 0
5	Emerald	04.02.2013/06.02.2013	1) ("Business-Level Strategy" AND (Derivative* OR "Risk Management")) 2) "Business-Level Strategy" AND Treasury 3) "Business Model" AND (Derivative* OR "Risk Management") AND (Bank* OR Savings Bank) 4) ("Business Model" OR Framework) AND Treasury AND (Bank* OR Savings Bank) 5) Framework AND (Derivative* OR "risk management") AND (Bank* OR Savings Bank) 6) Geschäftsfeldstrategie AND (Derivat* OR Risikomanagement) 7) Geschäftsfeldstrategie AND Treasury*	publications from 1980 onwards;	1) 3 2) 2 3) 159 4) 1260 5) 1652 6) 0 7) 0	1) 0 2) 0 3) 0 4) 0 5) 1 6) 0 7) 0

Table 6: Search Process for Strategic Business Models for Derivative Sales

EBSCO (Business Source Complete) was searched through on 03.02.2013 using variations of the search terms illustrated and documented in Table 6. The search process started with a combination of a 'strategy-term' and a 'task-term'. As this combination did not deliver any results, the search query was widened to the more general term 'business model' during the next runs. For ensuring connection to the banking industry the considered banking-terms were added. Against the background of the employed method and used limitations, the third search resulted in 425 (English) citations, whose abstracts and titles were roughly read through. It became visible that the majority of results either focused on the regulatory frameworks or aspects or focused on the risk management of the bank itself. Therefore customer-orientated search terms (AND (Client* OR Corporates* OR Customer*)) were added within the fourth run to limit the hits and ensure the probability to identify appropriate sources. This was also done for the fifth search

process which used the search term treasury instead of (derivative* OR “risk management”). To sum up, by reading the abstracts of the offered results, all studies were rejected as they do not match the set inclusion criteria. The corresponding search query using German terms did not provide relevant information either.

For searching the German National Library only the German search terms were used as this online database only contains German-speaking literature. Using the advanced-search function of the German National Library, only the category ‘economics’ was searched through on 03.02.2013. The search query led to 1,210 hits, which were evaluated by reading the research title. In case further information were needed the abstracts and summaries of the corresponding publications were searched and the decision for rejection or acceptance was thus based on more pieces of information. The majority of the results either focused separately on risk management strategies of industrial clients, a description of treasury products, the interest rate management of the bank itself (‘interest book management’) or on the application of regulatory requirements within banks. As the literature review aims to identify research on business-level strategies models for selling interest rate derivatives to clients from the perspective of banks all of the publications needed to be rejected. Nevertheless, useful publications for other sections of my study (e.g. the contextualisation of derivative instruments) were identified.

Due to limitation regarding search techniques and options (e.g. no possibility to use own Boolean operators or to make use of parentheses) within ZETOC, the amount of search queries was increased to 15 search runs to ensure that all combinations of the defined search terms were applied. Using this procedure in total 22 publications were identified from 1980 onwards when searching the database on 04.02.2013. By reading the title and searching for further information in case of necessity, all of them needed to be rejected as the identified studies did not match the inclusion criteria.

Ethos offers the possibility to include search terms/phrases and to combine them by selectable search operators, but does not offer the possibility to include parentheses. Therefore, the search queries were adjusted for previous mentioned purposes and the databases were searched through on 04.02.2013. Using eight different variations within the search query about 34 hits were detected. Each of them needed to be rejected as they did not focus on the defined research area.

Finally, the systematic literature review was fulfilled searching through the online database Emerald on 04.02.2013/06.02.2013. Following the previous procedure the search terms were used to match the technical features offered. As a trial search on

business models AND (derivative OR “risk management”)* led to a high amount of hits, the search query was narrowed with the expression of *AND (bank* or savings bank)* within the third search run. Even though the further limitation was set, about 159 hits came up (128 journals, 26 books, three bibliographic databases and two case studies). Their titles and abstracts were carefully read through and studies, which might have relevance to the research area, were highlighted and evaluated a second time. A study which explicitly focuses on a business model for selling derivatives or treasury products to clients was not detected.

Using this reviewing approach for the following four search runs with different search terms, one study was identified that generally fits to the inclusion criteria (Sheedy, 1997) by focussing on derivative sales against the background of relationship banking. Hereby, the high amount of hits (in total 3,076 hits) in Emerald illustrates the broad scope (e.g. framework) of the defined search terms and combinations, which increased the chance to detect appropriate sources.

To sum up, even though the search terms as well as the underlying databases were widened, the results of the initial scoping study could be mainly confirmed and no ‘direct’ empirical research regarding the strategic business models for derivative sales within banks could be identified. The detected work by Sheedy (1997), which empirically focuses on derivative marketing from the relationship banking perspective, is revisited and evaluated within Chapter 3.4.3.4 in detail.

Evaluating the result of the systematic literature review, the set criteria and (technical as well as personal) limitations always need to be considered. It has to be mentioned, that even a systematic literature reviews suffers from subjective choices and decisions of the researcher. For minimising these risks and achieving a high level of transparency all steps made as well as decisions taken have been documented and stated (cf. Table 6).

The systematic literature review on empirically derived business strategy models for derivative sales from the banking industry’s perspective was finished on 06.02.2013 and no later pieces of information have been included.

3.4.3.4. Empirical Work of Sheedy (1997)

Through systematic reviewing five extensive online databases, the empirical study of Sheedy (1997) was identified. Using a qualitative research approach and open-ended

questions as data gathering technique, Sheedy (1997, p. 22) interviewed 55 participants from the derivatives industry (34 participants from Sydney and 21 participants from Hong Kong) about “the success of relationship banking in the derivative industry” in 1996. Statistical validations for data analysis were not applied. Research was conducted directly after famous court cases took place (e.g. Banker’s Trust and Gibson Greetings) (Sheedy (1997) with reference to Brady (1994) and Loomis (1995)).

Doing so, Sheedy (1997, p. 22) summarises that the “relationship approach has not delivered many of the benefits promised in the marketing literature”, as it actually has the aim to generate higher long-term profits. This conclusion is based on the contradictory results raised through the study. On the one hand all of the participants (providers as well as end-users) “claimed to support the relationship concept”, but on the other hand their activities contradict the concepts with “an adverse impact on derivatives market” (Sheedy, 1997, p. 25). Customers, for example, prefer plain vanilla solutions, which they are able to valuate on their own and mentioned that they will not rely on bank proposals and analysis any more. In addition to this, customers mentioned to only trade derivatives, which they understand and noted that they try to avoid dependence on one bank by increasing their own know-how as well as widening the amount of possible banking partners (Sheedy, 1997). Besides these points, which contradict a trustful relationship, derivatives providers also observe a higher customer sensibility regarding the price, which additionally contradicts the idea of the relationship approach. Nonetheless both parties (i.e. clients and derivatives providers) claimed their preference for the relationship concepts and Sheedy (1997, p. 28) suggests that the “existence of a relationship” is “a precondition to derivatives transaction”.

Sheedy (1997) additionally identifies five problems within the derivatives industry with negative and challenging impact towards the relationship approach against the background of a changing environment:

- Newer corporate governance appears to be more price-orientated and therefore premium relationship approaches are not rewarded appropriately.
- Lower need for trust as customers try to reduce the need for advice, while bankers are rewarded on transactions and not on providing advice.
- General loss of the relationship concept as a competitive advantage towards competitors.

- Implemented performance measures within banks encourage a transaction-orientated approach.
- Strong competition of a business unit within its internal bank structure.

Mentioning these challenges, Sheedy (1997) concludes that the relationship concept generally does not need to be abandoned, but that there is much room of improvement and efficient adaption. Thereby she comments that a theoretical solution or initial concept is missing.

Reflecting the results and challenges identified for my own work, the study seems to be highly relevant nowadays. Even though fifteen years have passed, negatives incidents are still evident and brought to court and the financial crisis might even have catalysed the mentioned tendencies in the relationship between customers and bankers. It has to be validated if the results from the case study with foreign background are also valid for the relationship of German savings banks towards their client.

The inclusion of derivative end-users as well as providers as well as their amount enhances the relevance of the study, while the different focus (relationship concept instead of business-level strategy) lowers the comparability. Although Sheedy (1997) mentions the methodology of her strategy of inquiry as well as the technique for data gathering, she misses to mention the concrete way of data gathering (duration and deepness of interviews) and data analysis as well as to anonymously characterise the (groups of) participants (hierarchy, department, etc.). In addition to this, no differentiation between the concrete types of derivatives takes place (e.g. asset or liability derivatives; interest rate derivatives or credit derivatives). Nevertheless, especially against the background of the personal interdependencies and the complexity of the research area, the qualitative approach seems to be appropriate and the mentioned results provide further background information for my own study.

3.4. Summary and Conclusion

After providing background information on savings banks and derivatives as well as a systematic literature review on the critical success factor approach within the banking industry, the review of business strategy models completes the (theoretical) background. Figure 21 provides an overview of the chosen scope of work.

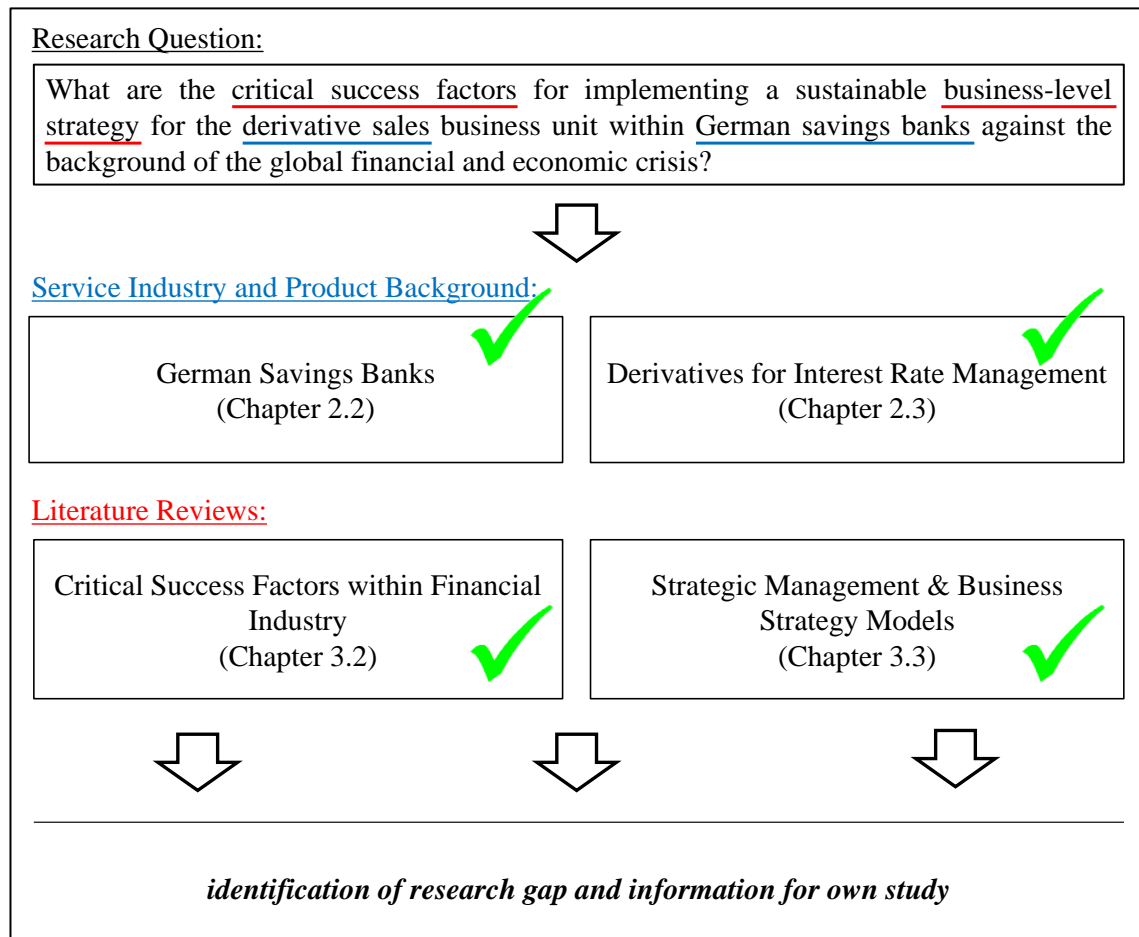


Figure 21: Contextualisation of practical and theoretical Background (own creation)

The choice to include strategy and strategy models was based on the criticism towards the critical success factor approach to lack relation to strategy theory (cf. Chapter 3.2.6). It extends the theoretical background by offering general insights about the development, implementation and evaluation of a business-level strategy. For achieving this background, an initial description of business strategies as well as their underlying definitions (e.g. strategy and strategic management) took place, before a systematic literature review on specific business strategy models for derivative sales was conducted. Even though an empirical study with a different research perspective provides useful

information (Sheedy, 1997), the literature review on derivative-specific business strategy models illustrates that until now no specific academic discussion of the specific research area has taken place.

Therefore, both systematic literature reviews identify and confirm the research gap my study aims to close. The necessity for a (new) understanding and an academic discussion is increased by the global financial and economic crisis and its impacts and the following considerations can be drawn:

- Complete business areas as well as markets became illiquid and have disappeared.
- Due to the crisis many regulations/laws affecting banks and derivatives have changed or have been introduced and bank-internal processes have to be re-organised according to them (cf. Appendix 2).
- An immense loss of trust has taken place against the banking industry as well as within the banking industry itself.
- Diversification regarding counterparties became a critical point, in both the customer's as well as the bank's view.
- Banks are asked to find an appropriate way between 'earning money by selling products/services' and providing 'fair and substantial expert advice'.
- The financial crisis requires a restructuring of the derivatives industry as well as the banks' business-level strategies.
- Due to their mandate for public goods and their public ownership, savings banks even face higher requirements for successful and sustainable business activities.

Against this background and the identified lack of existing knowledge, it can be suggested that my study provides knowledge progress within a highly relevant service and business area. The background information and the identified studies in both systematic literature reviews provide useful information for setting up my own research design (e.g. the initial set of questions) and need to be considered. Nevertheless, my research object will not focus on validating derived hypotheses or identified phenomena from literature, but rather tries to meet the research objectives by 'grounding and analysing data'.

The choice as well as justification of the chosen strategy of inquiry for answering the research question and meet the derived research objectives is explicitly made transparent within the following chapters. Thereby, the theoretical part of the applied methodology and its methods are addressed within Chapter 4, while the more practical orientated part of implementation to practice (procedure of data gathering and data analysis) is referred to in Chapter 5.

4. Methodology and Methods

4.1. Introduction

Chapter 4 provides i) descriptions, ii) justifications and iii) illustrations as well as the corresponding limitations of the chosen and applied research design. Figure 22 illustrates the chosen scope of work, which starts with a description of selected research paradigms followed by a detailed explanation of the reasons to consider the constructivist paradigm to be most appropriate to answer the research question.

In addition to this, the role of the researcher is briefly discussed by explaining my professional background as well as accompanying possible advantages and limitations.

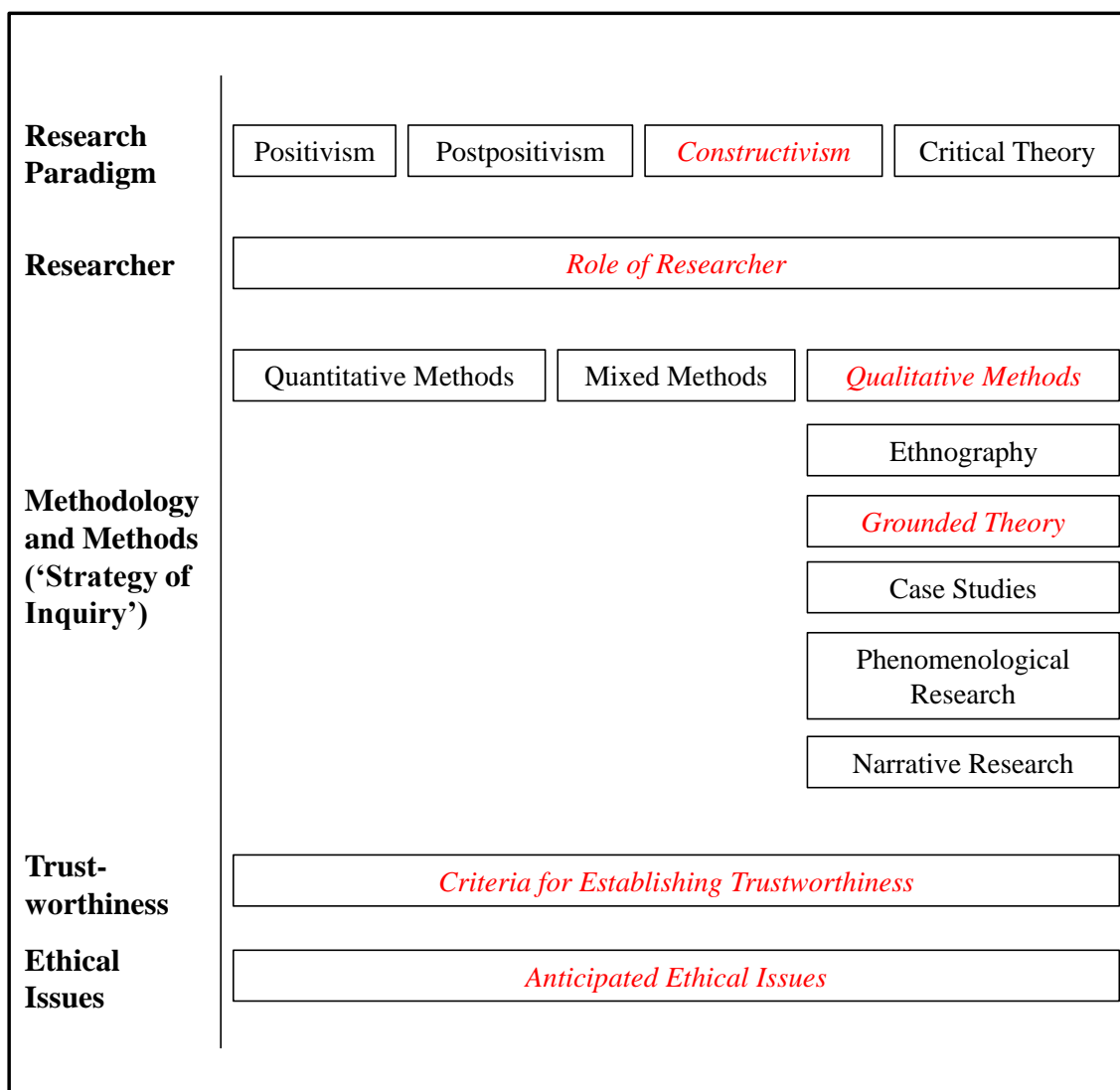


Figure 22: Overview of Chapter 4 (own creation)

This argumentation is followed by a comparison of selected research methodologies, which starts with a differentiation of quantitative, qualitative and mixed-methods approaches and – after illustrating and discussing selected qualitative research methodologies - leads to the selection of a strategy of inquiry consistent with the research paradigm. The chosen approach for my research, which is defined to be informed by the grounded-theory, is initially explained in its traditional form, before corresponding specifications to the selected approach are described and justified.

Hereafter, selected criteria of trustworthiness within qualitative research are presented, discussed and appropriate techniques to mitigate the challenges are illustrated. A discussion of ethical issues, which have to be anticipated, completes the fourth chapter.

A specification of research techniques for data gathering and analysis has deliberately been omitted in the fourth chapter in order to avoid redundancies. These will be dealt with in the fifth chapter in order to ensure a practical, applied dealing with these critical issues.

4.2. Explanation and Justification of Research Paradigm

4.2.1. Philosophical Assumptions

As philosophical ideas influence and guide the researcher's strategy for inquiry implicitly or explicitly (Denzin & Lincoln, 2000; Perry, Riege, & Brown, 1999), they need to be reviewed in order to provide further underpinning information to the choice of strategy¹³ followed by a justification of the chosen research paradigm. Within literature there is no clear definition of how to name these 'philosophical ideas'. They are often referred to as "worldviews" (Creswell, 2009, p. 6), "paradigms" (Lincoln & Guba, 2000; Mertens, 1998), "epistemologies and ontologies" (Crotty, 1998) or "broadly conceived research methodologies" (Neumann, 2000).¹⁴ According to the definition of Guba (1990, p. 17), they are used within their meaning of "a basic set of beliefs that guide action". In the following paragraphs, they are referred to as 'research paradigms'.

These research paradigms are often discussed regarding their quantity, terminology and interpretation (e.g. Easterby, Thorpe, & Lowe, 1991; Hassard, 1991; Sarantakos, 1998) and it becomes clear that researchers face a wide number of possibilities and characteristics for selecting an appropriate paradigm (Creswell, 2009). Within this

¹³ Please note that this is only one view as e.g. Sinclair and Hogan (1996, pp. 434 – 440) are of the opinion that researchers should focus on questions they can answer and that the paradigm battle is not worth fighting.

¹⁴ Discussion is taken from Creswell (2009, p. 6).

chapter, selected scientific paradigms are briefly presented. According to Guba and Lincoln (1994) as well as Perry, Riege, and Brown (1999) the most relevant are:

- Positivism,
- Postpositivism (Guba & Lincoln, 1994) / realism (Perry, Riege & Brown, 1999),
- Critical Theory and
- Constructivism.

Guba and Lincoln (1994) differ from Perry, Riege, and Brown (1999) regarding their terminology for the second paradigm speaking either of ‘postpositivism’ or ‘realism’. Easterby, Thorpe, and Lowe (1991) provide an overview of the general variations regarding terminology and, for example, combine constructivism and critical theory into one paradigm and name it ‘phenomenological paradigm’.

A way to analyse and compare these paradigms is to illustrate their answers to the ontological, the epistemological and the methodological question (Guba & Lincoln, 1994, cf. Figure 23). While the ontological position explores what the form and nature of reality is and what can thus be known, the epistemological question asks for the “nature of the relationship between the knower or would-be-knower and what can be known” (Guba & Lincoln, 1994, p. 108). Both these points are consequently followed by the methodological question as to “how can the inquirer [...] go about finding out” (Guba & Lincoln, 1994, p. 108).

	Positivism	Postpositivism	Critical Theory	Constructivism
<u>Ontology</u> "What is the form and nature of reality and, therefore, what is there that can be known about it?"	<i>naïve realism</i> "real" reality but apprehendable	<i>critical realism</i> "real" reality but only imperfectly and probabilistically apprehendable	<i>historical realism</i> virtual reality shaped by social, political, cultural, economic, ethnic, and gender values, crystallized over time	<i>relativism</i> local and specific constructed realities
<u>Epistemology</u> "What is the nature of the relationship between the knower or would-be knower and what can be know?"	dualist/objectivist, findings true	modified dualist/objectivist, critical tradition/community, findings probably true	transactional/subjectivist, value-mediated findings	transactional/subjectivist, created findings
<u>Methodology</u> "How can the inquirer go about finding out what he or she believes can be known?"	experimental/manipulative, verification of hypotheses, chiefly quantitative methods	modified experimental/manipulative, critical multipism, falsification of hypotheses, may include qualitative methods	dialogical/dialectical	hermeneutical/dialectical

Figure 23: Basic Beliefs of Alternative Inquiry Paradigms (Guba & Lincoln, 1994, p. 109)

Table 7 applies and summarises the aforementioned basic beliefs to selected practical issues when conducting research.

Issue	Positivism	Postpositivism	Critical Theory	Constructivism
Inquiry aim	explanation, prediction and control		critique and transformation; restitution and emancipation	understanding; reconstruction
Nature of knowledge	verified hypotheses established as facts or laws	nonfalsified hypotheses that are probable facts or laws	structural/ historical insights	individual reconstructions coalescing around consensus
Knowledge accumulation	accretion - "building clocks" adding to "edifice of knowledge", generalizations and cause-effect linkages		historical revisionism, generalization by similarity	more informed and sophisticated reconstructions, vicarious experience

Table 7: Paradigm Positions on selected practical issues (Guba & Lincoln, 1994, p. 112)¹⁵

4.2.2. Justification of Research Paradigm

The previous brief characterisations of the philosophical positions illustrate that there are differences between the paradigms which have impacts on the investigation, its practical application, the interpretation of the gained results and “policy choices” (Guba & Lincoln, 1994, p. 112). In the following the four paradigms are discussed against my underlying research design, which aims to close the identified knowledge gap by exploratively constructing a framework applicable by practitioners (cf. Chapter 1.2).

Positivism

Positivism answers the ontological question with the existence of a reality which is assumed to be apprehendable and influenced by “immutable natural laws and mechanisms” (Guba & Lincoln, 1994, p. 109). Methodologically, positivists clearly state their questions and hypotheses which then have to be empirically verified, by applying mainly quantitative research designs consisting of controlled experiments as well as sample surveys with the aim of theory-testing or deduction (Perry, Riege, & Brown, 1999; Ponterotto, 2005; Saunders, Lewis, & Thornhill, 2009). Thereby, the positivist view does not consider that respondents/research participants are able to “reflect on problem situations, and act upon this” (Robson, 1993, p. 60). Positivists furthermore have the view that the researchers should be independent of their ‘research object’ and should not

¹⁵ Only excerpt from Guba and Lincoln’s (1994) overview.

participate in the research object's world. Perry, Riege, and Brown (1999), therefore, e.g. conclude that social science researchers should not try to answer their research question within the positivist world.

Taking these points into account, the positivist research paradigm is not considered to be an appropriate paradigm because of the following reasons. Firstly, the literature review has shown that - even though there is a high amount of possible respondents and practitioners within the banking industry - the response rate in quantitative studies often was quite low (e. g. Strauss, 2005). This challenge might be even enhanced focusing on a specific area within the banking industry ('derivatives'). A strictly quantitative research design is therefore inappropriate. Secondly, the nature of my research is exploratory and, therefore, contradicts the positivist research paradigm which seems to be an appropriate background for theoretical-testing and deductive studies. Thirdly, the idea of my study is an open-dialogue within the world of practitioners trying to find new knowledge, which could not be raised within a controlled environment, which might need to be manipulated to gain replicable results.

Postpositivism

In the postpositivism view of the world, "reality is assumed to exist but can only imperfectly" be experienced as the "intellectual mechanisms" of humans are not able to capture the phenomena of nature (Guba & Lincoln, 1994, p. 110). Nevertheless, postpositivists have the ideal to deliver objective results, and a focus is laid on comparisons to previous findings in order to determine the extent as to which own findings fit to them.

Methodologically, post-positivists emphasise falsifying hypotheses rather than verifying them (Ponterotto (2005), with reference to Lincoln and Guba (2000)). Knowing about the critiques on positivism, the post-positivists try to overcome the disadvantages by fulfilling their research in more realistic and natural situations. They do not only try to test hypotheses and derive findings, but also accept that discovery is an element of inquiry. This is methodologically done with a higher accomplishment of qualitative techniques (Guba & Lincoln, 1994) as all research methods are treated to be imperfect and a combination of qualitative and quantitative research methods seems to be necessary to understand phenomena as well as the testing and generating of theory (Patton, 2002).

As the postpositivist view does not completely negate qualitative techniques of inquiry, which seems to suit for an exploratory research design (Zikmund, 2003), the postpositivist paradigm could potentially be regarded to be appropriate for my research. Nevertheless, the small amount of respondents in previous research and the problem of addressing appropriate participants in quantitative surveys, which might not be compensated by qualitative elements, lead to the conclusion that the postpositivism paradigm, though being generally appropriate, still is not an optimal paradigm for research of this nature. This decision is also underlined by the paradigm's characteristics to rather focus on theory falsification than theory generation, which contradicts my research objectives.

Critical Theory

Within critical theory reality is assumed to “was once plastic”, then shaped by several factors (e.g. social, political and economic influences) and finally refined into several structures which are now taken to be real and able to be apprehended (Guba & Lincoln, 1994, p. 110). In contrast to positivism, the researcher and the research objectives are “interactively linked” with each other (Guba & Lincoln, 1994, p. 110).

As researcher and research object interact with each other, a dialogue of consciousness is methodologically required to be prevented from misinterpretations and ignorance (Guba & Lincoln, 1994). Therefore, Ponterotto (2005, p. 130) comments that the paradigm “often forms the conceptual base for qualitative multicultural research”. Furthermore, critical theory is characterised by disruption, emancipation and transformation and its studies “are often long-term ethnographic and historical studies of organisational processes and structures” (Perry, Riege, & Brown, 1999, p. 17).

As my research requires interaction between the research participants and the researcher, the critical theory might be indicatively suitable. Nevertheless, my research does not aim on emancipation and transformation and the design is neither long-term, nor has an ethnographic or historical character. Therefore, critical theory does not seem to be an appropriate research paradigm for answering my research question.

Constructivism

According to the constructivists' view of the world, realities are apprehendable in a way that they are seen to be “multiple, intangible mental constructions” (Guba & Lincoln,

1994, p. 110), raised and built on (social) experiences of individuals or groups. Consequently, they are seen to be specific and local – even though similarities and overlaps within these individual constructions exist. Hence, constructions are not seen to be unique and true, but based on more or less pieces of information and are, therefore, characterised to be “associated “realities”” (Guba & Lincoln, 1994, p. 111).

Constructivists accept and assume that the researcher interacts with the ‘research object’ and that findings are influenced and “literally created” within the process of investigation (Guba & Lincoln, 1994, p. 111). Constructivists assume that their own “personal, cultural, and historical experiences” (Creswell, 2009, p. 8) help them to refine their research findings and interpretations. As they are interested in the meanings and (individual) perspectives their objects of investigations have about the world, they mainly base their investigation on qualitative research methods (Ponterotto, 2005).

The constructivism view of the world is seen to be appropriate due to the following reasons: Firstly, the purpose of this research is exploratory, accepting that only few practitioners will be able and willing to participate and share their experiences and meanings about critical success factors (and therefore about the research questions and objectives). Secondly, the aim to construct a framework to explore a phenomenon needs a deep understanding of the business activity accomplished by considerations about regulations and future developments and, therefore, requires complex discussions. Thirdly, the researcher can be seen as a passionate practitioner regarding the topic, working within this area for several years. In consideration of these reasons it seems to be appropriate to take the position of a constructivist to answer the research question.

4.3. Role of Researcher

In the previous section it has already been mentioned that I am an actively engaged person within the business field under investigation, accepting that this has also influence on the way of conducting research with several advantages and disadvantages. Locke, Spirduso, and Silvermann (2007) clearly emphasise that this way of ‘interpretative research’ has strong impacts on a wide range of strategic, personal and ethical aspects throughout the whole research process. As suggested by Creswell (2009), I clearly stress my professional background for transparency reason:

For more than six years I have focused my activities on capital markets working as a senior consultant for banks helping them to structure and sell OTC-strategies to various

groups of clients. In addition to this operative business, I was engaged in several strategic projects determining the potential of banks to earn money with introducing business units for OTC derivatives as well as setting these up.

The professional background was accomplished by academic studies alongside career with the achievement of the degrees of Bachelor of Business Administration, Diplom-Kaufmann (FH) and Master of Science (Finance).

Due to this professional background each connection between me and the participants is clearly stated and possible concerns are addressed. This is done by i) providing further information about interview participants, ii) an in-depth questioning of the gathered information as well as iii) a transparent form of data analysis regarding questionable/potentially doubtful information. These techniques are enhanced by strategies for validating findings and to enhance trustworthiness, which are explained in section 4.5.

4.4. Explanation and Justification of Research Methodology and Methods

4.4.1. Overview of Quantitative, Qualitative and Mixed Methods

Besides the varying definitions of previously mentioned research paradigms, researchers also face a variety and interchangeable use of definitions referring to methodology and methods, which accomplish the research paradigm (Mackenzie & Knipe, 2006). Reviewing literature, Mackenzie and Knipe (2006) summarise that within most works methodology is defined to be “the overall approach to research linked to the paradigm or theoretical framework” while “*method* refers to systematic modes, procedures or tools used for data collection and analysis of data” (Mackenzie & Knipe, 2006, para. 12). These definitions will form the basis for the following discussions.

Creswell (2009) classifies research methodologies into quantitative, qualitative and mixed method approaches. Hereby, Creswell (2009) follows the argumentation of Newman and Benz (1998), who view quantitative and qualitative approaches as “different ends of continuum” rather than dichotomies (Creswell, 2009, p. 3). Research based on mixed methods approaches tends to have characteristics of both approaches. In history, researchers debate which methodology is the superior one. Thereby, some researchers insist that “qualitative and quantitative research paradigms should not be mixed” (Johnson & Onwuegbuzie (2004, p. 14) with reference to Howe, 1988), while others clearly support such a procedure (e.g. Tashakkori & Teddlie, 2003).

Often quantitative and qualitative approaches are differentiated by the terms ‘numbers vs. words’ and ‘closed-end questions vs. open-ended questions’. Creswell (2009) argues that a more complete view can be gained through a discussion of the philosophical worldviews, the research strategies and the techniques for data gathering.

The quantitative approach generally tries to focus on “testing objective theories by examining relationships among variables” (Creswell, 2009, p. 4). It focuses on an objective and precise measurement of data and results can be usually expressed within tables or graphs (Jackson, 1995). Johnson and Onwuegbuzie (2004) classify quantitative research to be well suited to study large numbers.

In contrast to this, qualitative research is classified to be an approach to explore and understand “the meaning individuals or groups ascribe to a social or human problem” (Creswell, 2009, p. 4). Leedy and Ormrod (2001, p. 147) sum up that generally qualitative research has two core characteristics: the concentration on real world phenomena and the goal to study these “in all their complexity”. This is also argued by Ticehurst and Veal (2000), who note that a qualitative approach rather focuses on the gathering of a large amount of information from a small group than a small amount of information from a large sample.

The mixed method approach combines the quantitative and qualitative approach having the goal to strengthen the advantages and minimises the weaknesses. Following this consideration the approach is less restricted than a chosen mono-method and therefore has a higher chance to develop knowledge as “comprehensively and completely as possible” (Morse, 2003, p. 195).

Against this background, researchers are challenged to decide which research approach fits to answer their research question. The initial literature review has shown that so far neither the research question nor the research objectives have been addressed within previous research (cf. Chapter 3.2.6 and 3.4). The aim of the research is, therefore, to close the knowledge-gap and resolve the existing problem within practice. Hence, according to Sekaran (1992, p. 95), who concludes that “an exploratory study is undertaken when we do not know much about the situation at hand, or when we have no information on how similar problems or research have been solved in the past”, my research can be classified to be exploratory by nature. Typically, these exploratory studies mostly make use of qualitative methods and have the purposes of “i) diagnosing a situation; ii) screening alternatives; and iii) discovering new ideas” (McMahon, 2008, p. 77). The complexity of the phenomenon of derivative sales in savings banks against the

background of the financial crisis and the required inclusion of experts also show the need for a qualitative approach as only this considers personal values, experiences and a personal interpretation of the setting. To sum up, a qualitative research design seems to be appropriate to answer the research question.

4.4.2. Overview of selected qualitative Research Methods

Previous paragraphs and their justification for finding an appropriate philosophical worldview to answer the question have illustrated that my research question needs to be addressed in a qualitative way. Creswell (2009, p. 11) illustrates that the choice of a philosophical worldview as well as the selection of a “qualitative, quantitative, or mixed methods study to conduct” need to be accomplished by suitable “strategies of inquiry”. These strategies of inquiry are specific types of methods and provide “specific direction for procedures in a research design” (Creswell, 2009, p. 11).

Within qualitative research design, Creswell (2009, p. 13) refers to the following five strategies, clearly mentioning that these are not all possible and “viable ways to conduct qualitative studies”:

- 1) Ethnography,
- 2) Grounded theory,
- 3) Case Studies,
- 4) Phenomenological Research and
- 5) Narrative Research

Even though there is a “need for a clear research strategy”, the strategies are not “mutually exclusive” with the meaning that a chosen strategy can be combined with another or can be part of one other (Saunders, Lewis, & Thornhill, 2009, p. 141). Nevertheless, Creswell (2007) puts emphasis on the fact that the overall research design needs to be coherent and consistent. A brief overview of the contrasting characteristics of the five approaches is given in Figure 24.

Characteristics	Narrative Research	Phenomenology	Grounded Theory	Ethnography	Case Study
Focus	Exploring the life of an individual	Understanding the essence of the experience	Developing a theory grounded in data from the field	Describing and interpreting a culture-sharing group	Developing an in-depth description and analysis of a case or multiple cases
Type of Problem Best Suited for Design	Needing to tell stories of individual experiences	Needing to describe the essence of the experience	Grounding a theory in the views of participants	Describing and interpreting the shared patterns of culture of a group	Providing an in-depth understanding of a case or cases
Discipline Background	Drawing from the humanities including anthropology, literature, history, psychology, and sociology	Drawing from philosophy, psychology, and education	Drawing from sociology	Drawing from anthropology and sociology	Drawing from psychology, law, political science, medicine
Unit of Analysis	Studying one or more individuals	Studying several individuals that have shared the experience	Studying a process, action, or interaction involving many individuals	Studying a group that shares the same culture	Studying an event, program, an activity, more than one individual
Data Collection Forms	Using primarily interviews and documents	Using primarily interviews with individuals, although documents, observations, and art may also be considered	Using primarily interviews with 20-60 individuals	Using primarily observations and interviews, but perhaps collecting other sources during extended time in field	Using multiple sources, such as interviews, observations, documents, artifacts
Data Analysis Strategies	Analyzing data for stories, "restorying" stories, developing themes, often using a chronology	Analyzing data for significant statements, meaning units, textural and structural description, description of the "essence"	Analyzing data through open coding, axial coding, selective coding	Analyzing data through description of the culture-sharing group; themes about the group	Analyzing data through descriptions of the case and themes of the case as well as cross-case themes
Written Report	Developing a narrative about the stories of an individual's life	Describing the "essence" of the experience	Generating a theory illustrated in a figure	Describing how a culture-sharing group works	Developing a detailed analysis of one or more cases

Figure 24: Contrasting Characteristics of Qualitative Approaches (Creswell, 2007, p. 78 et seq.)

As many of the critical success factors of how to make a business segment successful might be driven by people's behaviours, a strategy of inquiry which is informed by and

based on the grounded theory approach seems to be appropriate and is also consistent with the underlying constructivist view of the world. Due to the explorative and theory-seeking research objectives this approach is suitable as it combines both, being an ‘open’ approach as well as offering methodological stringency and transparency to analyse data systematically (Goldkuhl & Cronholm, 2010). Furthermore, the approach is pertinent to the lack of information which has been identified in literature. Instead of developing the theory ‘off the shelf’, it is rather ‘grounded’ by the data of involved participants (Strauss & Corbin, 1998). Hence, grounded theory can be classified to be a qualitative strategy of inquiry which makes use of the experiences of the participants in order to generate or ground a general theory out of a “process, action, or interaction” (Creswell, 2007, p. 63). In the following the grounded theory approach is illustrated and hereafter applied.

4.4.3. Grounded Theory as Strategy of Inquiry

4.4.3.1. Historical and Theoretical Background

Historically, grounded theory was developed by Glaser and Strauss in 1967 in light of the fact that common strategies of inquiry often were inappropriate and the aspect of grounding theories on gained data was missing.¹⁶ Even though Glaser and Strauss initially collaborated on the theory-development, the authors “ultimately disagreed about the meaning and procedures” (Creswell, 2007, p. 63) as for example Strauss’ grounded theory approach is criticised to be too structured by Glaser (1992). In addition to this, several other researchers, e.g. Clarke (2005) and Charmaz (2006) have introduced other perspectives into the discussion. While Clarke (2005, p. xxiii) focuses on the “positivist underpinnings” within the theory approach, Charmaz (2006) concentrates on a ‘constructivist grounded theory’.

After illustrating the characteristics the different specificities of grounded theory have in common, I mainly refer to the approach informed by Corbin and Strauss (1990, 2008) and Strauss and Corbin (1996) in the following. This choice is justified by the reason that the original approach by Glaser and Strauss (1967) does not offer a detailed description of ‘how’ a theory emerges from raw data which can, however, been found in the works of Strauss and Corbin. Especially against the background that this is my first research

¹⁶ For more information about the idea and the development of grounded theory please refer to Corbin and Strauss (1990), Corbin and Strauss (2008), Glaser (1978), Glaser and Strauss (1967), Strauss (1987) as well as Strauss and Corbin (1998).

study, I have identified the more structured approach by Strauss and Corbin, which offers an explicit and detailed approach for analysing, to be more suitable ‘to guide and inform’ me through my research project and to avoid the risk of missing coherence.

Generally, grounded theory follows the idea of being a transparent approach having the aim to develop or ground theory “by a series of observations”, instead of setting up an initial theoretical framework which will then be proved within a deductive approach (Saunders, Lewis, & Thornhill, 2009, p. 149). The observations lead to predictions, which are then tested to be valid or invalid by further observations. Therefore, Collis and Hussey (2003) characterise grounded theory to be an inductive as well as deductive research approach.

As a result, new theory shall be area-specific and grounded on empirical data. Hereby literature about grounded theory defines theory to be a set of concepts linked through hypothesis (Denzin, 1978). In this context concepts are defined to be summarising snapshots of reality in an abstract way. A similar definition is provided by Corbin and Strauss (2008, p. 55), who (referring to Hage, 1972, p. 34) define *theory* as “set of well-developed categories (themes, concepts) that are systematically interrelated through statements of relationship to form a theoretical framework that explains some phenomenon”.¹⁷

Grounded theory is based on the principle of parallel data gathering and analysis. Research usually starts with a very broad (research) question or a specific interest in an area as well as “no pre-identified concepts” (Corbin & Strauss, 2008, p. 21). These rough considerations are followed by several *sensitizing concepts* (Bulmer, 1979), which consists of a preliminary system of concepts as well as assumptions for critical factors within the research area. In literature (Glaser, 1978; Padgett, 2004) sensitizing concepts are often seen as “interpretive devices and as starting point for a qualitative study” by social researchers (Bowen, 2006, p. 2).

This stage is followed by an initial process of data gathering, which generally starts on a quite broad level, seeking as much information as possible regarding the research question. Parallel to this, data analysis starts making use of identifying concepts (and categories) which help to explain the research area. These concepts can range from low-

¹⁷ For a more detailed discussion about the term ‘theory’ in grounded theory studies please refer to Charmaz (2006, p. 123 et seqq.), who extensively refers to the challenges of defining theory resulting from the variety of understandings and underlying notions.

level concepts to high-level concepts. Corbin and Strauss (2008) define the last one to be categories. These categories summarise/subsume similar low-level concepts and “represent relevant phenomena and enable the analyst to reduce and combine data” (within literature categories are sometimes also named ‘themes’) (Corbin & Strauss, 2008, p. 159). All concepts, disregarding their level, are based and raised out of data and can be differentiated by their level of abstractness and helpfulness to understand the essence of gathered data.

Throughout this form of analysis, a focus is laid on the method of *constant comparison*, which focuses on comparing incident with incident for similarities and differences (Glaser & Strauss, 1967). Incidents which are “conceptually similar are grouped together” to categories having the opportunity to develop category specific properties (characteristics defining concepts) and dimensions (variations within properties) (Corbin & Strauss, 2008). In case researchers are unable to identify the meaning of an incident or to determine a concept’s dimension and property, the method of *theoretical comparison* might be used. This tool helps researchers to identify possible dimensions and properties in case there are not directly apparent (Corbin & Strauss, 2008). The idea of this tool is to include similar experiences from researcher’s own life into the case and to develop dimensions and properties for this experience. These developed dimensions and properties for a similar phenomenon are not applied to the data, but evaluated against the question if they might offer a deeper understanding of the ‘problematic’ incident (Corbin & Strauss, 2008).

Throughout these multiple stages of data collection and analysis, the categories created/founded are permanently rejected, extended or refined. This iterative process is supported by *theoretical sampling*, which helps to identify relevant data which are necessary to justify or reject made assumptions. In contrast to other forms of sampling, data collection is guided by the concepts/research and not by persons (Corbin & Strauss, 2008). The permanent comparison of data with up-coming categories as well as the “theoretical sampling of different groups to maximize the similarities and the differences of information” are the two primary characteristics of all varieties of the grounded theory approaches (Creswell, 2009, p. 13). The iterative, parallel process of data gathering and analysis continues till *theoretical saturation* emerges, having the meaning that no new data provide further aspects for the categories (Creswell, 2007, p. 64).

4.4.3.2. Open, Axial and Selective Coding

In contrast to the original work by Glaser and Strauss in 1967, Strauss and Corbin (1996) have developed an approach for data analysing which consist of three concrete stages of coding: i) open, ii) axial and iii) selective coding. Hereby coding is generally defined as the process of extracting concepts “from raw data and analyzing them in terms of their properties and dimensions (Corbin & Strauss, 2008, p. 159). The named coding forms and procedures do not necessarily progress consecutively.

Open Coding

Corbin and Strauss (2008, p. 160) clearly state that the first form of coding requires a “brainstorming approach“ as it has the aim to open the gathered data for all possible outcomes and results. The process of open coding consists of three parts and starts with a separation of the data gained into smaller pieces in order to make them manageable. This phase is followed by an interpretation of the contained information and ends with the denotation of conceptual names (one or two words) for these data. These conceptual names – referred to as concepts - summarise the essence of the data and can be provided either by the researcher himself or by the participants. Literature refers to these as being ‘in-vivo codes’ in case the researcher makes use of the participants’ words (Corbin & Strauss, 2008). This (open) coding should start soon after the beginning of the data collection to support the parallel cycles of analysis and next data gathering (Corbin & Strauss, 2008).

Corbin and Strauss (2008) suggest to start the analysis of open coding with skimming over the gathered data without making notes in order to get an impression about the participants’ experiences, motivations and information they have provided. Hereafter the mentioned separation of the data follows, accomplished by taking memos leading to codes. Memos are, in this context, defined to be “written records of analysis” (Corbin & Strauss, 2008, p. 117). Besides the function to group researchers’ thoughts, they “stimulate and document the analytic thought processes” and help to identify missing data (‘theoretical sampling’) (Corbin & Strauss, 2008, p. 140). Strictly from the beginning, differentiation between low- and high-level concepts shall be made in order to avoid a long list of concepts without any relationship at the end. Thereby, Corbin and Strauss (2008) suggest the use of diagrams.

This process of identifying concepts and listing them is followed by the allocating concepts/codes to categories, which summarise the contained ideas in a more abstract way. Afterwards a first attempt to identify relationships by determining the categories' dimensions is made. Each category has properties, which characterise and distinguish them from each other. A practical example is given by Corbin and Strauss (1990) referring to relationship between a nurse and an injured person the nurse is providing comfort to. The category 'comfort work' might have the property 'duration', which "can be dimensionalized as ranging from long to short episodes" (Corbin & Strauss, 1990, p. 423). The considerations and identifications of categories, properties and dimensions are supported by the methods of constant and theoretical comparison (cf. Chapter 4.4.3.1).

Axial Coding

A second aspect of data analysis in grounded theory is the "act of relating concepts/categories to each other" named 'axial coding' (Corbin & Strauss, 2008, p. 198). Even though it is often presented separately to 'open coding' for didactic purpose (e.g. even within a former edition of Strauss and Corbin (1998)) both processes go 'hand-in-hand' within academic practice. During the process of axial coding, categories are related with each other according to a coding paradigm developed by Strauss and Corbin (1996), which supports the identification of the contextual factors and relationships (Corbin & Strauss, 2008, p. 89). This paradigm consists of the following basic components (Strauss & Corbin, 1996):

- conditions,
- context,
- intervening conditions,
- strategies (action/interaction) and
- consequences.

'Conditions' are the factors determining the characteristics of the category. The 'context' is defined as the set of properties of a category ('phenomenon') as well as the framework under which expressions of responses take place to cope with the phenomenon (Strauss & Corbin, 1996). These expressions of response to a defined phenomenon (through

actions and interactions of the participants) are summarised by the term ‘strategy’. The applied ‘strategies’ in a certain context lead to respective ‘consequences’ (cf. Figure 25). Contrasting to Corbin and Strauss (1990), Strauss and Corbin (1996) add the term ‘intervening conditions’ to their coding paradigm defined to be a broader structural context, influencing the actions and interactions (e.g. time, location, culture).

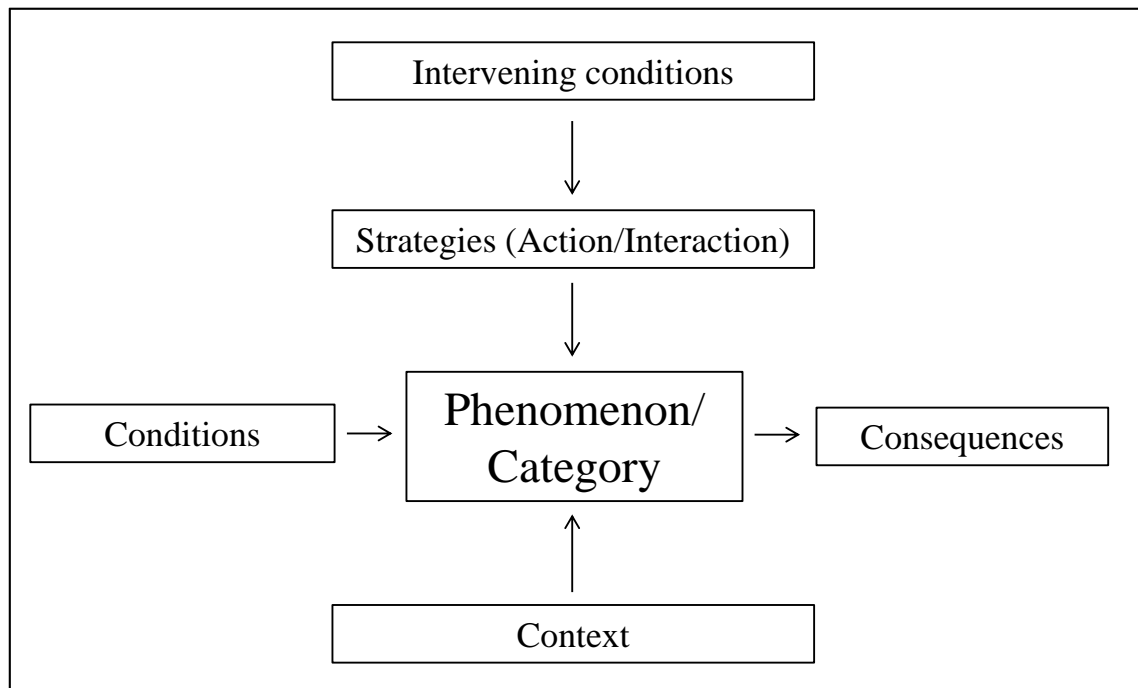


Figure 25: Coding Paradigm according to Strauss and Corbin (1996) (own creation)

Each category is evaluated against these relationships and the connection is made on a dimensional level according to the identified properties. For illustrating the idea of axial coding, Corbin and Strauss (1990, p. 423) refer to the given example of ‘work comfort’ with the following questions: “what are the conditions that gave rise to that kind of work?”, “in what context was it carried out?”, “by what action/interactions did it occur?” and “what were the consequences?”. The analyst can determine that under certain conditions, certain actions lead to certain consequences against the background of a certain context (Corbin & Strauss, 1990, p. 423).

A more detailed example is given within Strauss and Corbin (1996, p. 79 et seqq.) by describing the case of a broken leg (condition) and resulting pains (phenomenon) for the person injured. The specification of the broken leg can be furthermore characterised by the amount of fractures (e.g. several fractures) as well as the anatomical location (e.g. lower leg) as properties. Furthermore the dimensions can be described with the intensity

of pain (e.g. strong intensity) as well as the duration (e.g. long lasting). In this example the context is characterised to be e.g. the conditions under which the pain arises to be long lasting and strong within the lower leg. In this example Strauss and Corbin (1996) additionally refer to the term 'intervening conditions' illustrated by the place where the accident, which has caused the broken leg, happened (e.g. happening in a forest leading to a longer horizon until medical help arrives). An interacting strategy (action/interaction) is explained referring to the action to splint the broken leg, which leads to the consequence of a pain reduction under the above mentioned circumstances.

Selective Coding

Within the 'third' stage of process, selective coding is made by determining a core category, which integrates the theory by unifying all categories around. This core category is identified by answering questions like (Corbin & Strauss, 1990, p. 424):

- 1) "What is the main analytic idea presented by this research?"
- 2) "If I had to conceptualize my findings in a few sentences, what would I say?"
- 3) "What does all the action/interaction seem to be about?"
- 4) "How can I explain all of the variation that I see between and among the categories?"

The core category might be one of the already identified categories or an even more abstract term which is necessary to describe the phenomenon.

After identification of this category, its properties are evaluated and other categories will be related to it. Besides the above example of questions, Corbin and Strauss (1990), advise to make use of diagrams for visualising the relationships.

The whole process of analysis is characterised by changes between an inductive and deductive 'approach' as preliminary assumptions are raised through data within an inductive and then re-validated against these data within a deductive process. Hereby the made characterisations of the categories are tested and correspondingly modified (Corbin & Strauss, 2008; Przyborski & Wohlrab-Sahr, 2008; Struebing, 2008).

4.4.3.3. Generalisability and Reproducibility

According to Corbin and Strauss (1990) the level of generalisability of grounded theory depends on the process of abstraction within the research process as well as the level of abstractness. In this context, a higher degree of abstractness provides to a wider applicability of the theory. Nevertheless they admit that the “the range of situations to which it is applicable [...] are thereby carefully specified” (Corbin & Strauss, 1990, p. 424). Therefore, they give persons applying this method the advice to check to which extent the theory can be applied and appears to be useful.

Discussing the level of reproducibility Corbin and Strauss (1990) argue that it is “reproducible in the limited sense that it is verifiable” as no “social psychological phenomenon is actually reproducible”. Testing the hypothesis raised through grounded theory the investigator needs specify and adjust the conditions exactly to verify the given hypothesis. Generally, the level of reproducibility rises with the abstractness and the amount of covered conditions of the primary research (Corbin & Strauss, 1990).

4.4.3.4. Specifications of Grounded Theory within my Research Design

Within my research design I generally followed the above mentioned process of Corbin and Strauss (1990; 2008) and Strauss and Corbin (1996). Data were exclusively raised through semi-structured interviews with a defined sample group (cf. Chapter 5). The practical application of the above illustrated grounded theory led to several challenges which made some specifications necessary to ensure a consistent and successful research design. In this chapter I clearly state, explain and justify these. The specifications refer to the areas of:

- 1) developing new knowledge,
- 2) conducting a literature review,
- 3) pragmatic approach for fulfilling iterative process,
- 4) theoretical sampling and
- 5) achieving theoretical saturation.

Developing new Knowledge

Discussing the misunderstanding of the “necessity to develop a ground-breaking theory” in a thesis, Saunders, Lewis, and Thornhill (2009, p. 40) refer to Creswell’s differentiation

of theory types (Creswell, 2002). Creswell (2002) differentiate three types of theory named ‘grand theories’, ‘middle-range theories’ and ‘substantive theories’ (cf. Figure 26). The types differ regarding “their capacity to change the way we think about the world” and the “restrictions in terms of general applicability” (Saunders, Lewis, & Thornhill, 2009, p. 40). A similar differentiation is also mentioned by Corbin and Strauss (2008) referencing to Glaser and Strauss (1967) who differentiate between ‘formal’, ‘middle range’ and ‘substantive’ theories.¹⁸ Saunders, Lewis, & Thornhill (2009) conclude that most thesis address ‘substantive theories’, which is also seen to be appropriate by Creswell (2007) for grounded theory research.

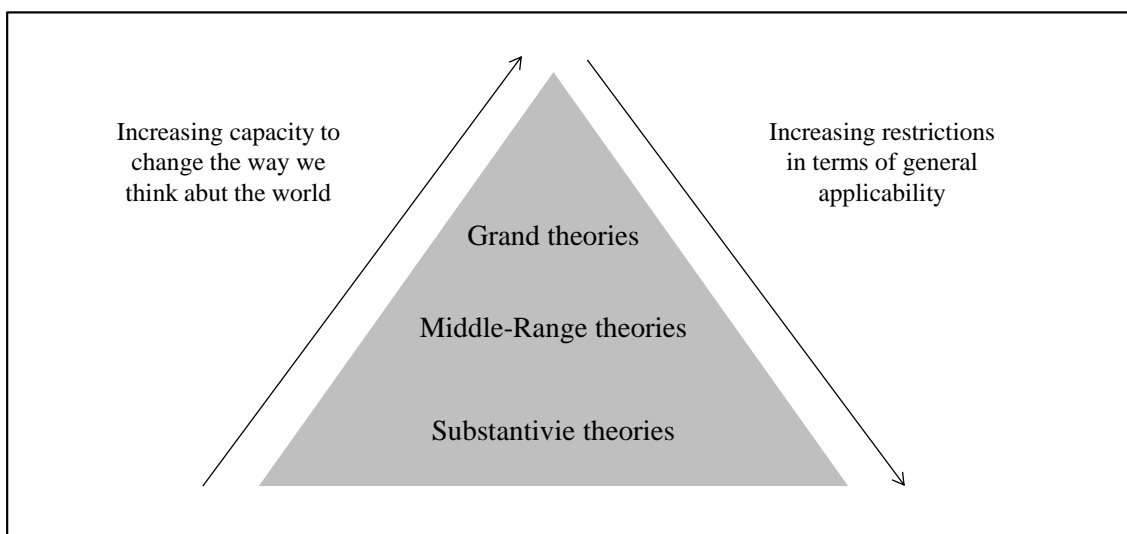


Figure 26: Types of Theory (Saunders, Lewis, & Thornhill, 2009, p. 40)

In contrast to Creswell’s view (2007) and Strauss, who generally hold on to the importance of theory for developing new knowledge, Corbin stresses the point that (new) knowledge contribution is not only provided by the construction of theory – even though speaking of and using grounded theory as strategy of inquiry (Corbin & Strauss, 2008). Corbin explicitly strengthens the relevance of other research goals than creating new theories, such as providing “Thick and rich description” or “case analysis” about complex issues (Corbin & Strauss, 2008, p. ix).

Another potential research aim is the development of a conceptual framework instead of a theory, which “explains, either graphically or in narrative form the main things to be

¹⁸ Besides these several other terms exist, as e.g. Rubin and Rubin (2005, p. 230 et seq.) refer to “case-focused theories”, “middle-ranged theories” and “grand theories”.

studied – the key factors, constructs or variables – and the presumed relationships among them” (Miles & Huberman, 1994, p. 18). Even though the definition sounds similar to the previously provided qualitative (grounded theory) definition of theory (cf. Chapter 4.4.3.1), Anderson (1997, p. 30) makes clear that “theory and conceptual framework are not identical” as a conceptual framework “will not have all the prerequisites of theoretical constructions”. Mentioning the variety of existing definitions about theory, Anderson (1997, p. 30) draws his (positivist) conclusion by summarising that theory often includes “lawlike generalizations” and “is empirically testable” (Anderson, 1997, p. 30). Similarly, Corbin and Strauss (2008, p. 56) also highlight the requirements a researcher faces aiming to develop a theory by advising that, if researchers aim to develop a theory, they “should do it well and not settle for some poorly constructed, thin imitation of theory” and add that the idea needs to be “explored fully and considered from many different angles or perspectives” as well as contributes to theoretical integration.¹⁹

Despite the philosophical views, I follow the argumentation of Corbin (argued in Corbin & Strauss, 2008) about knowledge contribution and accept the theoretical standards and abstractness a fully-integrated theory requires and which could only be ‘poorly’ met due to the intended period of time for this research. Therefore, my study aims to provide ‘thick and rich descriptions’ and develop an empirically based conceptual framework, which explains phenomena and relationships within the business area of derivative sales in German savings banks. This might be the starting point of a later “empirical verification with quantitative data” (Creswell, 2007, p. 67) and a development of a fully-integrated theory. Thus, I generally follow the basic idea of the underlying DBA-program to develop doctoral work which has relevance to both, theory and practice.

Conducting a Literature Review

A specification was already made within previous chapters by developing and presenting literature reviews, which focus on the development of the critical success factor approach within banking industry and business strategy models for derivative sales (as well as regulatory changes (cf. Appendix 2)). In contrast to Glaser and Strauss (1967) – but in line with Strauss and Corbin (1996) – I believe that it is not possible to collect data appropriately without any pre-knowledge (for further information please also refer to

¹⁹ For a detailed discussion of theory and a differentiation between positivist and interpretive definitions please refer to Charmaz (2006, p. 123 et seqq.).

Hopf (1979) and Dunne (2011)). Also Yin (2011, p. 62) argues, that even though early views denied the necessity to conduct a literature review, “researchers starting a new qualitative study these days probably have little justification for not reviewing the literature prior to starting their study”. Hence, literature reviews were conducted and explicitly made transparent in separate chapters in order to provide a better understanding of the current state of knowledge and to justify my own research.

Pragmatic Approach for Fulfilling the Iterative Process

Originally, grounded theory asks invariably for an iterative, parallel process of data gathering and analysis (Corbin & Strauss, 2008; Creswell, 2007), which takes place after each session of data collection. Due to pragmatic reasons and time restrictions some interviews, as technique of data collection (cf. Chapter 5.2), were scheduled on the same day leading to the fact that the possible period of time for reflection and analysis was quite short and analysis could be only fulfilled on a broad level. An example is the interviewing of Participant C, Participant D and Participant E, which took place on 03. December 2012. Nevertheless, this procedure offered the chance to follow up on upcoming thoughts and ideas immediately and supported a structured flow of research ideas.

Theoretical Sampling

Theoretical sampling was generally applied in the whole research design by orientating the data collection procedure on the developing categories and ideas. Nevertheless it has to be mentioned that due to limited resources theoretical sampling was only fulfilled against the defined research question and objectives. This procedure is in line with the experience made by Corbin and Strauss (2008, p. 198), who recognise “that more experienced researchers are more willing to “go with the flow” of data and let the data guide them”, while less experienced researchers stay “closer to their original question”. Against the original intention to unconditionally follow the research flow, theoretical sampling therefore was only conditionally fulfilled within the strategy of inquiry.

Achieving Theoretical Saturation

In line with the definition of a conceptual framework as research aim, the definition of saturation as point to stop analysing was calibrated. As Corbin and Strauss’ (2008)

definition of theoretical saturation corresponds to the development of a full theory, a characterisation of saturation provided by Rubin and Rubin (2005) is seen to be more appropriate in the context of a conceptual framework and is hence adapted. They (Rubin & Rubin, 2005, p. 68) define saturation to be reached, when “understandings provide a complete picture” of the underlying research area.

4.4.3.5. Revisiting Research Design

My research design consists of the following dimensions, clearly accepting that there are varying terms of definition in literature: Choosing constructivism as research paradigm, I consider grounded theory as appropriate strategy of inquiry for my research in the context of a qualitative research methodology. The process of data gathering will be named research techniques and practically fulfilled by face-to-face interviews. A detailed explanation as well as justification is illustrated within Chapter 5 in order to avoid redundancies and to provide a high level of practical reference. Figure 27 offers an overview of my research design as well as providing an outlook on the next chapter.

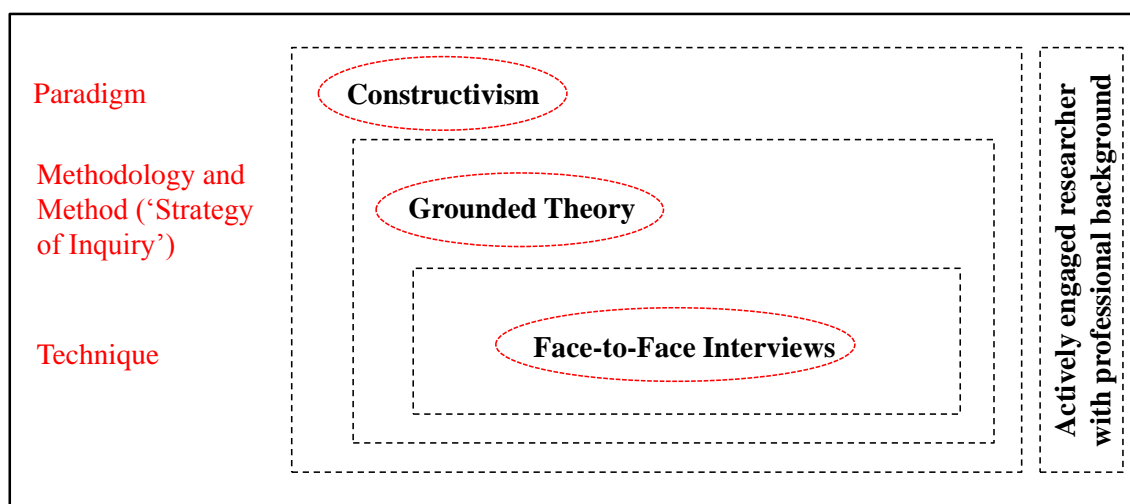


Figure 27: Overview of Research Design (own creation)

4.5. Aspects of Trustworthiness

Generally, a variety of quality criteria are discussed within scientific literature, whereby also the dispute raises if there is a certain set of criteria which is applicable and valid for all kind of scientific research or if a particular set of quality criteria has to be defined and specified for qualitative research. Rolfe (2006) questions the existence of such a unified

framework and Sandelowski and Barroso (2002, p. 8) conclude that “the only site for evaluating research [...] is the report itself”.

Especially referring to qualitative studies, Bryman, Becker, and Sempik (2008) comment that in contrast to quantitative studies, the quality criteria for qualitative research are neither known nor widely agreed. Flick (2002), therefore, concludes that the challenge to determine evaluation criteria for qualitative research has not been managed yet.

Following my constructivist view I assume that it might be hard to find a rigid framework of quality criteria that perfectly applies to my qualitative research design and my practice-oriented study. Nevertheless I am of the opinion that there have to be criteria and strategies helping to judge and validate findings and to strengthen the quality of the work. Thereby, I follow the statement of Whitemore, Chase, and Mandle (2001, p. 527), who argue that “elegant and innovative thinking can be balanced with reasonable claims, presentation of evidence, and the critical application of methods”. Hence, I tried to identify a most appropriate set of evaluation criteria accepting that this might not be holistic.

Creswell (2009, p. 190) reduces the discussion of trustworthiness on three termini: i) validity, ii) reliability and iii) generalisability. Referring to Gibbs (2007), Creswell (2009, p. 190 et seq.) describes ‘qualitative validity’ as the check for “the accuracy of the findings by employing certain procedures” and ‘qualitative reliability’ to be a measure indicating the consistency of the chosen approach to other researchers and projects.

For achieving these criteria, Creswell (2009, with reference to Gibbs (2007) and Yin (2003)) summarises/develops a list of ‘reliability procedures’ (cf. Table 8) as well as a catalogue of ‘strategies for validate findings’ (cf. Table 9). Discussing generalisability, Creswell (2009) argues that qualitative research has rather the aim to describe specific themes than to achieve generalisability. He hereby refers to Greene and Caracelli’s (1997) explanation that ‘particularity’ and not ‘generalisability’ is the focus of qualitative research.

For fulfilling my own research design I choose Creswell’s aforementioned quality criteria for checking the “accuracy and credibility of findings” (2009, p. 190) to be appropriate due to the following reasons:

- The defined criteria validity, reliability and generalisability are traceable and have a strong intersection and acceptance to other approaches/argumentations.

- Creswell's definitions (2009) stay on a meta-level for qualitative research and do not necessarily need to be applied to grounded theory approaches. Especially against the background that each grounded theory might develop in a different way, it might be an advantage to initially stay on a more abstract level and to concretise them with practical examples, instead of using an approach which strictly focuses on (a constructivist) articulation of grounded theory criteria.
- The transparent questioning of the research design and the results based on these three criteria offers a transparent overview to which extent the study fulfils the theoretical requirements (and to which extent it does not fulfil them). Discussing for example the terms 'generalisability' or 'consistency to other researchers' against the background of my own research it becomes apparent, that this requirement might be hard to achieve focusing on the own hand on specified cases and on the other hand being the only person undertaking the data gathering and analysis.
- Creswell's procedures to ensure reliability and to validate findings are manageable and applicable. Especially against the background that this is my first 'larger' qualitative research project I need to focus on an approach which on the one hand is most suitable to fit to my research design and on the other hand has a high level of practicability and transparency.

Table 8 and Table 9 provide an overview how previously mentioned criteria of validity and reliability are addressed within my research and how the recommended strategies are applied. These explanations are followed by a short review of the criterion of generalisability.

Recommendations	Applied strategies and actions
Document as many steps of the procedures as possible (Yin, 2003)	<ul style="list-style-type: none"> • Documentation and justification of literature reviews • Documentation and justification of participant selection for data gathering as well as description of participant group's characteristics • Documentation and explanation of data gathering technique • Documentation and explanation of data analysis techniques • Documentation of findings as well as documentation of their relevance to practice and theory • Documentation of limitations and implications for future research
Set up a detailed case study protocol and database (Yin, 2003)	<ul style="list-style-type: none"> • Recording and transcription of gathered data • Storage of transcribed data in analysis software NVivo (set-up of information database)
Check transcripts to avoid mistakes made during transcriptions (Gibbs, 2007)	<ul style="list-style-type: none"> • Double review of transcribed data
Check definition and meaning of the codes throughout research process (Gibbs, 2007)	<ul style="list-style-type: none"> • Continuous verification and calibration of codes within the systematic process of open, axial and selective coding
In case of team work: ensure communication and documentation among coders (Gibbs, 2007)	<ul style="list-style-type: none"> • Not relevant as no team work
Cross-check own codes with codes from different researchers (Gibbs, 2007)	<ul style="list-style-type: none"> • Not applied to avoid bias and preconceived thoughts
Intercoder agreement/cross check in case of more coders involved (Creswell, 2009)	<ul style="list-style-type: none"> • Not relevant as only one coder involved
Use of qualitative computer software to determine/ensure level of consistency (Creswell, 2009)	<ul style="list-style-type: none"> • Usage of NVivo as qualitative data analysis software to increase consistency and simplify systematic data gathering and analysis approach

Table 8: Maintaining Reliability (based on Creswell, 2009, p. 190 et seq.)

Recommendations	Applied strategies and actions
Triangulation	<ul style="list-style-type: none"> • Only usage of one empirical method
Check and discuss findings with participants ("member checking")	<ul style="list-style-type: none"> • Discussion of (preliminary) findings with participants
Use "rich, thick descriptions" to provide the reader a realistic explanation of the setting	<ul style="list-style-type: none"> • Continuous employment of rich and thick description for description of setting • Continuous usage of participant quotations for illustrating phenomena
Clarification on research bias ('role of researcher')	<ul style="list-style-type: none"> • Explicit description of the role of researcher and its professional background • Explanation of the researcher's role for selection of participant group • Highlighting of data and information based on the professional experience of the researcher • Validation of findings against data gathered from participants
Present "negative or discrepant information" within your study	<ul style="list-style-type: none"> • Mentioning of challenges during research project • Missing information are mentioned (e.g. key economic figures regarding earnings and costs)
Spend "prolonged time" within the research field/with participants	<ul style="list-style-type: none"> • Long-lasting professional experience of the researcher in capital markets and consulting businesses in a variety of financial institutes
Use "peer debriefing" involving a person who is involved in research	<ul style="list-style-type: none"> • Peer debriefing selectively took place by discussing preliminary (results) with selected participants
Make use of an "external audition" by a person who has not been involved within the research design	<ul style="list-style-type: none"> • External audition was made by third person who has not been involved within research but has a long-lasting career in capital markets (e.g. by discussing the anonymised findings)

Table 9: Maintaining Validity (based on Creswell, 2009, p. 191 et seq.)

My research was purposively fulfilled in a qualitative research design having the aim to focus on particularity instead of generalisability. Therefore, the mentioned criterion of generalisability is not met and explicitly mentioned as limitation within Chapter 7.4. Nevertheless, other parties might gain useful information for their own institute accepting that findings do not have statistically significance for representativeness.

Specific limitations as well as mitigating techniques affecting accuracy and credibility resulting from the procedure of data gathering and data analysis are addressed in Chapter 5.4.

4.6. Anticipated Ethical Issues

As this research is based on gathering information from individuals about individuals and their environment, ethical issues, which might arise throughout the research, have to be anticipated (Creswell, 2009; Hesse-Bieber & Leavey, 2006). Creswell (2009, p. 93) states that ethical issues arise at “all phases of the research process”; starting with the definition of the research problem, the purpose and questions addressed as well as within the process of data collection and interpretation. In addition to this, also the writing and publication of the research offers several ethical ‘pitfalls’ the researcher needs to avoid. Hence, ethical guidelines need to be considered, actively applied on all levels and communicated to the participants.

For overcoming these challenges, the study strictly regards the ethical guidelines recommended by the University of Gloucestershire (URDC, 2008). Following the advice of Patton (2002), the ethical guidelines had been transferred into a project-specific framework under whose context data gathering and data analysis took place (cf. Table 10). The framework comprises the i) the statement of principles named within the ‘The University of Gloucestershire’s Handbook of Research Ethics’, ii) a description of the mitigation technique for anticipating ethical issues and iii) references if possible. Further information regarding mitigating actions are provided in Chapter 5 which illustrates the practical process of data gathering and data analysis.

Principle	Mitigating Action	Reference
Responsibilities <ul style="list-style-type: none"> towards research participants towards other researchers 	<ul style="list-style-type: none"> close contact with supervisor team provide detailed information about research and concrete procedure to participants 	<ul style="list-style-type: none"> Supervisory Record Sheets (cf. Appendix 4) Interview Information Document (cf. Appendix 5)
Informed Consent <ul style="list-style-type: none"> Freely given informed consent Explanation of aims and nature of research Power imbalance between researcher and researched Anonymity, confidentiality and discussion of data gathering devices Share of data to third Involvement of gatekeepers Young or vulnerable research participants Consequences for research participants 	<ul style="list-style-type: none"> Interview participants were informed and acquired by an interview information document, containing information about: <ul style="list-style-type: none"> a) intention of contacting b) background of research c) research design & consequences d) concrete procedure e) freedom of consent Personal discussion and explanation of the following issues at the beginning of each interview: <ul style="list-style-type: none"> a) Guarantees regarding anonymity and confidentiality of their person and gathered data (which information stay anonym, which characteristics are presented) b) Agreement to use voice recording c) Inform participants about their right to refuse participation at any time Offer to send participants transcribed interview and to consent on an approval-process Not relevant: Ethical Issues regarding share of data to third as well as participation of young or vulnerable research participants 	<ul style="list-style-type: none"> Interview Information Document (cf. Appendix 5)
Deceptive and Covert Research <ul style="list-style-type: none"> Avoid use of deception within research methods Covert research & experimental manipulation 	<ul style="list-style-type: none"> not relevant 	

Confidentiality and Anonymity <ul style="list-style-type: none"> • Anonymity and privacy of research participants • Confidentiality and anonymity of research data • Avoid unrealistic assurances or guarantees 	<ul style="list-style-type: none"> • Anonymity and privacy is guaranteed for research participants • All identifying data and all documents as well as digital media are kept in secure storage/data room • Information which data/information stay confidential and which information are ‘published’ 	<ul style="list-style-type: none"> • Interview Information Document (cf. Appendix 5)
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Table 10: Developed Ethical Framework (based on URDC, 2008)

The following Chapter 5 describes the practical process of data gathering and analysis.

5. Data Gathering and Data Analysis Procedure

5.1. Introduction

Chapter 5 compliments the previously introduced philosophical and methodological aspects with detailed descriptions of the data gathering technique, the underlying sample group of research as well as the techniques for analysing data. In addition to this, the limitations of the applied data gathering techniques as well as analysis procedure are illustrated within this chapter. This procedure of excluding the ‘concrete process’ of data gathering and analysis from Chapter 4 was intentionally chosen in order to avoid redundancies and to improve transparency by providing practical insights of how research has been undertaken.

During my research project, an overall challenge arose to resist the temptation not to follow the research flow unconditionally, but rather to find an appropriate mixture of both, pursuing exciting findings as well as focusing on the research question and objectives set (cf. Chapter 1.2).

A general ‘correcting procedure’ was therefore used: Influenced by and focused on the defined research question and research objectives (‘specific interest’), the iterative process of data gathering (cf. Chapter 5.2) and analysis (cf. Chapter 5.3) took place. By doing so, a specific and deep understanding of the underlying research area evolved, which is subject to associated limitations (cf. Chapter 5.4). Figure 28 illustrates the chosen procedure and illustrates the scope of work of Chapter 5. The presentation of the findings is provided in Chapter 6 in all detail.

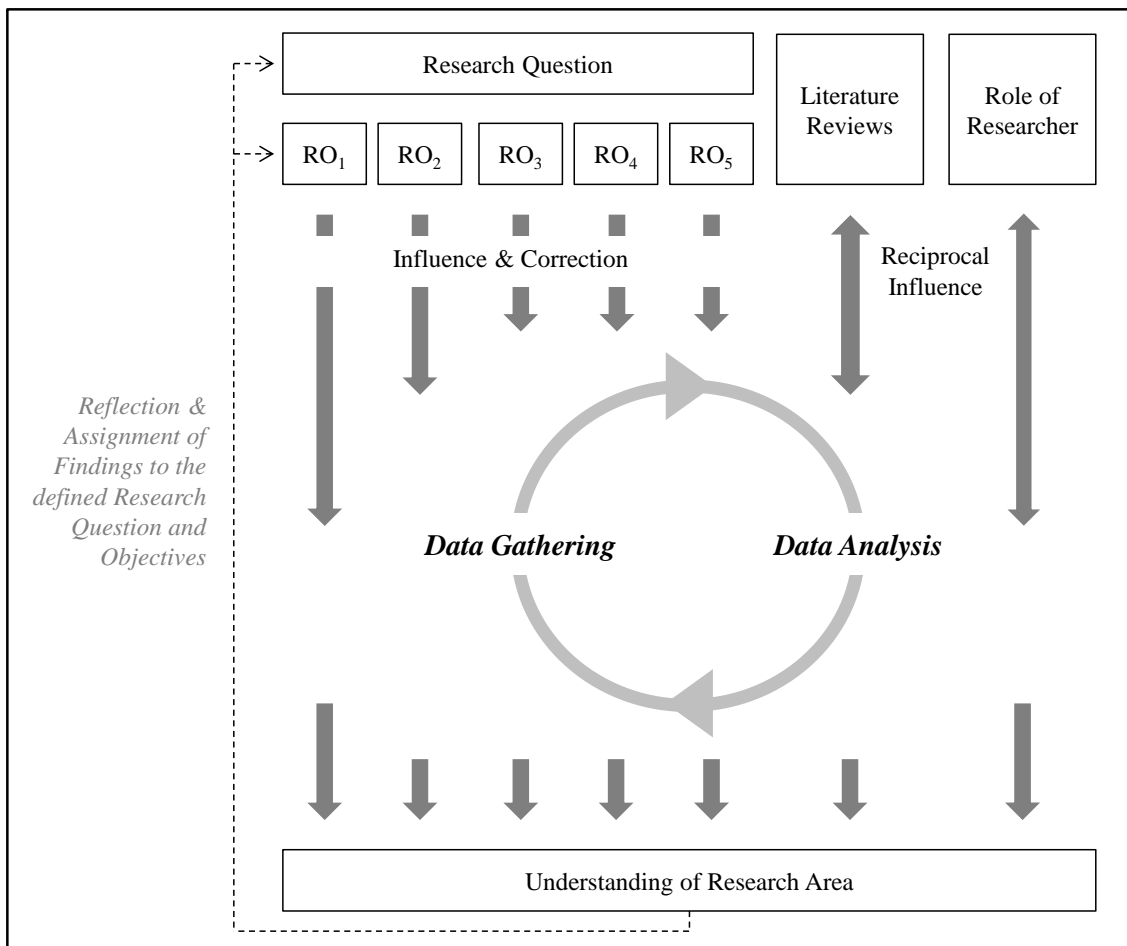


Figure 28: Procedure of Data Gathering and Data Analysis Process (own creation)

5.2. Data Gathering through semi-structured Interviews

5.2.1. Justification of Research Techniques

Interviewing can be seen to be one of the core data collection techniques within qualitative research methods (Creswell, 2009; Corbin & Strauss, 2008). Generally, it offers the researcher the ability to gain information about phenomena which cannot be observed directly. The answers offer “a solid base of fact from which conclusions can be drawn, interpretations made and on which further research can be based” (Arthur, 1999, p. 155, as cited in McMahon, 2008, p. 108). As people are asked to talk about themselves and their experiences, this method of data gathering allows the exploration of quite complex interrelationships, which might only be presented by giving complex answers (Holstein & Gubrium, 2003; Shuy, 2003).

The whole idea of this method of data gathering is based on the assumption that “the perspective of others is meaningful, knowable, and able to be made explicit” (Patton, 2002, p. 341). In addition to these arguments, interviewing offers the possibility to gain

many pieces of information in a rather short period of time (Marshall & Rossman, 1999) and can therefore be seen to be the “most extensively utilised technique for conducting systematic social inquiry” (McMahon, 2008, p. 95 with reference to Holstein & Gubrium, 2002).

Within literature different types of interviews are discussed and often categorised according to their level of structure or formality (Saunders, Lewis, & Thornhill, 2009). Besides the differentiation between standardised or non-standardised interviews (Healey, 1991; Healey and Rawlinson, 1994) the data gathering technique is often divided into the following three categories (e.g. Leedy & Omrod, 2001; Patton, 2002):

- structured interviews,
- semi-structured interviews and
- unstructured or in-depth interviews.

As unstructured interviews have no limitations regarding wording and flexibility of questions, they are often characterised to be ‘informal’. Nevertheless, the researcher needs to have a clear vision about the aspects to be explored. In contrast to this, structured interviews are based on highly standardised questionnaires, with no variations regarding the set of questions (Saunders, Lewis, & Thornhill, 2009). An intermediate position of these is the semi-structured interview technique containing elements of both. Under this technique, researchers address a predetermined list of topics with their questions, having the choice to vary them or even accomplish existing questions with up-coming thoughts (Saunders, Lewis, & Thornhill, 2009).

Conclusively to the chosen worldview (constructivism) and the strategy of inquiry (grounded theory), a method of using open-ended, semi-structured interviews seemed to be appropriate. These interviews were conducted face-to-face to establish a higher level of familiarity and to increase the quality of data gathered. These choices were mainly based on the argument, that the complexity of the topic of my research project could only be handled in personal conversations with experts, which were carefully selected. As the nature of the research question has exploratory and explanatory parts and could hardly be addressed with standardised questions, which might not cover the complexity and unexpected events, semi-structured interviews were deemed to be most appropriate. Unstructured interviews were rejected because of the lack of systematic and

comprehensiveness which seemed to be necessary against the background of grounded theory. Nonetheless, the strengths and weaknesses of the chosen method had to be considered carefully, with the weaknesses preferably minimised or at least considered carefully during the practical application. These were, for example, the non-consideration of topics, which potentially could have been relevant as well as the difficulty to compare given answers due to a diverse interpretation of wording.

The form of the question was decided to be ‘open-ended’, thus not offering the participants predetermined response option or categories but instead giving them the choice to answer freely in their own words and illustrating their own views (Jackson, 1995; Sarantakos, 1998; Patton, 2002). On the one hand this offered the chance to gain complex responses, but on the other hand suffered from the fact that coding them might become difficult as also described by Judd, Smith, and Kidder (1991) and Mishler (1986).

5.2.2. Interview Collection Procedure

Besides the determination of the technique of data gathering, the definition of an appropriate set of criteria for selecting participants was made. This sampling process, which is explained in Chapter 5.2.3, was followed by an initial identification of possible participants groups and individual participants in late 2011. In the first and second quarter of 2012, the initially identified participants were verbally contacted in order to assess their willingness to participate in the inquiry. This process was partly supported and assisted by former business partners, colleagues as well as superiors from my then current employer. During this initial phase, participants were informed of my professional background as well as the then current employer in order to avoid misunderstandings. In addition to this type of establishing contacts, the opportunity to increase the sample group using the snowball technique was also used to a certain extent. A detailed overview of the (final) sample group, their structure and (former) business relationships is provided within Chapter 5.2.3.

After clarification of the general willingness to participate, an informational letter was sent to the participants by email. This was done at least ten days before the face-to-face interview was conducted. The information letter explained the aim and content of the study and provided a rough overview of main areas to be questioned (Appendix 5). This procedure offered the selected participants the chance to check if the research area fits to their professional background and experience. In addition to this, the letter informed the interviewee-candidates i) that participation takes place voluntarily, ii) to which degree

anonymity is granted and iii) that no explicit preparations need to be made for discussing the research area. If asked for, further information on my academic and professional background were provided. In case of willingness to participate, a meeting was fixed. Even though the possibility of a telephone interview was also offered, all interviewees accepted the preferred personal conversation. Depending on the research timeline as well as professional workload the general process of contacting as well as meeting scheduling varied. Therefore, not all participants were contacted at the same time.

In rare cases the selected participants consulted further experts for answering single specific questions during the scheduled meeting (e.g. by calling a colleague). These further ‘indirect’ participants are not mentioned and counted in the following description of the sample group (cf. Chapter 5.2.3) as the disclosures of information were carried out by the original participant. In contrast to this, it is documented if a participant was contacted several times, e.g. in order to discuss new results or to verify that certain phenomena were understood correctly. The total sum of interviews, respectively the exact number of participants, was initially unspecified as this research followed Patton’s (2002) argumentation about sample size. Patton (2002, p. 244) makes clear that “there are no rules for sample size” as it depends on the purpose of inquiry as well as the quality of data. When the results of my research were seen to be ‘saturated’, data collection was stopped. Against the background of this procedure and assumptions made, 18 in-depth interviews took place with participants from different professional perspectives as well as hierarchical levels. No intended participant refused to participate.

Due to limitations with regard to appointment options as well as the necessary pre- and post-process of the meetings, interviewing took place over a period of one year, beginning with a pilot interview on 29.05.2012. This pilot interview was scheduled as first part of the face-to-face data gathering procedure in order to calibrate and refine the set of questions, process of data collection and feasibility of transcription (Creswell, 2007). In order to set up a broad field of questions and to identify as many areas as possible, the pilot interview was conducted with a person which on the one hand has direct (sales) contact with customers and on the other hand is informed about organisational structures of savings banks and landesbanks and has a proven competence with regard to derivative products.

As all participants were (and still are) highly integrated within their professional environment and face a lot of professional workload, interviewing took place on centralised days. On these central days, breaks were arranged between the interview

appointments in order to reflect the things heard and to consider preliminary results for the next appointment. Nevertheless, a longer period of analysis between the interview appointments generally is desirable and was therefore predominantly arranged.

The interview appointments were generally held individually between the researcher and the participants. Exception was only made for one appointment due to one participant's lack of time. In this exception, the interview was conducted with two participants as a kind of a 'small' group discussion. The individual verbal targeting of the participants and corresponding inquiries ensured balanced speech components between the participants and it could be observed that contradictory experiences stimulated the discussion. Hence, the quality and the detail of results did not suffer from this exception.

In all meetings the choice of the interview environment was left to the interviewee. With one exception, all interviews were conducted in formal environments, like the participants' offices or meeting rooms. The procedure and the choices made with regard to the location guaranteed a high level of familiarity and a quiet surrounding.

At the beginning of each interview, the wish was addressed to audio-tape the interview in order to guarantee that no relevant information gets lost or is not captured. Hereby the advice of Healey and Rawlinson (1994) was followed to explain to the participants why audio-taping is a useful technique. This request was granted in all conversations and all interviews were audio-taped. Additionally notes were taken during the interviews in order to prevent technical failure and to capture pieces of information which could not be taped. These were for example information provided after the interview took place (several times interviewees provided important information before saying goodbye, which they incidentally remembered) as well as emotions, which were expressed by facial expressions and gestures (e.g. irony or uncertainty).

Following the suggestions made by Robson (2002), after each interview a full record of the interview was compiled immediately. In case of conducting several interviews on one and the same day, the interviews were compiled after all conversations had taken place. The transcript was stored within qualitative research software (cf. Chapter 5.3.1).

Besides the introduction and coordination of the technical issues, each interview started with an explanation of the possibility to reject and not answer questions. Additionally it was mentioned that interviewing can be stopped at any time if requested by the participant. In this context, it was also stated that each interviewee has the possibility to receive, validate and approve the transcribed interview protocol. However, all

participants rejected this option. For introducing and focusing on the research area as well as on the research, the aim of the work was described additionally as a kind of starting point for the set of questions.

During the interview I actively participated in the conversation by not only raising questions but also making suggestions to stimulate the discussion, to raise further information and even answered questions as suggested by Yin (2011). Contradictions in the participants' statements were neutrally addressed in case they occurred. In case of universally-valid or meta-answers, more detailed questions were asked and practical examples and comparisons were used to concretise and to specify the information provided. Generally it can be said, that my professional background and the shown expertise facilitated the conversation and the retrieval of information. Nevertheless Yin's (2011) advice to stay neutral was carefully considered in each interview by not evaluating interviewee's respondents or expression (neither verbally nor by body language).

If appropriate and reasonable, preliminary results, which had been obtained and raised from previous interviews, were discussed within following conversations and drawn concepts validated, rejected and/or extended. For this purpose, preliminary results were illustrated graphically as a kind of teaser (e.g. illustrations on the different organisational types of distribution, cf. Figure 41). This procedure enabled the gain of further insights, helped to correct misinterpretations and to improve the precision of the results. Likewise, the illustration of information and results had a stimulating character regarding the attractiveness of the conversation for the participant as interesting pieces of information and standpoints were provided.

On average, each interview lasted about an hour and all interviews were exclusively conducted in German. The used underlying set of question was continuously adjusted and extended as well as adequately addressed to the participants' professional areas and responsibilities. A description of the employed questions as well as the application is illustrated in Chapter 5.2.4.

5.2.3. Sampling and Sample Group

Besides the technique of data gathering, the underlying participant group needed to be determined. For this purpose a practical set of sampling criteria was set up. All of the participants had to be experts within the research field and focus was laid on different (professional) backgrounds, meaning that different hierarchies as well as different

business units were included. Each employee and manager needed to have practical, professional backgrounds in either i) German savings banks, ii) landesbanks or iii) consulting companies. Participants with long-standing careers and changes between these employer groups were favourable as my project follows the advice of Rubin and Rubin (2005, p. 70), who summarise that researchers “do not necessarily have to talk to a lot of people, but [...] have to talk to people who have had the appropriate experience, are knowledgeable, and are able to explain [...] what they know”.

These wide criteria catalogue (e.g. including different employer groups and business units) was justified by the research idea to provide different perspectives on the case of derivative sales in selected German savings banks. For this purpose focus was laid on participants and participants groups with different strategic intentions, forms of distribution as well as organisational structure they are embedded in. For regional limitation and higher specification only participants that are (partly) operating in North-Rhine Westphalia (NRW) were included. This choice was justified with the suggestion that a regionally defined participant group might share more commonalities than regionally distributed savings banks and therefore provide more valuable results.

The initial sample group was developed and increased during the project time as the strategy of inquiry allowed the employment of theoretical sampling (cf. Chapter 4.4.3.1 as well as 4.4.3.4). This means that the sample had not been determined initially but rather developed against the background of the problem-solving character and the circular research flow as recommended by Corbin and Strauss (2008). The originally chosen participants were involved in this sampling process as their announced information and the following analysis sometimes led to new research themes and the necessity to collect further information. Besides this, the participants supported me to identify further appropriate contacts for gathering (new) data. An example of this procedure was the expansion on regulatory aspects which was not initially covered in the first set of questions. In addition to this involvement, the participants also increased my focus on special topics by including further experts within their interview appointments (e.g. by calling colleagues in case of a specific question).

By answering the research question of how to make derivative sales successful within savings banks, the question came up, why the banks' clients and their views were not considered within the analysis. Assuming that they might know best what products/strategy fit to their needs and what service a savings bank needs to offer to become attractive, these possible participants might had delivered a lot of useful

information about critical success factors and influences on the business strategy models. These arguments were carefully considered and regarded to be conditionally valid. Nevertheless, the complexity of involving clients against the background of banking confidentiality was estimated to be too critical from an ethical point of view. Further arguments were the challenging question what group of clients should be included (e.g. small and medium-sized enterprises, holding- or real estate-companies) as well as the questionable level of reliability of potentially given responses against the background of market competition and current legal judgements. Therefore, the decision was made to address their view on a meta-level through the bank's perspective accepting that further relevant information might not have been included. However, the risk was mitigated by the strong focus on experts with (daily) contact to customers.

As I can be seen as an actively engaged consultant in the business area and my then current employer provided services in this business field, it needs to be mentioned that all participants had a business relationship with my then current employer. This business relationship varied with regard to the terms of used services (e.g. software, management consultancy, sales support or project management). Therefore it was ensured that no direct business relationships existed between me as direct involved consultant and the participant at the time of the survey.

The choice to include/focus on institutes of my professional network was justified by four reasons. Firstly, my then current employer is an actively engaged consulting company providing a lot of services for the German Savings Banks and Finance Group as well as other public institutes. To find a total independent institute without pre-knowledge about my employer therefore seemed to be quite difficult and even contradictory. Secondly, the use of the professional network facilitated contacting more executive persons, who might otherwise not had been willing to participate in interviews, but are very interesting information carriers. Thirdly, the institute already showed interest in the research area in some form and to some extent by having contact to a consulting company – even though the relationships and mandates (might) totally differed from each other. Finally, the included participants were expected to have a greater expertise due to their experiences before and after consultancy services took place. They were able to describe which actions had taken place, how they felt during the process and are able to evaluate to what extent these measures had been sustainable and successful.

As my own professional experience in the research area also provides substantial information, this should not remain unused for the research. Nonetheless, as the

implementation and use of this data might have led to conflicts, any consideration is continuously made transparent within the whole study. This is done by transparently including the researcher to the sample group. However, in the following statistics regarding the sample structure the researcher is explicitly excluded as only participants are considered with whom an interview had been conducted.

Table 11 provides an overview of the final participants, their respective participant group ('type of organisation') as well as a generic job specification and the hierarchy. For ensuring anonymity, the description is held as generic as possible while still providing sufficient information about the underlying sample group. Hereby, a differentiation is made between the job category of relationship managers (e.g. participants, who holistically cover clients), product specialists (e.g. participants who offering specialised, but focused services/products to customers) and miscellaneous participants with cross-functional responsibilities (e.g. sales management, treasury and consultants). To ensure a high level of anonymity, the size of the respective institute they are working for (e.g. total assets) is neither mentioned nor directly allocated to participants within the following overview. Nevertheless it was included in the evaluation of the data within the actual process of data analysis. In case participants have left the respective institute and changed job since the interview took place, the original group and job specification are provided as this was the reason for selecting the participant.

Hierarchical differentiation is only made by mentioning if the person either has responsibility for customers and special fields or if he/she additionally has managing tasks as well as responsibility for employees. While the first ones are characterised by the hierarchical level 'employee', the latter ones are referred to as 'manager' in Table 11. Differentiations regarding the seniority of the participant (e.g. distinction between senior product specialists and product specialists) are not made to ensure further anonymity. In case of several appointments (e.g. an initial personal interview and following phone call or mail conversation) all dates of contact are mentioned and allocated in the column 'date of interview'. As the professional expertise was in the foreground when selecting my sample group, no concrete, corresponding personal information are provided (e.g. gender or age). Throughout the thesis a generic masculine form is used to describe the participants.

Participant	Group	Job Specification	Hierarchy	Interview Date
Participant A	Landesbank	Product Specialist for Derivatives	Employee	May 2012, Pilot Interview
Participant B	Landesbank	Product Specialist for Derivatives	Employee	September 2012
Participant C	Savings Bank	Relationship Manager	Employee	December 2012
Participant D	Savings Bank	Sales Manager	Employee	December 2012
Participant E	Savings Bank	Relationship Manager	Manager	December 2012
Participant F	Consulting Company	Consultant	Employee	December 2012, March 2013
Participant G	Savings Bank	Relationship Manager	Manager	December 2012
Participant H	Savings Bank	Product Specialist for Derivatives	Employee	December 2012
Participant I	Savings Bank	Product Specialist for Derivatives	Employee	December 2012
Participant J	Savings Bank	Product Specialist for Derivatives	Manager	December 2012
Participant K	Savings Bank	Relationship Manager	Employee	December 2012
Participant L	Savings Bank	Head of International Business	Manager	December 2012
Participant M	Savings Bank	Product Specialist for Derivatives	Employee	January 2013, January 2013
Participant N	Savings Bank	Product Specialist for Derivatives	Employee	January 2013
Participant O	Savings Bank	Product Specialist for Derivatives	Employee	January 2013
Participant P	Savings Bank	Head of Treasury & Capital Markets	Manager	January 2013, January 2013
Participant Q	Savings Bank	Product Specialist for Derivatives	Employee	January 2013
Participant R	Landesbank	Product Specialist for Derivatives	Manager	March 2013
Researcher	Consulting Company	Consultant	Employee	

Table 11: Overview of Sample Group

The sample group finally consisted of 18 experts of the field of selling interest rate derivatives – with varying perspectives and institutional backgrounds. As illustrated in Figure 29 the sample group can be separated into three main institute groups as participants have either a professional background of savings banks (78%), landesbanks

(17%) or of consulting companies (5%). The participants from the group of savings banks can be broadly differentiated to belong to three independent legal entities. While two entities are large savings banks with total assets more than five bn EUR, one entity has been legally established as special purpose vehicle (SPV), which covers a variety of regionally close savings banks as a centre of competence (inter alia for risk management services for customers e.g. with interest rate derivatives). The savings banks covered by the SPV range from small to large savings banks regarding their total sum of assets. This sample group allowed to gain insights into savings banks, which are totally different with regard to their balance sheet.

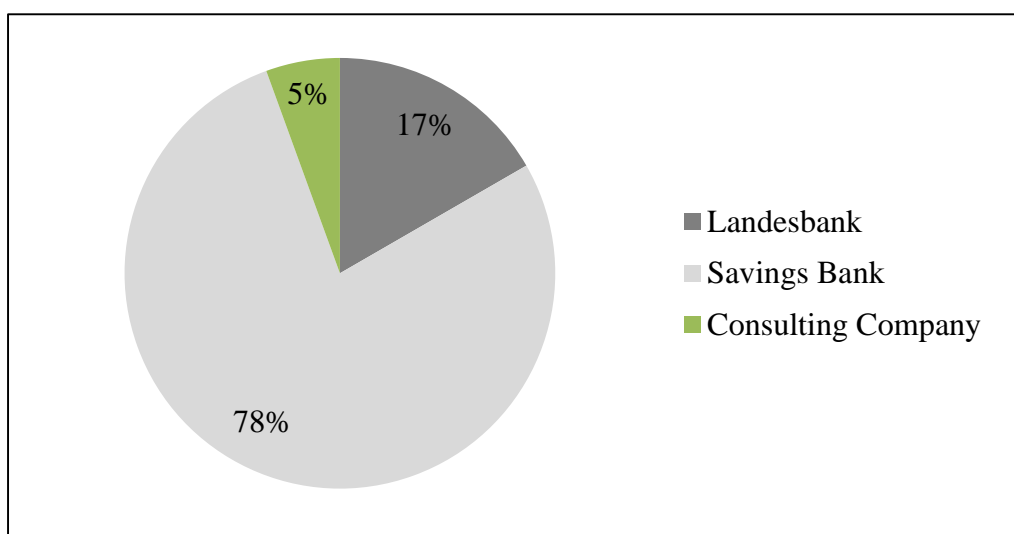


Figure 29: Structure of Participant Group

Roughly 56% of the participants work as a product specialist for Interest Rate, Foreign Exchange and Commodity Derivatives (IR, FX & Commodity Derivatives). 22% of the sample group are relationship managers for corporate clients. Including two participants from cross-functional responsibilities ('Consultant' and 'Sales Management'), more than 85% are therefore engaged in relevant areas with direct and daily contact to customers (cf. Figure 30).

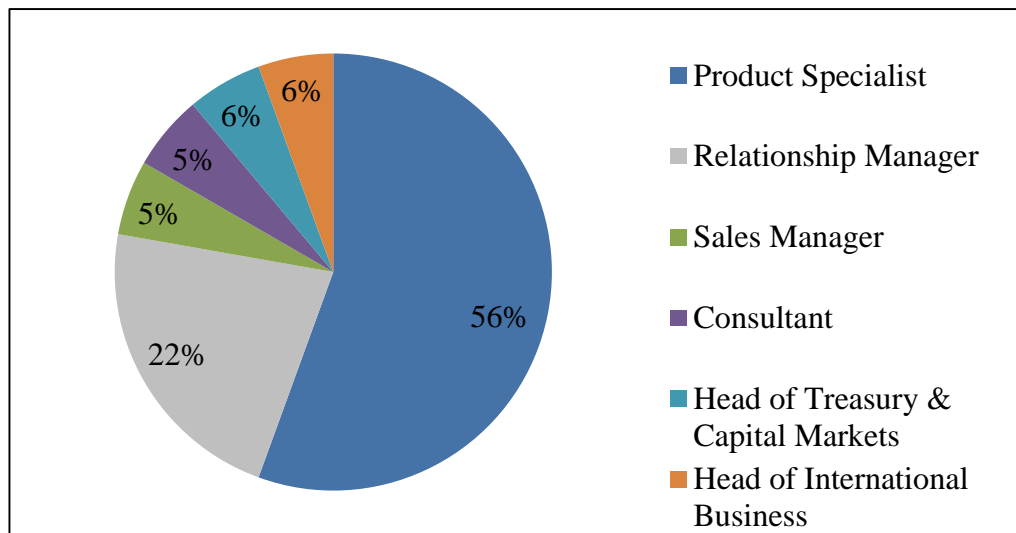


Figure 30: Structure of Job Specification

Regarding the hierarchy of the job level the majority of the sample group works at employee level (67%), while six participants (33%) have managerial status according to the aforementioned definition (cf. Figure 31). Assuming that these managers as well as external consultants can be seen more on strategic level (nearly 40%), the chosen mixture of operational and strategic level offered an appropriate overview to gain practical insights into the different aspects of strategy and its practical implementation and evaluation.

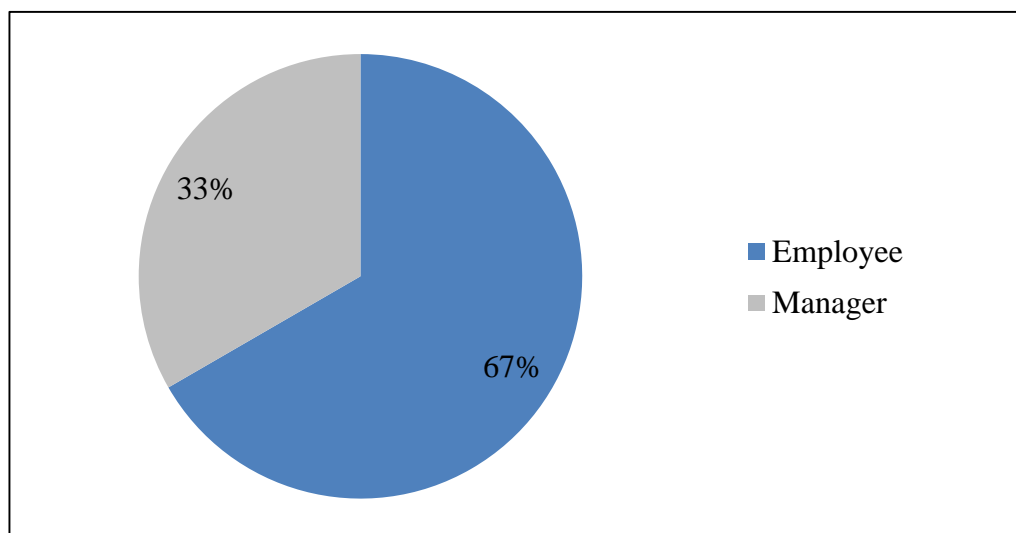


Figure 31: Structure of Participant's Hierarchy

To sum up it can be certified that the sample group has a high level of professional expertise and offers the ability to gain a multi-dimensional overview over the research area of selling interest rate derivatives to customers of (selected) German savings banks.

The closeness as well as daily contact to customers of the majority of participants compensates the previously mentioned weakness of not including customers within the research survey.

5.2.4. Development of (Initial) Set of Questions

The initial set of questions was set up on the basis of i) the formulated research question and research objectives, ii) the information gained through the (parallelly) conducted literature reviews, iii) my professional experience and iv) miscellaneous influences (e.g. information taken from newspapers not included within the literature reviews or the pilot interview). Due to the circular research approach informed by grounded theory the set of questions was continuously modified, strongly extended and specified (cf. Figure 32).

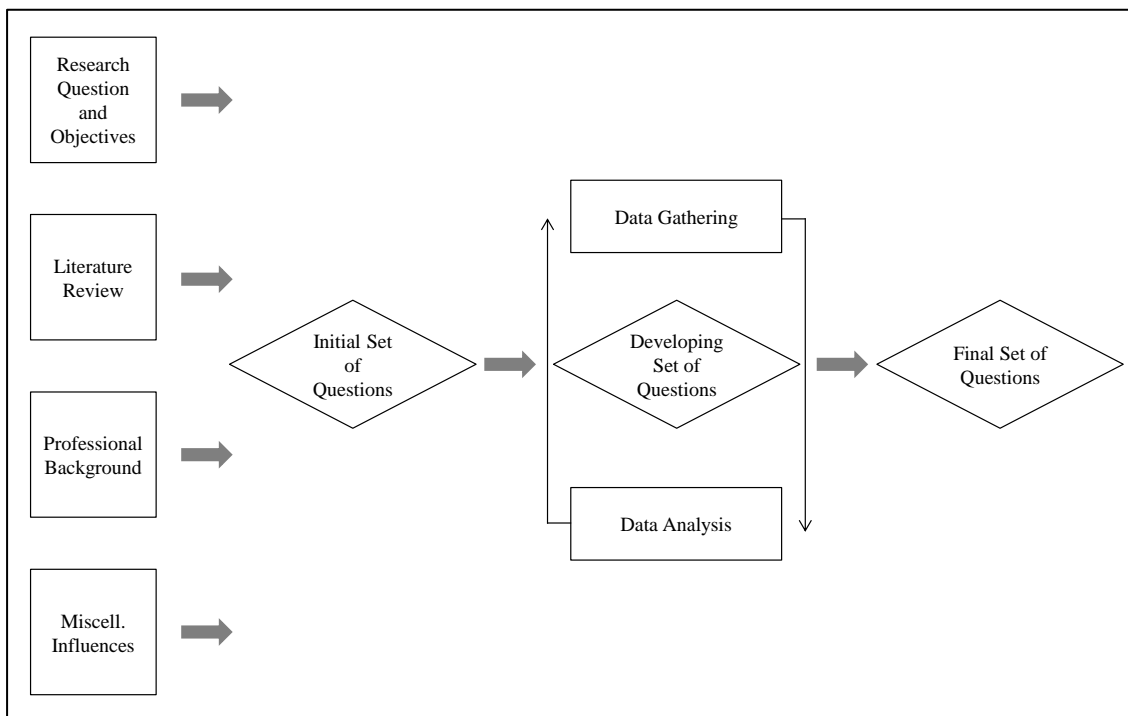


Figure 32: Development of (Initial) Set of Questions (own creation)

The questions and topics raised were not all addressed within each interview, but rather selectively used according to the professional experience of the participant as suggested by Saunders, Lewis, and Thornhill (2009). Employees for example were dominantly confronted with questions around the sales process and experiences made, while managers were primarily asked for their opinion and recommendations regarding strategic issues. In addition to this, some questions were only raised depending on the answers to previous questions. For example, in case the participant answered that there

are complementary products to derivatives the question was raised, ‘what are the products’ and ‘how do they complement derivative solutions’. These questions were not asked to participants, who had already denied the initial question. Nevertheless these ‘denying’ participants were eventually faced with the findings of the previously received data. Despite this variation of individual questions and the course of conversation, it can be generally said, that all fields of research objectives were addressed within each interview. Besides the varying inclusion of each question, the order of question was adjusted to the flow of the discussion. Nevertheless, before ending the conversation it was checked if all relevant sections had been covered.

If necessary and appropriate the participants were asked to provide practical experiences or examples for gaining a better and more practical understanding of their answers.

Appendix 6 provides an overview of the set of the main questions, which was used as a guideline for the conducted semi-structure interviews. Besides the comment on the questions’ order it has to be kept in the mind, that the guideline only provides an overview of the questioned topics, while formulated questions might have differed regarding phrasing. In addition to announcing questions, I sometimes provided introducing definitions to the participant to ensure that both interlocutors had the same understanding of the underlying terms (e.g. a definition of critical success factors). In addition to these explorative questions, also confirmative/validating questions were raised. These were for example the presentation and discussion of already gained findings or results. As mentioned before, graphical illustrations were additionally employed in the interview to stimulate discussion and to simplify complex themes (these were for example pre-stages of Figure 41 and Figure 42).

5.3. Data Analysis using Grounded Theory

5.3.1. Transcription, Translation and Use of Software

After each interview (day) I directly focused on a strict transcription of the gathered data as a basis for my analysis. As all of the interviews were conducted in German, transcription was also made in German to avoid the risks of distorting the information by inadequate translations. Corbin and Strauss (2008, p. 320) support this decision by arguing that “there are considerable difficulties with capturing the nuance of meaning in translation” and “too much valuable time and meaning can be lost in trying to translate all research materials”. Nevertheless even Corbin and Strauss (2008, p. 321) recognise

that “when it comes to write up the research, some of the quotes will have to be translated into the language of the publication”. Against this background, coding (and memoing) was conducted in English to facilitate subsequent transfer of the results into the thesis. In case of the use of in-vivo codes, the corresponding English terminology was used; in-vivo-coding, therefore, took place indirectly. In addition to this, selected sections and quotes were translated into English for ensuring a transparent and understandable way of analysis and argumentation.

Generally, transcription was informed by the rules for a basic transcription system formulated and summarised by Dresing and Pehl (2012, p. 26-28). Their rules generally recommend a verbatim transcription, but ask for a transfer of colloquial language-use into more formal phrases. Broken sentences/phrases were smoothed or omitted. For a better understanding punctuation marks were added at reasonable place in order to increase readability. Particularly emphasised phrases were written in bold letters. In contrast to the recommendations by Dresing and Pehl (2012), timestamps were neither regarded nor mentioned. Certain non-verbal expressions and characteristics (e.g. laughing, rolled eyes, etc.) were considered by a written/added note in brackets. Passages, which were not understandable acoustically were eliminated except for those where the written notes provided further information in case of initial uncertainty. This basic process of transcription was considered to be most useful as it ensures a high level of practicability, readability and therefore facilitates a simpler access to the data’s content than more detailed transcription rules. Transcription was made by using Microsoft Word.

After transcribing the gathered data, people and institution-related data were anonymised in order to ensure application of the ethical guidelines. This was done by either transferring concrete names to a synonym (e.g. ‘Participant A’) or a description by referring to individual’s positions in case of appropriateness instead of providing names (e.g. ‘Head of Corporate Sales, LB2’). Concrete locations and precise dates were also made anonymous (e.g. ‘Location10’ and ‘December 2012’). An example of a transcribed, anonymised and translated interview is provided in Appendix 7.

For supporting and structuring the analysis process the qualitative data analysis software QSR NVivo 10 (‘NVivo’) was used, always keeping in mind the advice of Corbin and Strauss (2008, p. 163) that “even with computers, the researcher must take the time to reflect on data and write memos”. As I often faced the situation that thoughts/insights came up at times with no access to a PC, I used a manual notebook to capture thoughts or to graphically draft relationships. In case of relevance or if sufficient (e.g. it was

sometimes easier to illustrate figures in other software and to reference NVivo to them) they were transferred and included in NVivo. It has to be mentioned that NVivo makes use of partly different terminologies (e.g. nodes for concepts) for central terms within the process of analysing qualitative data than Corbin and Strauss (2008). As the present study is generally informed by the methodological approach by Corbin and Strauss (1990, 2008), their terminology is continuously used in the following.

5.3.2. Open Coding at Beginning

The first step of my analysis was to read through the transcribed interviews. Hereby I resisted writing notes or marking specific passages in order to get an impression about the participants' experiences, motivations and their provided information as advised by Corbin and Strauss (2008). As the transcribed interviews already provided a kind of "natural breaks" through the underlying set of questions, the necessity to make further breaks only partly appeared (Corbin & Strauss, 2008, p. 163). By doing so and broadly categorising sections, each passage was thereafter reviewed again in-depth. This was done by writing short memos and selectively drafting diagrams about my thoughts. These memos/thoughts were mainly labelled as concepts (cf. Chapter 4.4.3.2). Each concept illustrated my personal thoughts about the phenomenon, relationship or consequence at a certain time.

As sections might contain various relevant contents or might lead to several ideas, the coded sections partly overlapped. "In-vivo codes" were applied indirectly if appropriate (Corbin & Strauss, 2008, p. 65). An example for in-vivo-coding was the use of the expression 'plain-vanilla derivatives' to characterise standardised OTC derivatives. In line with this procedure, I also wrote down questions which came to my mind during this process and included them to my set of questions for ensuring to announce them in the next interview. During the whole process of data gathering and analysis, a high number of concepts were built through applying this procedure due to the different perspectives of the research objectives (cf. Chapter 4.4.3.2).

In contrast to Strauss and Corbin (1998), but in line with the advice of Corbin and Strauss (2008), I did not make use of different categories of memos (e.g. code notes, theoretical notes or operational notes) in order to avoid a misallocation of time and focus.

During these initial steps, concepts remained, changed or disappeared by revisiting the provided information through comparing information from different data sources ('constant comparison'). All of my developed concepts were continuously seen to be

provisional until their final ‘terms’ evolved. Following the advice of Corbin and Strauss (2008), I classified the level of the concepts strictly from the beginning on to avoid a long list of codes at the end without having the chance to evaluate their relevance. This was technically done by allocating lower-level concepts (‘child nodes’) to higher-level concepts (‘parent nodes’), named categories. An example for this procedure was the assignment of several types of standard derivatives (e.g. Plain Vanilla Swap and Interest Rate Cap) to the category ‘plain vanilla derivatives’. By including the more structured and exotic interest rate products (e.g. CMS Spread Ladder Swap), the overall category ‘interest rate derivatives’ was built, which consists of the lower-level concepts ‘plain-vanilla derivatives’ and ‘exotic derivatives’. This approach was fulfilled several times to cope with the huge amount of concepts and to generate abstract categories.

Even though Corbin and Strauss (2008, p. 216) explain “that though the memos don’t specifically state that something is another property or dimension of a concept, that information is in the memos”, it appeared to be highly challenging and not reasonable to identify properties or dimension for each lower-level concept. Nevertheless, the dimension and properties of the (main) concepts and categories were determined. An example for such a determination and further elaboration of the analysis was inter alia the identification of the properties ‘complexity’, ‘comparability’ and ‘customer satisfaction’ for the concept of ‘plain vanilla derivatives’, which stands for low structured and standardised derivative solutions. It could be observed that participants with banking background perceive plain vanilla derivatives i) to have ‘low complexity’ regarding their mechanism, ii) to be ‘highly comparable’ by the client to competitors’ offers and iii) to ‘highly satisfy’ the needs of the majority of the customers (cf. Figure 33).

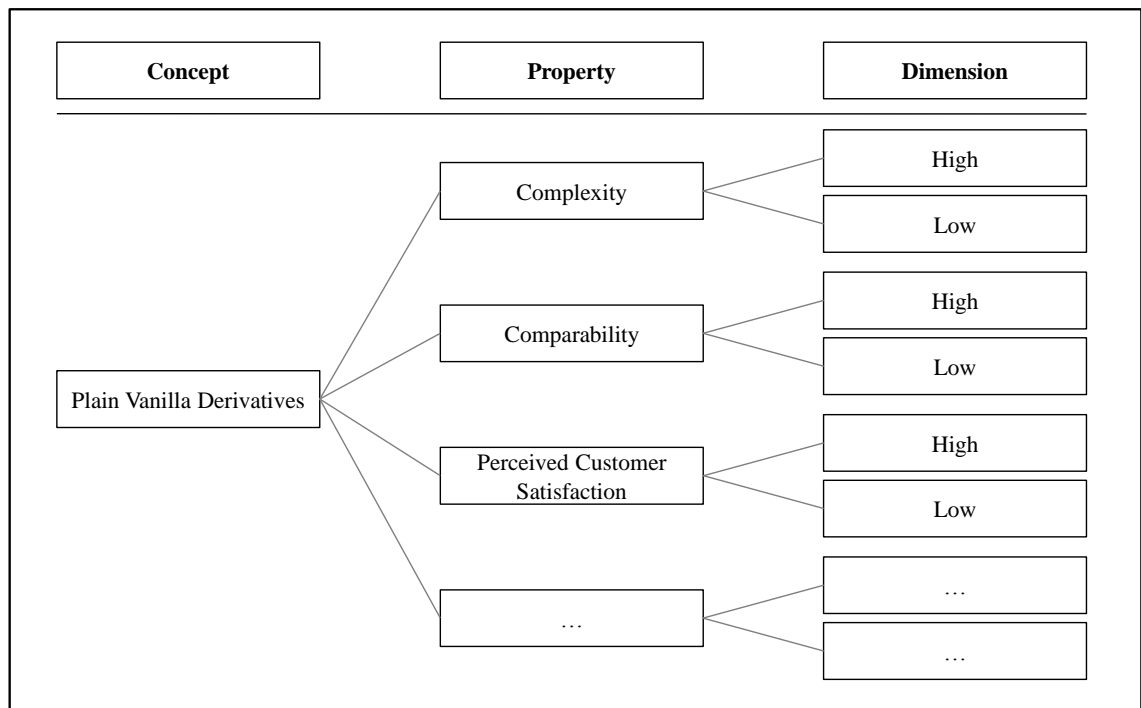


Figure 33: Example of Determination of Concept's Properties and Dimensions (own creation)

If already possible, first relationships between concepts were identified and hence the parallel process of axial coding was initiated. The initial steps hereby mainly referred to processes as well as personal relationships between the individuals, e.g. by putting together the concept of 'identification of customer needs' to the concept of 'involvement of product specialist' in the context of a savings bank which has an own business unit for derivative sales. Both concepts were allocated to the higher-level concept of 'sales process within savings banks'. Even though I sometimes was not initially certain if the identified relationships are important or if the relationship might have greater influence, I wrote memos about them and drew questions like 'what actions do occur to influence the process/relationship?', 'in what context does the step of involvement takes place?' or 'can the identification of customer needs be seen as initial condition for the involvement of product specialists or might there be other conditions under which the products specialists meet the clients?'.

During the process of coding, the techniques of constant and theoretical comparison were used. Newly gathered data was compared with already analysed data (e.g. by trying to find similarities or differences between descriptions and arguments of the participants) and (theoretical) comparisons were drawn to gain a deeper understanding of the phenomena (e.g. by using metaphors). In case participants made use of metaphors for explaining phenomena these were taken into account. An example for such a metaphor

was the description of the Participant R, who compared the profile requirements of a successful product specialist with the properties of a chef and a doctor. Even though this procedure of coding/memoing was time consuming, it helped me to structure my thoughts and to carry on with my analysis in case I did not work on my thesis for some days. Figure 34 provides a rough overview of my first steps of (open-)coding.

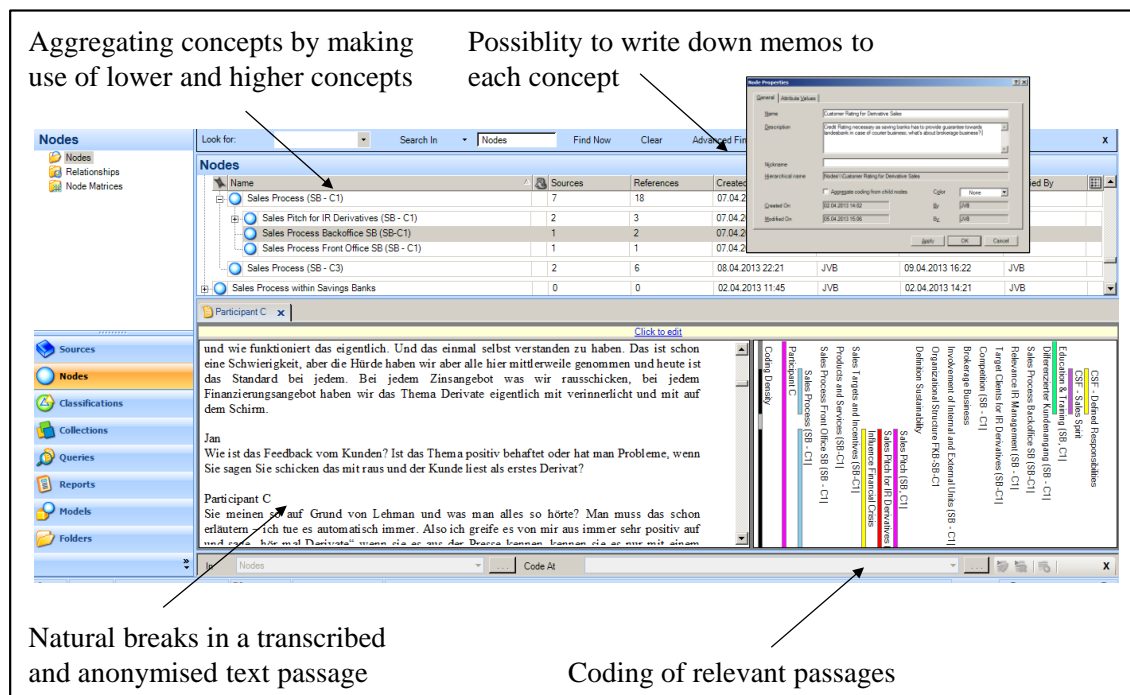


Figure 34: Exemplary Illustrating of Coding using NVivo (own creation)

5.3.3. Axial Coding for Elaborating Analysis

Nearly parallel to the step of open coding, I started to identify similarities between types of data, to draw comparisons and to build relationships between the concepts and categories. Relationships were illustrated through statements, which were verified against newly gathered data and continuously rejected, modified or extended. Corbin and Strauss (2008, p. 198) refer to this process of “relating concepts/categories to each other” as axial coding. For supporting the process of axial coding Strauss and Corbin (1996) provide a theoretical paradigm, which is explained in all detail in Chapter 4.4.3.2. The basic elements of this paradigm are: i) conditions, ii) context, iii) intervening conditions, iv) strategies and v) consequences.

For applying this paradigm, focus was initially laid on the identification of relationships between defined concepts and categories. This procedure was supported by the insights gained through the previous process of open coding. Figure 35, for example, illustrates

identified personal relationships between individuals which might be involved in the sales process within a savings bank. Their personal relationships can be roughly described by i) a “Dialogue” (D), ii) a “Dialogue on Risk Management Solutions” (D-RM-Sol), iii) a “General Dialogue on Financial Issues” (G-D-FinIss) or iv) “Work Assignments” (WA).

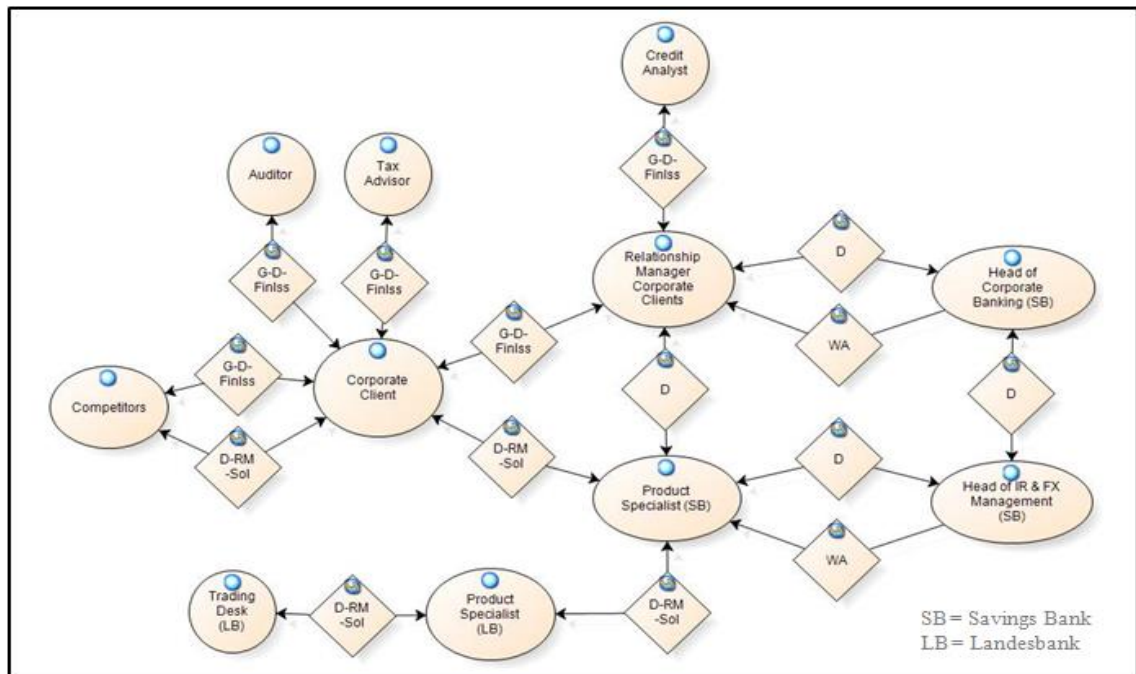


Figure 35: Example of a Relationship Network (own creation)

Even though this overview is not final and exhaustive (e.g. back office and legal excluded), it illustrates that the whole sales process consists of a variety of interpersonal relations and communication channels. The drafting of such kind of overviews helped to retrieve an initial understanding of relationships and corresponding processes.

For practically applying the paradigm of Strauss and Corbin (1996), focus was laid on the higher-level concepts and categories as it was assumed that these have more relevance for determining causal relationships than lower-level concepts might have. The relationship between relationship manager and product specialist and its influence on the success of sale of derivative solutions shall be used as an example for illustrating the applied technique of axial coding in the following, as this relationship was mentioned by several participants and was thus regarded to be a key relationship.

The cooperation between relationship manager and product specialist (‘phenomenon’) is a key event of interaction for those involved. It is related to a series of actions and consequences. As this phenomenon was mentioned several times, I initially asked myself

‘what are the reasons/conditions for the existence of the cooperation?’. Regarding the ‘phenomenon’ of cooperation it was inter alia observed, that work assignments of the management board (causal ‘condition’) to sell derivatives in a collaborative approach led to the interaction and cooperation of the relationship manager and product specialist. This was expressed by Participant M, by explaining that „once there was the vision that in case of financing activities above 500.000 EUR, relationship managers are requested to involve their colleagues from the business unit of IR & FX management”. Besides this, it was observed that the active request of customers demanding derivative solutions for hedging their interest rate exposure was another causal ‘condition’ for the collaboration of both parties. Furthermore, the general strategic decision to set up a sales approach, consisting of a generalist (relationship manager) and a specialist (product specialist for IR & FX Management) was seen as an abstract further causal ‘condition’ for the cooperation between both business units. As also mentioned by Strauss and Corbin (1996), it was observed that in the majority of relationships not a single, but rather a bundle of causal conditions are relevant for the existence/rise of the observed phenomenon.

Referring to the first mentioned ‘condition’ of work assignments by senior management, further specifications regarding the condition’s properties and dimensions were made. It could for example be determined ‘how the guidance to cooperate and sell derivatives’ was communicated (e.g. centrally in a kick-off event or through bilateral communication), by ‘whom the mandate was communicated’ (e.g. board member or direct superior), ‘how sales monitoring takes place’ (e.g. regular vs. irregular basis or individual vs. team-level monitoring), for ‘how long the assignment was granted’ (e.g. temporary limited or unlimited) and ‘which relevance the business field has for the institute, respectively the achievement of the individual goals has’ (e.g. high or low relevance) (cf. Figure 36).

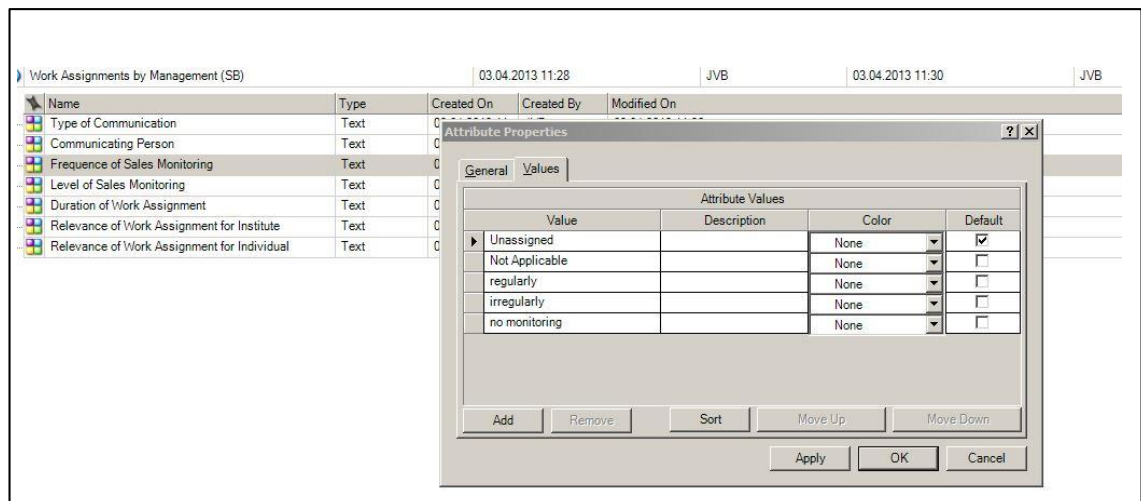


Figure 36: Determining Properties and Dimensions using NVivo

In addition to this, the phenomenon ‘cooperation’ itself was also described in more detail regarding its properties and their dimensions. Cooperation was characterised by the quantitative intensity of the contact (e.g. frequent, regular, rarely), the qualitative intensity of the contact (e.g. detailed vs. superficial dialogue about customer), the level of trust regarding the other person (e.g. low vs. high) as well as the physical distance of the parties (e.g. low vs. high). Figure 37 provides an overview of these initial steps of axial coding.

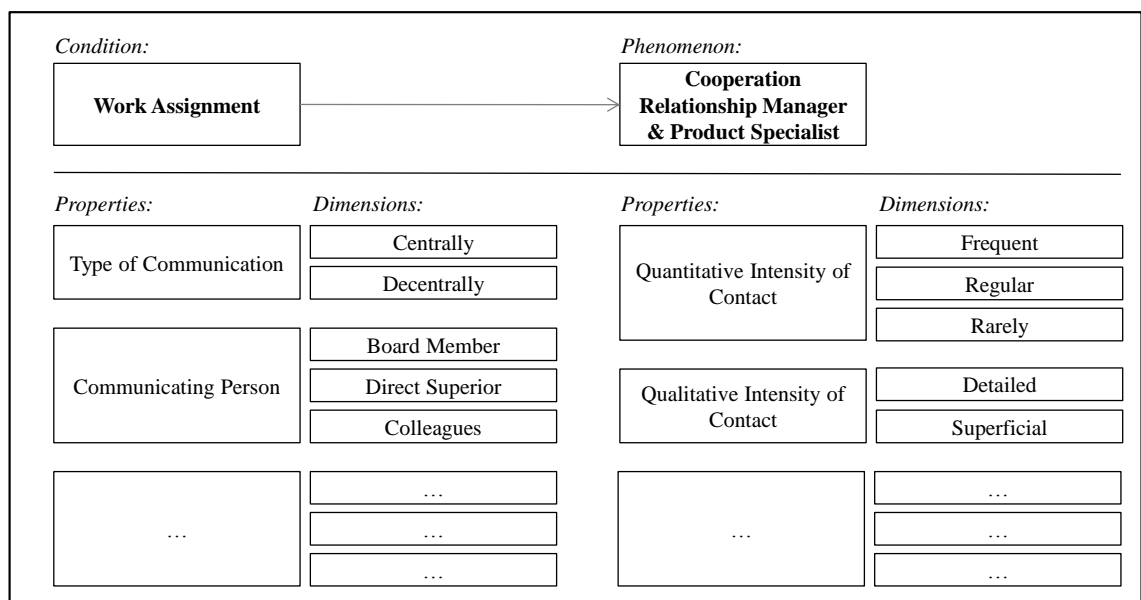


Figure 37: Applying Axial-Coding Paradigm to Data – Step 1 (own creation)²⁰

In a next step, these intermediate results were enriched by the ‘context’, which illustrates the bundle of properties of the ‘phenomenon’ as well as the frame under which the

²⁰ Style of illustration adapted from Strauss and Corbin (1996, p. 80).

cooperation occurred (Strauss & Corbin, 1996). The specific ‘context’ of the phenomenon ‘cooperation’ could be described as follows: Under the condition that the collaboration occurs irregularly, a professional exchange about the customer’s needs takes place superficially and the local distance between both parties is quite small (e.g. as they are located within the same part of the building), strategies can be applied that improve the level of cooperation between relationship manager and product specialist.

Besides this, negative/positive experiences from previous sales efforts (e.g. loss of a customer), the quantity and quality of the underlying client portfolio (e.g. good credit ratings), the organisational structure of the involved business units (e.g. reporting to different members of the board) as well as the legal requirements for conducting derivative sales (e.g. treating each customer as retail client regarding the MiFID classification) were identified as ‘intervening conditions’. Such intervening conditions differed from quite abstract factors (e.g. cultural changes due to the financial crisis) to more specific influences regarding the individuals’ ‘strategies’ (e.g. negative experiences with the involvement of product specialist).

The interviews with the product specialists of the savings banks showed that they employ selected ‘strategies’ to positively influence the level and effectiveness of cooperation. Participant I, for example, expressed that he tries to achieve informal discussions with the relationship manager, which are not customer or product driven. Besides this, Participant H expressed the wish about the time of involvement and stated that he tries to convince the relationship manager to involve the product specialist as early as possible within the sales process. Furthermore training activities about derivative risk management solutions offered by the product specialists to the relationship managers were named as a supporting factor to increase transparency regarding the mechanism of the products with a respective positive influence on the phenomenon cooperation (cf. Figure 38).

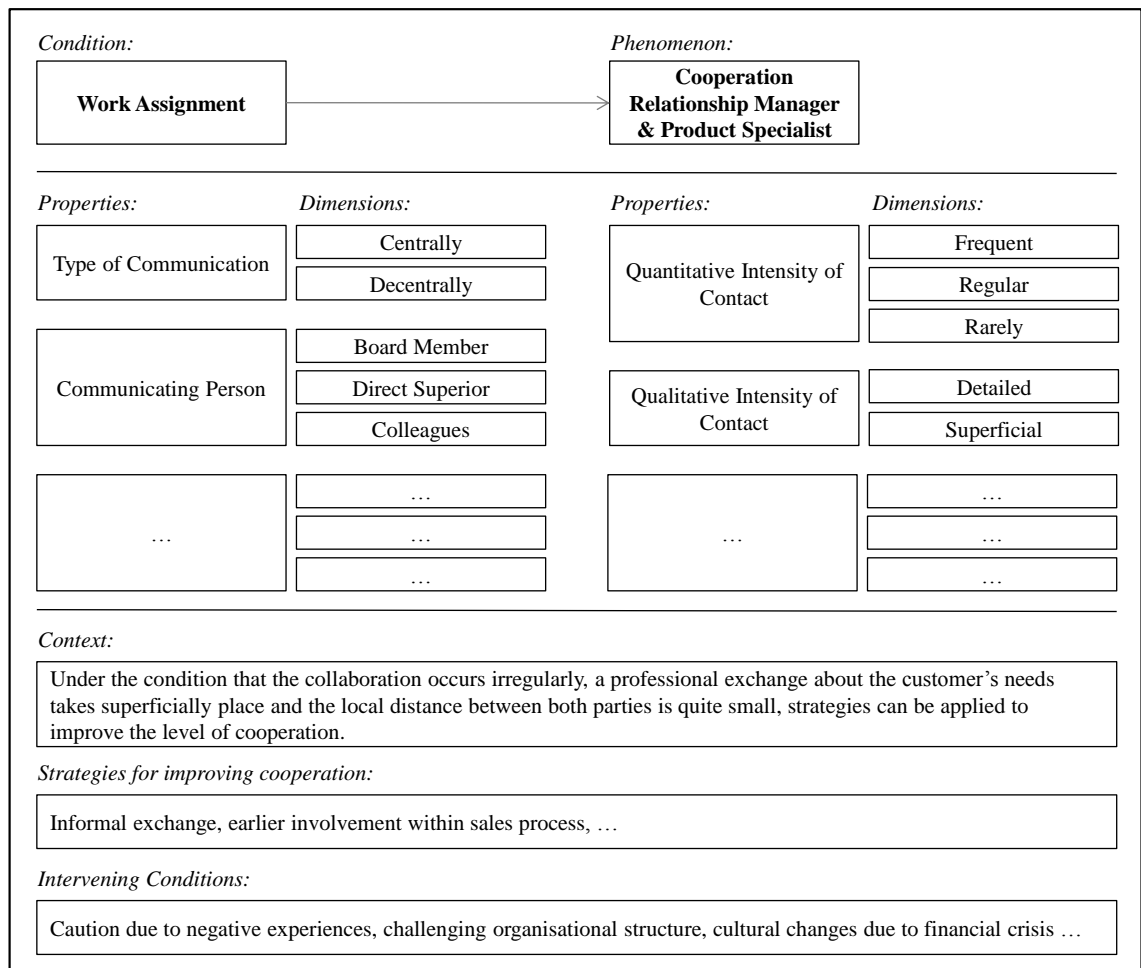


Figure 38: Applying Axial-Coding Paradigm to Data – Step 2 (own creation)²¹

As recommended by Strauss and Corbin (1996), besides these applied ‘strategies’ to improve the cooperation, I also tried to identify those strategies, which were not carried out, but also might influence the phenomenon. Regarding the above mentioned phenomenon, this could have been for example the design of a process description about derivative sales in the corresponding institute, which summarises the mechanism of the main products, the steps of the sales process as well as provides contact details of the responsible product specialists. Such comprehensive process description was not mentioned by the participants, but might have had influence on the relationship if it existed.

As a ‘consequence’ of the above mentioned applied ‘strategy’ of informal exchange between the relationship manager and the product specialist, the participants observed an improvement regarding the cooperation, a lower inhibition threshold for the involvement regarding newer sales activities (further ‘consequence’) as well as a higher sensitivity regarding the business unit for derivative sales. The ‘consequence’ of an improved

²¹ Style of illustration adapted from Strauss and Corbin (1996, p. 84).

cooperation could also be broken down into different properties with corresponding dimensions. Figure 39 provides an overview of the found relationships.

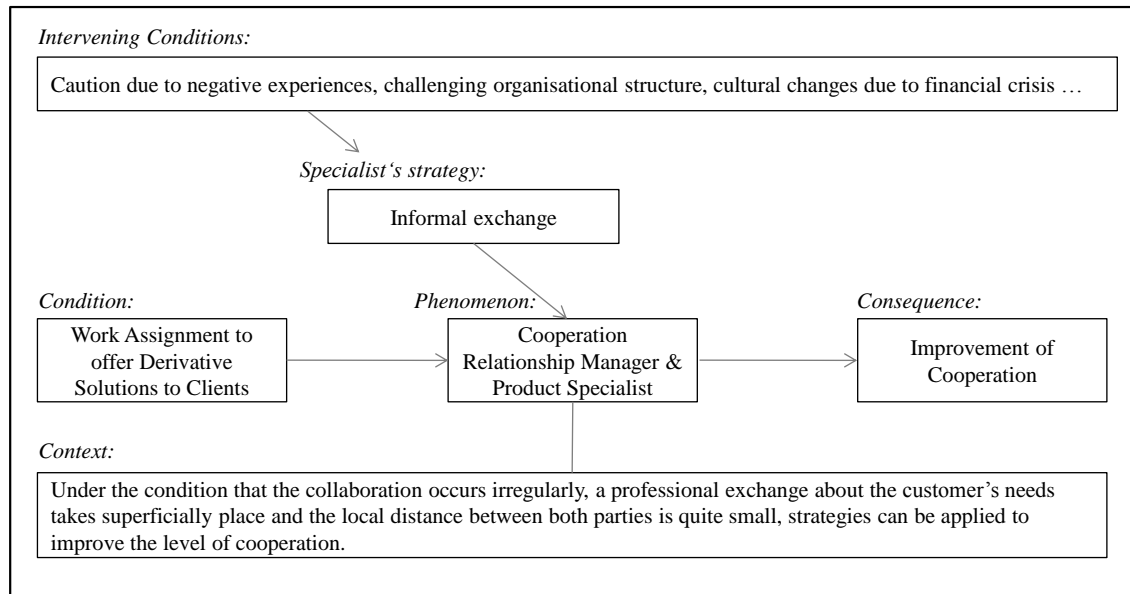


Figure 39: Applying Axial-Coding Paradigm to Data – Step 3 (own creation)

Therefore, the conclusion was drawn, that under the condition, that product specialist and relationship manager receive the work assignment to jointly offer and sell derivative solutions for risk management purpose to their clients (condition), product specialists employ strategies to improve the level of cooperation with the relationship manager. In case they make use of activities to enhance the non-business driven interpersonal communication (strategy), the communication about professional issues improves as well, leading to the consequence that cooperation generally improves. This consequence was observed in a higher sensitivity of the relationship managers regarding the business unit derivative sales and a lower threshold for involving the specialist.

In a next step all conclusions, which had been drawn by applying the illustrated axial coding paradigm, were reviewed, modified or rejected. This was done through questioning their conditions, relationships and properties against newly gathered pieces of information. For drawing final findings this meant that, referring to the previous example of cooperation, all gathered interviews were searched through to find further argumentations, hints or comments on the cooperation between relationship manager and product specialist. By doing so, contradictory argumentations were identified and alternative causal relationships documented.

Applying the coding techniques it became apparent that due to the quantity and variety of gathered information/concepts, axial coding could only be partly fulfilled focusing on the main concepts and categories. This challenge to describe reality is also recognised by Strauss and Corbin (1996), who admit that research can only partly capture reality. Besides this limitation, the previous illustration of the coding procedure illustrates the subjectivity which goes along with each step of analysis. The decision to focus on a selected phenomenon as well as the decision to find (corresponding) relationships and influences are always subject to the researcher's choice and subjectivity (cf. Chapter 5.4.2).

To mitigate arising risks, the opportunity of discussions with supervisors and fellow students was used. Especially due to the partly abstract explanations of axial coding within methodological textbooks which usually refer to prime examples this appeared to be a highly useful procedure. This exchange on coding topics always took place in accordance with the rules of anonymity.

5.3.4. Selective Coding

During the process of data gathering and data analysis, I constantly tried to identify a core category, which “represents the main theme of the research” (Corbin & Strauss, 2008, p. 104) and develops out of the defined concepts and categories. This core category shall have the “greatest explanatory relevance and highest potential for linking all of the other categories together” (Corbin & Strauss, 2008, p. 104). For determining the conceptual idea, which captures the research, I was guided by the questions “what are the critical factors for implementing a successful and sustainable business-level strategy and how can these findings be explained and presented within abstract terms?”.

For integrating the identified concepts the technical ability to make use of parent- and child-relationships was used within NVivo. Concepts and categories were identified, focussing on critical factors, which are essential for conducting derivative sales successfully. This also included concepts based on participants' recommendations; e.g. by integrating their argumentations regarding the question “what would you do to become more successful?” (cf. Chapter Appendix 6, Question 47 and 48). This process was supported by the previous step of axial coding, which already had focused on the main categories and their relationships.

In total five main categories were identified representing the main themes of my research regarding critical success factors (cf. Chapter 6.5). These were i) business-level strategy,

ii) sales organisation, iii) staff, iv) customer relationship and v) environmental changes. The identified number of main categories is in line with the provided definition of critical success factors (cf. Chapter 3.2.2), which underlines that only a few factors determine the success of an organisation (Hoffmann, 1986; Leidecker & Bruno, 1984).

In a next step the challenge arose to formulate a conceptual idea or core category, which summarised the five categories in a sufficiently abstract way without contradicting the identified main categories and their lower concepts. This process was supported by drawing diagrams and focusing on key points which frequently appeared. Doing so, the core category ‘commitment (to the strategic business field)’ was identified. All lower concepts and categories could be understood to be part of this core category or could be related to this core category. In addition to this, the core category already appeared subtly in the data and the abstractness of the definition offers the ability to receive higher generalisability. A detailed presentation of these findings is provided in Chapter 6.6.

By terminating the process of selective coding the condition of theoretical saturation regarding the definition of Rubin and Rubin (2005) and the set research aims was reached (cf. Chapter 4.4.3.4).

5.4. Limitations

5.4.1. Semi-Structured Interviews as Data Gathering Technique

Semi-structured interviews with open questions were used for gathering data. The interviews were audio-taped and notes were taken during and after the interview session. As soon as possible the retrieved data were transcribed and stored in qualitative data analysis software.

Nevertheless, qualitative interviews are always subject to some limitations. These as well as the applied mitigation techniques are illustrated in the following. Creswell (2009) refers to four limitations using interviews as data collection type, which are also (partly) valid for this study.

The first one refers to the conflict that pieces of information are provided through the articulated perspective and the *filtered view of the participants*. As all information were retrieved through this type of data gathering procedure, also the present research suffers from the limitation, that the interviewees only provide subjective information about their view on the business area of derivative sales. For example, it might be the case that one participant might have been influenced by an extreme experience he was confronted with recently (e.g. a positive/negative discussion with a customer about derivatives shortly

before the interview took place), with a respective impact on the view on the research area as well as the willingness to provide information. Besides this, the possibility of dishonesty also needed to be considered. This risk of such ‘filtered views’ was mitigated by conducting a variety of interviews with persons having the same job specification but having a different institutional background and an independent professional experience. The partly occurring contradictory declarations of the participants justified this procedure and addressed the limitation to a certain extent. Besides this, my professional background helped to minimise the limitations occurring from this challenge as it offered the opportunity to raise in-depth questions.

Secondly, Creswell (2009, p. 179) mentions that information is provided “in a designated place rather than the natural field setting”. It would have been favourable if information would have been provided within their *natural field setting*, e.g. by additionally employing the technique of participant observation. This could have been fulfilled for example by accompanying the participants during their working day and observing how customer meetings are prepared, conducted and followed up. Nevertheless, the underlying ethical framework as well as the regulatory and legal requirements (e.g. banking secrecy) forbid such a procedure – even though it would have been highly favourable. The limitation was however partly mitigated by my professional experience of operationally working in the research area.

Thirdly, Creswell (2009) refers the limitations arising from the *researcher’s presence*. Responses might have been biased as persons describe their actions in a different than they naturally do them. This might either be done consciously in order to highlight the own performance or unconsciously. While on the one hand my professional experience helped to control this limitation, it led to certain disadvantages on the other hand as the previously illustrated risk might have even increased as participants might try to present themselves as positive as possible when meeting a professional interlocutor. This risk was mitigated by mentioning the relevance of their unbiased real-life experience at the beginning of the interview and staying neutral at any time of the interview.

Finally, Creswell (2009, p. 179) argues, that interviewing suffers from the limitation, that “not all people are equally articulate and perceptive”. The *different articulation* skills were observed during the present work as some participants showed that they are used to hold speeches which increased their level of articulation. As the majority of interviews were conducted face-to-face in a one-to-one environment (only one interview was conducted as a kind of group discussion) the risk of overruling other participants due to

eloquence was mitigated. As all participants are experts within this area and as I used in-depth questions in case of uncertainty of understanding, the limitations resulting from articulations skills were reduced. The risk of *unequal perceptiveness* was mitigated by only asking professionals with long-standing expertise within the field. Besides this, the study explicitly aims to explore phenomena on the individual and subjective basis of actively engaged participants. Both limitations were therefore regarded of being more relevant in the section of data analysis than in the field of data gathering as analysis faces the risk that more eloquent articulated information overrules poorly-worded announcements.

Besides these four points Creswell identifies to be crucial, also other limitations occurred. One practical limitation that evolved was the fact, that interviewing appears to be a data gathering technique requiring a lot of resources. The regional decentralisation of the interview participants as well as the interview process (preparation, conduction, transcription (and analysis)) appeared to be *costly and time-consuming*. These challenges were minimised by trying to arrange interview appointments with participants who were regionally close to each other on the same day in case of appropriateness regarding the research design. In addition to this the *time schedules of participants* with managing responsibilities asked for an efficient use of the scheduled timeframe. Nevertheless all of the intended interviewees agreed to participate and reserved at least a time period of one hour for the meeting. Therefore the most relevant and dominant question were asked at the beginning due to efficiency, even though any answer to subordinate questions might had also provided interesting information.

Besides the time requirement of transcribing audio-taped interviews, the *audio-recording of interviews* might lead to further limitations. Referring to their own experiences as well as to others sources (Easterby-Smith, Thorpe, Jackson, & Lowe, 2008; Ghauri & Grønhaug, 2005; Healey & Rawlinson, 1994), Saunders, Lewis, & Thornhill (2009) mention the influence the audio-recorder might have on the relationship between interviewer and interviewee during the conversation as well as the impact on interviewee's responses and their bias. This disadvantage of the recording technique was minimised by a detailed explanation of the advantages of the audio-recorder for the research process as well as the reminder that all information is provided confidentially and anonymously. In addition a very small audio-recorder with an unimposing appearance but a high sensitivity of sounds was used in order to reduce feelings of inhibition. The recorder was mostly placed on the meeting table, but never centrally

between the conversation partners to ensure that the familiar atmosphere did not get hurt. Risks from technical failures using the audio-recorder were prevented by additionally taking notes during the interview. Nevertheless a technical problem did not occur in any of the conducted interviews.

Furthermore, the type of data gathering led inevitably to limitations regarding the *process of data analysis*, e.g. the challenges to analyse semi-structured answers resulting from open-ended questions and compare the gained findings with each other.

To sum up, despite the employed mitigation-techniques it cannot be totally excluded that the present study is not partly or fully subject to (the previously illustrated) limitations.

5.4.2. Data Analysis using Grounded Theory

For analysing and drawing findings, the grounded theory methodology informed by Corbin and Strauss (2008) was used. This was technically done by applying the techniques of open, axial and selective coding to the gained data as well as circularly reflecting the findings to the process of data gathering. The process was supported by using NVivo as qualitative data analysis software.

Like any other research methodology, grounded theory is also subject to limitations accompanying the use of this method. Against the background of the addressed criteria for establishing trustworthiness (cf. Chapter 4.5) and the previously mentioned limitations of the data gathering technique, these shall be explained in the following. Emphasis is set on practical references.

The continuously *subjective involvement of the researcher* in several parts of the process, leads to a variety of (accepted) limitations of research. This limitation starts with the general ability of the researcher to cope with the gathered data in an appropriate way, to draw comprehensible findings and ends with the subjective choices throughout the whole process of analysis. During the whole process the researcher makes decision based on subjective interpretations of subjective identified phenomena. Due to the general freedom of choice, researcher's creativity and the opportunity to go with the flow, countless opportunities of investigation might develop. This was also recognised for the present research as another researcher with a different background probably identifies different concepts, categories and relationships leading to different findings. This effect of different interpretations and subjective choices would even be increased if the context of the researcher or timing of the interviews is to be changed. As the process is therefore not

independently repeatable, focus was laid on transparent and comprehensible explanations about the fulfilled scope of work and the used procedures, in order to increase the transparency and traceability. Chapter 5.3 provides a practical illustration of the employed way of analysis and offers the opportunity to get an impression about how analysis took place.

Besides these previously illustrated choices, the decision at what point findings seem to achieve *theoretical saturation* appears to be highly subjective. Theoretical saturation might never be achievable as the next gathered data theoretically might lead to totally different results. The illusory achievement of the status of theoretical saturation therefore limits the general practicability of grounded theory. Hence, the present research focuses on Rubin and Rubin's (2005, p. 68) interpretation of 'saturation', who practically conclude that saturation is reached when the "understandings provide a complete picture". Additionally they (2005, p. 68) recommend researchers "[...] might want to double-check certain key conclusions, but once your double-checking verifies your initial findings you can stop". Against the background that my study aims to develop a conceptual framework, the accompanying limitations of the used definitions about saturation are reasonable (cf. Chapter 4.4.3.4).

The *presentation of qualitative findings* might lead to additional limitations. Hence, it was chosen to use graphical illustration if possible for presenting as well as structuring the results according to the set research objectives to minimise the risk of this limitation.

5.5. Summary of Procedure

Subsequent to the extensive literature reviews, which illustrate the state of research and justify the need for my present research (Chapter 3.2.6 and 3.4), as well as the explanation and justification of the applied methodology/method (Chapter 4), the previous sections have illustrated the practical process of data gathering and data analysis (Chapter 5). Firstly, it has been justified why semi-structured interviews have been seen to be an appropriate technique of data gathering. Secondly, the process of sampling, the underlying sample group as well as the participants' perspectives have been described in all detail. Thirdly, and in line with the generic and broad description of the process of data analysis illustrated in Chapter 4, the project-individual application of grounded theory has been explained and concretised. For a more practical understanding references to selected examples have been made. Besides these three sections, the limitations accompanying the used data gathering technique and data analysis methodology have been described.

In the next chapter, the gained specific understanding of the research area will be presented and allocated to the five set research objectives.

6. Presentation and Discussion of Findings

6.1. Introduction

In Chapter 5 it has been explained how data gathering and data analysis took place in practice. The insights gained through the iterative process of analysis will now be presented and reflected by aligning the present chapter's structure to the five research objectives, which are

- to explore the nature of current business strategies and activities for derivative sales within selected German savings banks (RO1),
- to understand external influences – with focus on the financial crisis - on the business field of derivative sales (RO2),
- to determine what success and sustainability mean within this business environment (RO3),
- to examine the critical success factors differentiating successful from less successful business units (RO4) and
- to develop a framework for derivative sales within German savings banks (RO5).

This topic-orientated structure allows the reader to selectively refer to individual sections and to minimise redundancies. Figure 40 illustrates the chosen scope of work as well as the specified research aim to provide thick and rich descriptions and to develop new knowledge (cf. Chapter 4.4.3.4). Citations are used frequently in Chapter 6 for description and illustration purposes.

The presentation of the findings starts with a description of current business strategies and activities in Chapter 6.2 (RO1). Based on this conceptualisation, Chapter 6.3 provides information about the changes and influences which have occurred due to the financial crisis (RO2). In Chapter 6.4 two concrete definitions are developed, which summarise the participants' understandings of success and sustainability in the current business environment of derivative sales (RO3). Based on these descriptions and developments the identification and elaboration of critical success factors takes place within Chapter 6.5 (RO4) by using the previously explained analysis techniques of the grounded theory approach (cf. Chapter 5.3). By employing the technique of selective coding a core category is identified in Chapter 6.6, which enables the subsequent development of an

initial conceptual framework for derivative sales in German savings banks (RO5). A reflection on selected literature (Chapter 6.7) completes Chapter 6.

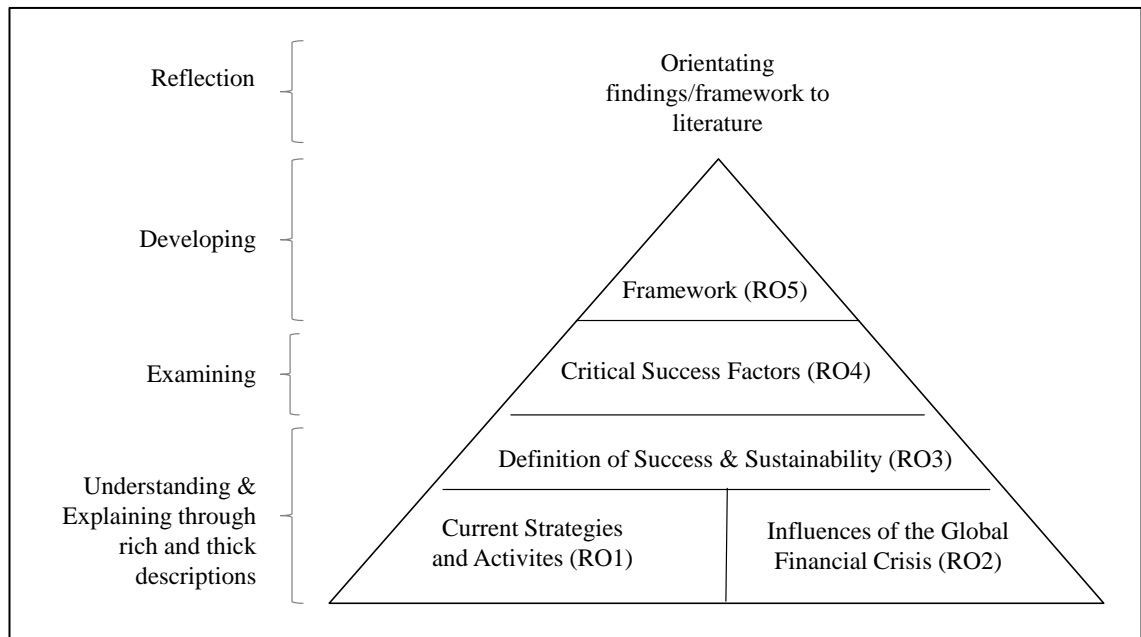


Figure 40: Overview of Presentation of Findings (own creation)

6.2. Current Business Strategies and Activities (RO1)

6.2.1. Overview

In this chapter the observed business strategies and activities of the selected savings banks are described. In addition to this, further potential strategies and activities conducted by other institutes are provided where relevant. The descriptions are based on observations, perceptions and feelings of the participant group, which consists of experts with different background, perspectives and motivations (cf. Chapter 5.2.3). Besides this, descriptions do not solely rely on the explicitly provided statements and information but also on information provided indirectly.

Nine selected areas have been identified in order to explore the current business strategies and activities. The nine selected areas are:

- organisational structure and form of execution,
- target clients groups,
- offered products and services,
- sales process,
- sales targets and incentives,
- cooperation with internal and external units,
- education and training,
- competition as well as
- relevance and outlook of the business field.

Hence, the aforementioned topic-orientated thesis structure is consequently continued within the sub-chapters and facilitates the readers' ability to directly refer to selected areas. Within each subchapter further differentiations and relevant comparisons are provided, e.g. by comparing the different forms of product execution used by the institutes.

For the purpose of granting anonymity the participating institutes are referred to as Institute 1, Institute 2 and Institute 3 respectively in the following (cf. Chapter 5.2.3). While Institute 1 and Institute 2 are savings banks with a total balance sheet over five bn EUR, Institute 3 can be described as a regional competence centre for international business activities (e.g. foreign payment businesses) and interest, currency and commodity risk management solutions for savings banks' clients. Stakeholders of this

competence centre are regionally neighboured savings banks which differ regarding size and level of participation. In order to ensure anonymity a quantitative description of the earnings, costs and precise business development is omitted. Nevertheless, the following qualitative information about their earning structure shall be provided:

- Institute 1 describes itself as very successful in derivative sales during the last four years by their own measures in comparison to peers.
- Institute 2 had closed down all business activities due to emerging legal disputes some years ago. After a period of re-organisation Institute 2 has recently re-started to provide derivative solutions to clients.
- Institute 3 describes itself as successful, but recognises further development potential as affiliated savings banks contribute rather heterogeneously to sales success – regardless of their balance sheet size and sales-potential.

A summarising overview of the main points of Chapter 6.2 is provided in Chapter 7.1.3.

6.2.2. Organisational Structure and Form of Execution

The three institutes have varying organisational structures for derivative sales, which partially make use of external cooperation partners to different extent. However, each institute provides derivative sales services out of a “separate, distinct, and identifiable” division which fulfils the defined requirements of a SBU given in Chapter 3.4.1.2 (Collier, 1982, p. 85).

Institute 1

In Institute 1 the business unit ‘Interest Rate Management’, operates as (in-house) product specialist as part of the department ‘International Businesses’. This department is based organisationally in the division ‘Treasury & Capital Markets’, whose head directly reports to the management board.

Within the department ‘International Business’, three employees are in charge for derivative sales, but are also responsible for other business components and tasks. Due to these other responsibilities, the internal working power for interest rate derivative sales can be described as being equal to one full-time equivalent (FTE). To assist and support

derivative sales activities, Institute 1 makes use of external consultants (1.5 FTE), who support the sales process and also have direct contact to savings bank's customers. The remuneration of the external consultants is exclusively linked to the business success. Therefore, in total, 2.5 FTE are in charge for front office activities regarding the sale of interest rate derivatives. For downstream activities and back-end tasks (e.g. processing of trade confirmations) further internal employees are involved.

Even though the derivative sales unit is organisationally placed within the 'Treasury/Capital Markets' division, the business unit cooperates closely with the relationship division 'Corporate Clients'. This cooperation is strengthened by the spatial proximity of the (external) product specialists to the corporate relationship managers (hereafter referred to as RMs).

Using such 'in-house product specialists-approach', derivative execution is made via 'Brokerage Business', which is explained later in this chapter.

Institute 2

In Institute 2 interest rate derivatives are offered to customers by a separate business unit, as (in-house) product specialist, named 'IR and FX Management', which provides product solutions for hedging interest rate and foreign exchange risks. The business unit is organisationally placed in the division 'Treasury & Capital Markets', whose head directly reports to the management board.

The business unit 'Interest Rate and FX Management' is subdivided into two groups of employees – one group with focus on the daily FX flow business and the other group with focus on the time-consuming advisory business regarding interest rate solutions. Regarding the advisory business a further differentiation is made with respect to the client group. Three product specialists are in charge for the 'large corporate clients' and three specialists focus on providing services for public and institutional clients as well as small corporate clients, who are covered by RMs of decentralised branches of Institute 2. The institutional clients are mainly fund companies, fund sponsors, associations as well as project financiers.

The product specialists are supported by an external consulting company, which provides assistance regarding the sales organisation and sales activities. In contrast to Institute 1, the external consultants have no direct contact to the savings bank's clients and their compensation is not linked to the business success. Instead it is paid as a pre-agreed fee

on a daily basis. The product specialists and RMs for large corporate and real estate clients are located in the same (main) building.

Institute 2 has its own trading business unit for dealing derivatives with clients. This enables Institute 2 to close trades on their own entity-account and to confirm trades using their savings bank's logo via 'Direct Business' (explained later in the chapter).

Institute 3

In contrast to the aforementioned institutes, the sales team for interest rate derivatives of Institute 3 is not established as an in-house business unit but as an outsourced special purpose vehicle acting as a competence centre for the foreign business and derivatives activities of several savings banks, which are regionally close to each other. Besides the involved shareholding savings banks, these services have become accessible for further regionally close savings banks of different sizes by cooperation agreements. The contracts between Institute 3 and the cooperating savings banks are described as general and unbinding regarding sales activities and, thus, might require an additional side letter, according to Participant J, to increase sales efforts.

[...] basically, the cooperation is regulated by a set of agreements, but the set of agreements itself is pretty non-binding [...] it states that Institute 3 is a service provider of the savings bank and fulfils sales activities. [...] But it is not stated how sales activities have to be done. [...] To my mind the contract itself can be abstract to a certain degree, but I strongly recommend agreeing on sales targets in some kind of a side letter. [...] This ensures commitment."

(Participant J, Product Specialist, Manager)

By having both an employment contract with the competence centre as well as an inferior pro-forma employment contract with the cooperating savings banks, all advisory activities can be legally done by the product specialists of Institute 3 for customers of the associated savings banks. In public appearance and in relation to customers the employees operate under the name of the competence centre.

The department of interest rate, currency and commodity risk management of Institute 3 consists of a front office and a back office-division. Besides the head, the front office-

division consists of seven product specialists of whom four supervise the advisory-intensive business while three employees focus on flow FX-business. For advisory businesses, responsibilities for each cooperating savings bank are clearly defined. On certain weekdays, the specialists are supported by an external consultant. This consultant provides sales support without having any customer contact himself. Remuneration of the external consultant is partially linked to the business success. In the back-office division downstream tasks of sales activities are taken care of, such as the booking of credit equivalents or the dispatch of customer documents.

The competence centre operates from its own, separate office. The product specialists are able to reach the majority of cooperating savings banks within a driving distance of max. 45 minutes, though.

Operating as an outsourced special purpose vehicle without having a banking licence, derivative execution is made via brokerage business, which is explained later in this chapter.

General overview of organisational and execution forms

Against the background of the three institutes and information about other institutes, four basic organisational sales forms could be identified (cf. Figure 41). The abovementioned three institutes can be classified to either belong to the category of using ‘in-house product specialists’ (Institute 1 and 2) or being an ‘outsourced special purpose vehicle’ (Institute 3).

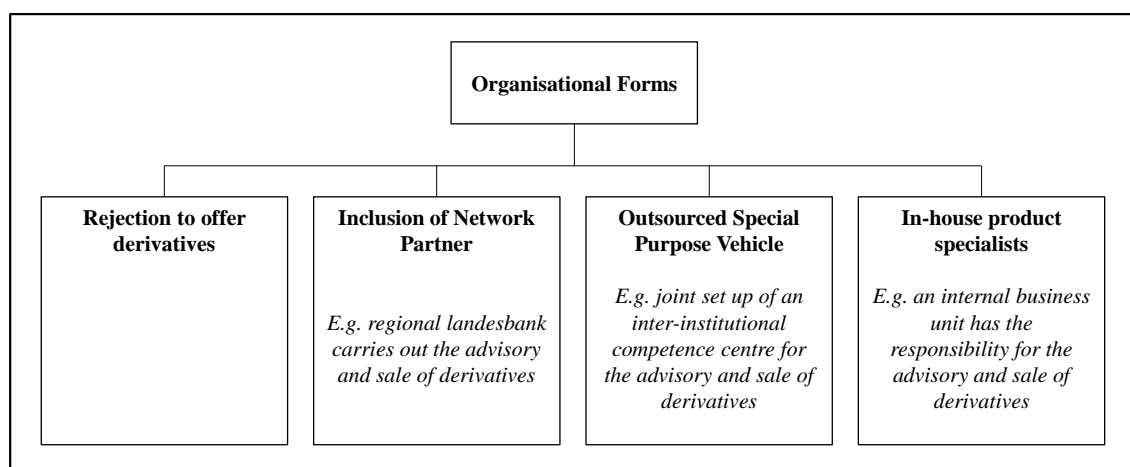


Figure 41: Organisational Forms for Derivative Sales

With regard to the execution of derivatives, three fundamental forms can be observed: i) intermediation business, ii) brokerage business and iii) direct business. The choice of the execution form is closely linked to the chosen form of organisation. This means that the inclusion of a network partner for the sales activities automatically leads to the usage of the technique of intermediation business. Whereas the usage of own products specialists or of an outsourced competence centres either enables the usage of the technique of brokerage business as well as of direct business (cf. Figure 42).

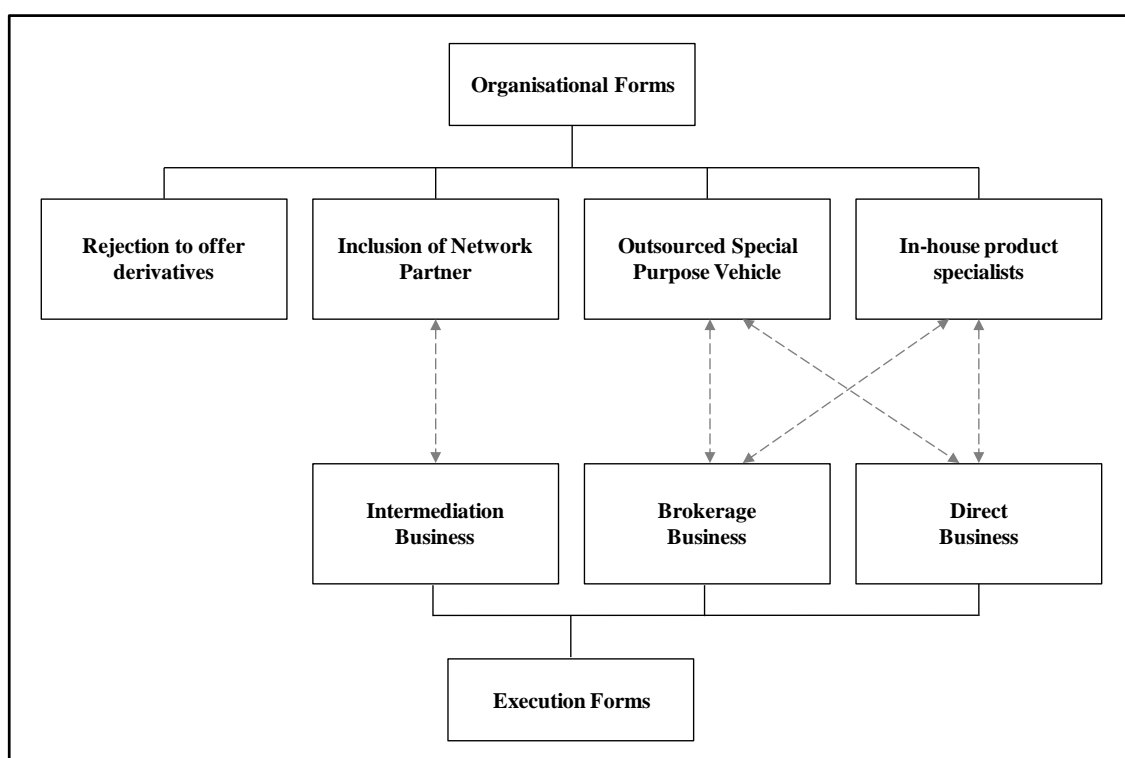


Figure 42: Interplay of Organisational and Execution Form for Derivative Sales

In addition to the clearly distinct forms, also mixed forms are apparent, when for example savings banks use the intermediation business approach for certain client groups (e.g. municipal clients) while fulfilling advisory and sales activities for other client groups on their own (e.g. corporate clients).

Intermediation Business

Using the technique of intermediation business, the responsibility for advisory and sale of derivate products to the savings bank's client is handed over to a product specialist of the cooperating landesbank. For this purpose the product specialist of the landesbank is

physically present in the client meeting together with the employee of the savings bank. This form of business execution always takes place using the organisational form of 'inclusion of network partner'.

As the clients are often unknown to the landesbank, the savings banks are liable to the landesbank for a potential default of the customer. This is regulated by a guarantee for the client transaction given by the savings bank to the landesbank. Thus, parallel to the trade settlement, the savings bank sets up a guaranteed credit line for the client. The utilisation of this credit line is calculated by means of regular market value information of the respective transaction. In seldom cases however, the landesbank itself also has a direct business relationship to the client. In this case, there is also the possibility that the landesbank itself has a credit line in place for the client and no savings bank guarantee is necessary.

The savings bank charges a fee for the intermediation of the client to the landesbank and for granting the guarantee. However, a major part of the sales margin remains at the landesbanks which takes the liability risks for advisory services as well as front office and back office efforts.

Brokerage Business

In contrast to the intermediation business, the savings bank is responsible for the advisory and sales activities when the business is conducted by means of brokerage business. Only the pure settlement of the derivative transaction is done by the landesbank. Therefore, the advisory liability remains within the savings bank. Analogous to the above mentioned intermediation business, the provision of a guarantee to the landesbank for customer default and the setting up of a corresponding guaranteed credit line takes place.

Since advisory activities are carried out by the savings bank itself, the large part of the sales margin remains in the savings bank and the landesbank receives a (minor) compensation for pricing, trading and product servicing.

Direct Business

Applying the technique of direct business, a direct business relationship between client and the savings bank is established with no other party involved. This means that the derivative is advised, traded and confirmed by the savings bank itself.

6.2.3. Target Client Groups

Overall, it can be noticed that the group of target clients only comprises customers with funding requirements – usually granted as floating rate loan by the savings bank itself. The further definition of target clients is made by i) the client group, ii) the client's creditworthiness and iii) the required notional amount of the derivative transaction.

Client Group

Three rough client groups can be classified, which are developed according to the savings bank's department which is responsible for the relationship coverage. The three client groups are: i) corporate clients, ii) municipal clients and iii) private/retail clients. Whereas the first two categories are handled by all three institutes, the sale of derivatives to retail clients is partially excluded by some savings banks.

It can be observed that target clients are mainly larger corporate clients. This usually comprises also larger real estate clients (e.g. project business). As example, Participant D defines the target client group for Institute 1 as follows:

“We just sell derivatives to corporate clients, commercial clients and freelancers because these client groups are covered by our centralised relationship managers who are already very familiar and appropriately trained for it [...] Temporarily, we [...] also sold derivatives to our branches' customers [...] But we don't want to do this anymore, because it does not really fit to them.”

(Participant D, Sales Management, Employee)

The focusing on major corporate clients is also apparent in Institute 2 and Participant M emphasises that the client group of the smaller, decentralised supervised corporate clients is only covered on request. Participant J confirms that the same is also true for the savings banks cooperating with Institute 3.

Besides focusing on corporate clients, all participating institutes also cover municipal clients. However, these clients often also have a direct business relationship with the regional landesbank, which can be seen as a competitor for these clients.

A differentiation is made regarding the group of retail clients. Whereas in Institute 1 and 2 this customer group is completely excluded, the client group is handled differently in

the savings banks cooperating with Institute 3. In some institutes, the range of products available for retail clients is limited regarding the related risk of the product (e.g. only sale of caps to retail clients) and in other affiliated institutes there is a complete exclusion.

Defined supervision responsibility for a specified client group by one product specialist only takes place in Institute 2 (e.g. three product specialists focus on large corporate clients). In both other institutes the supervision of different client groups is fulfilled by the same person (e.g. regional responsibilities instead of client group responsibilities in Institute 3).

Regardless of the actual client group and its legal form, all clients are treated as retail clients according to MiFID in case of advisory activities related to OTC derivatives and the legally required risk explanation by the participating institutes (cf. Appendix 2).

Credit worthiness

In addition to the aforementioned client groups, creditworthiness is considered to be another selection criterion of possible target clients. Regarding the credit rating, the business field of interest derivatives is nearly exclusively offered to clients with a good creditworthiness. The DSGV rating scale provides a differentiation of sixteen categories, with category 1 being the best and category 16 being the worst available rating. For example, Institute 1 only focuses on customers with a rating between 1 and 8, respectively 9. Besides the general questioning of having a business relationship with a client with a poor credit quality, the required guarantee towards the landesbanks needs to be evaluated as far as intermediation or brokerage business takes place (e.g. in case of Institute 1 and Institute 3).

The procedure of using the credit rating as digital selection criterion is partly revised in Institute 3. In spite of the general guideline to only settle derivative transaction with good rated clients, Institute 3 has the possibility to trade derivatives with customers of poor creditworthiness in some of the affiliated savings banks – e.g. in order to provide restructuring assistance for existing non-performing financing structures.

Notional Amount of Derivative Transaction

Institute 1 and 3 offer derivative transaction with an outstanding notional greater than 250-300 TEUR, which distinguishes the institutes from other local competitors and,

therefore, offers the possibility of earning higher margins. Institute 2 offers derivative solutions from a transaction volume of at least 500 TEUR.

6.2.4. Offered Products and Services

With respect to the provided products and services, it can be distinguished between i) the offered derivatives products and ii) amended services around derivative sales. An overall requirement for offering derivative product solutions is the granting of floating rate loans by the savings bank. Only in a few exceptional cases the stand alone sale of derivatives has taken place in history, while the underlying financing transaction has been provided by a competitor.

The derivative products offered by the institutes differ regarding maturity and individual transaction character, but mainly have in common that they have hedging purpose and belong to the plain vanilla-category (cf. Appendix 1).

In all institutes a portfolio analysis often accompanies and supports the sales process as this differentiates the institutes from their competitors. Furthermore the offered, additional services give the client a high feeling of individual treatment as they illustrate possible risks arising out of his loan and derivative portfolio, e.g. by illustrating different cash flow or market value scenarios.

The institute-individual details regarding offered products are described in the following.

Institute 1

Institute 1 differentiates between products groups actively offered to the clients and those which are only offered upon request. The first category includes derivatives with clear interest rate hedging purpose that do not have any reference to other asset classes. Interest rate derivatives with a reference to exchange rates (e.g. as a cross-currency-swap) or without hedging purpose are only available upon explicit request of the client. The philosophy behind the limited product range is summed up by Participant E as follows:

“Close to the underlying transaction. This is our philosophy and there we feel pretty comfortable.”

(Participant E, RM, Manager)

The guideline of ‘hedging purpose’ and ‘close to the underlying transaction’ leads to the interpretation that the product range exclusively should focus on plain vanilla instruments. This concretely means payer swaps, interest rate cap and simple combination of these products. Asked for the appropriateness of this limited product range, Participant C argues:

“Actually, I am satisfied with the classical product range, concretely having a synthetic fixed interest rate construction. [...] That is the product which works well in 99.9% of the cases.”

(Participant C, RM, Employee)

Generally speaking, in Institute 1 derivatives shall not be sold through aggressive prices but should rather offer i) the customer an added value for his interest hedging strategy and ii) the bank a higher contribution margin than conventional financing strategies.

Practically, this means that derivatives are only applied in Institute 1 if the customer requests an interest rate hedge for a life time which exceeds the maximum available life time of a traditional fixed rate financing strategy. Therefore, with few exceptions, derivative transactions in Institute 1 have a life time longer than ten years. The strategy excludes a substitution of the classical fixed interest rate loan as well as a shift in the allocation of margins from the loan’s credit margin to the derivative’s commission margin.

The amount of the credit spread on the floating loan is equivalent to the amount of the credit spread which would be considered in a conventional fixed interest rate loan. After a period in which Institute 1 only provided short-term liquidity and credit spread commitments in order to be able to terminate/adjust them with a notice of four weeks, the institute has changed its strategy and nowadays offers long-term liquidity and credit spread commitments. Besides this change in the underlying financing transaction, participants mention that the technical presentation of the floating rate loans in the savings bank’s credit software was initially critical as the fixing of the floating interest rate had to be updated manually for each loan by the back office. Furthermore, the initial non-uniform use of business day and day count conventions led to deviations between derivative and loan fixing. In the meantime, the manual adjustment of loans has been institutionalised by the agreement on identical roll conventions for new loans. This

enables the savings bank to process several loans at the same time and to reduce manual effort.

Institute 2

Institute 2 also clearly focuses on selling plain vanilla products as the product specialists of Institute 2 argue that the majority of customer requirements can be met by offering those instruments. Participant O comments:

“If you have the strategy ‘product seeks client’, it will be nice to have numerous products because then the suspected hit ratio seems to be higher [...]. But in the moment of listening to the customer and understanding his problem, you will see that most of the formulated problems are well covered by simple instruments [...].”

(Participant O, Product Specialist, Employee)

Participant N describes that the strategy for selling derivative products in Institute 2 is to provide added value for the client. Participant O additionally justifies the strategy’s necessity by the new regulatory environment:

“Under today’s regulation of the WpHG (note: Wertpapierhandelsgesetz (German Securities Trading Act) it simply means [...] derivatives are just for someone who is really in need for them. And really needing requires that ‘this one has a problem’. Namely a problem which cannot be solved [...] by conventional financing instruments. ”

(Participant O, Product Specialist, Employee)

Thus, also Institute 2 excludes a substitution strategy for selling this product group (e.g. by substituting classical ten-year fixed interest rate loans by a combination of Euribor loan and payer swap) as far as the customer does not gain an additional added value. The maturities of the offered derivatives are usually based on the underlying core financing, whereas the floating loans and their credit spread are provided and committed for a long-term period.

Institute 3

Regarding the offered product range, Institute 3 provides a variety of products (even structured products) as far as they serve the general purpose of interest rate hedging or optimising cash flows. In principle, there is a particular definition for each affiliated savings bank which product group they are allowed to trade with the savings bank's clients.

The traded products are however mainly plain vanilla products or simple combinations of these. This is explained inter alia by i) a late integration of the product specialists in the sales process (i.e. the product is often already determined by the RM prior to the involvement of the product specialist), ii) the offered product range by the brokerage business partners as well as iii) the higher costs charged by the brokerage partners on structured products.

The affiliated savings banks cooperating with Institute 3 usually offer their clients floating rate loans with long-term liquidity commitment. Some savings banks reserve themselves the right to adjust the credit spread in certain intervals. However some of the affiliated savings banks have generally become more reluctant of granting long-term liquidity commitments to their clients in the recent past, with a respective impact on the possible maturities of the accompanying derivative transaction.

6.2.5. Sales Process

In each underlying institute a standard process exists on how to conduct the advisory and sales of interest rate derivatives to the clients. These standard processes take legal requirements as well as internal set-ups into consideration and generally consists of the elements of i) identification of potential, ii) consultation, iii) conduction of the legally required risk explanation, iv) trading and settlement as well as v) post execution activities. However, the defined standard processes are differently transparent in the individual institutes and deviations occur.

Institute 1

The standard sales and consulting process in Institute 1 begins with an identification of the product requirements by the RM responsible for the client who checks the extent of

the product's suitability for the client and the client's interest in such products. Participant E describes possible identification characteristics for sales as follows:

"[...] as advisors, we identify the type of business which might be considered. That means either what we already have in our portfolio with an existing variable liability or a pending interest renewal; or new business. Then we look whether there is still a long-term financial basis or whether the funding is required on a medium/long-term basis; and then we engage in talks with Consulting Company1 [...]"

(Participant E, RM, Manager)

The standard process also envisages that the RM already informs the client of the need for consultation. Participant C describes the first two steps of the standard process as follows:

"I talk to 'Consultant1'. First he gives me just an interest rate [...]. The three items which interest me are: interest rate, the equivalent I need and the commission income which I can generate from it. [...] In most cases, the topic is initially touched with the client over the phone when I casually mention the matter of interest rates for the first time by giving the client an indication where the rate would be currently. If this gets a reaction – and I usually manage to awaken interest because the normal comment is 'that's a very complex matter. I can tell you. You can have a favourable rate doing it a certain way. Just by naming a number. But we must explain that to you properly round the table'. And then we always manage to arrange a physical meeting."

(Participant C, RM, Employee)

The initial consulting session with the client takes place together with the external consultant ('Consultant1') who identifies himself to the client as an 'external product specialist'. The meeting focuses on a sales Powerpoint presentation compiled by the external consultant, which has been agreed upon in advance with the RM. This presentation is classified by Participant E as being 'essential' as the topic would be too difficult for the client to follow without a written elaboration. A graphical presentation is

of particular relevance as well as explanations and analogies to classical financing instruments.

If this leads to a positive feedback and interest from the client, a second consulting session is agreed upon during which the internal product specialist ('Head of International Business') of Institute 1 explains the chances and risks involved. Centralised procedures which are clearly specified and regulated in job instructions ensure that the standards of the savings bank for this legally required risk explanation and advisory are adhered to.

"We have split the procedure up into two parts. 'Consultant1' accompanies the first part of the consultation. If the matter really results in a business transaction then we have to cope with the issue of the legally required risk explanations part which has been centralised in our company and managed by the 'Head of International Business' [...]"

(Participant C, RM, Employee)

Furthermore, the knowledge and the experience of the client is stated in the obligatory WpHG-protocol and KIDs are handed out. The outcome of this consultation is recorded in a consultation protocol which is signed by the product specialist and the client.

When the client has signalised interest, further internal departments are included i.e. the approval of the credit decision including credit line for derivatives is sought and the legal frameworks are drafted. After the credit decision has been made, credit lines for derivatives have been granted and the client has placed a definite order, the internal product specialist executes the trade via brokerage business with the selected business partners (cf. Chapter 6.2.2) whereby Institute 1 cooperates with a regional landesbank. The external consultant clarifies and checks the requested products and the respective the prices with the landesbank using an independent pricing software. Thus, there is no need for Institute 1 to acquire an own pricing software.

The subsequent trade confirmation is not sent directly by the selected landesbank to the client but is forwarded to the savings bank, who in turn sends it out to the client together with an accompanying letter. Later fixing and interest rate confirmations are also dealt with in this way.

Institute 1 posts a guaranteed credit line in the form of a credit equivalent for the concluded derivative product. The corresponding net present value of the commission

sum for concluding a derivative business transaction is remitted by the Landesbank to the savings bank. The engrossed commission income is made known to the client in a two-step explanation i.e. the client is informed that a margin is included; however the amount is given as a percentage and the exact sum in Euro is only shown if asked for.

“In the derivatives business, we say what we earn. We don’t say it direct, but it is stated in the disclaimer and how much in percent – but we purposely do not say what it is in Euro if the client does not ask. Anyway, he can work it out for himself.”

(Participant C, RM, Employee)

Institute 2

The standard sales process in Institute 2 envisages that the identification of potential clients for (interest rate) derivative products is conducted by the RM, who also does a first check on the product’s suitability for the client. As a second step, which should follow rather shortly afterwards, the RM will inform the product specialist about the potential new client.

Due to the fact that the business area has not been in deliberate focus in Institute 2 in the past years (e.g. no sales targets for RMs) and is undergoing a substantial re-organisation process at the moment, this standard process is currently seldom adhered to. Thus, direct contact between the product specialists and the clients still tend to be an exception. Participant M explains:

“Well, we are called in to meetings. Or we have to arrange the meetings ourselves. [...] There was a time when our contact with the client was considerably more direct. There are various reasons why that has let up a little and has most certainly something to do with the legal cases [...] which have cropped up [...]. But together with ‘Consulting Company1’ we have almost reached a point again where we can build up a client relationship and so be able to talk with the client perhaps ourselves [...]”.

(Participant M, Product Specialist, Employee)

Previously there was a mandatory requirement to include the product specialists for financing volumes above a certain threshold value. However this was dispensed with because of negative experiences made in the past which had led to misdirected incentives (cf. Chapter 6.2.6). Instead, attempts are made to free the RMs from certain constraints, to provide them with tips on how to identify product potential and to make them aware of what data are required for further in-depth analyses.

The current standard sales process of Institute 2 envisages at least two meetings for selling interest rate derivatives, meaning an initial general informative talk without suggesting any definite product and a subsequent consulting session. Both sessions are conducted by the internal product specialist. The process foresees that the product specialist is involved as early as possible and that the RM and the product specialist jointly decide what and how to offer. Participant M explains:

“[...] we have [...] considered what a standard process would be for us, which one would be really good, because as a rule it had always been good. The relationship manager called us up and said ‘I’ve got a client here, do a swap’ and then we went and advised the client, explaining everything to him. In my opinion, that’s a step too late if you just take along one certain product. It was important for us to say that we would like first of all to have an informative conversation and take a look at the client’s complete portfolio, [...] and thoroughly discuss the matter with the client. What do you think of the interest rate? [...] What do you really want to achieve with this new project and so on and so on. And then after this initial informative talk, the client comes in again for a consultation. That means splitting the consultation process into two steps. [...] that is what we mean by a standard process.”

(Participant M, Product Specialist, Employee)

The standard process envisages that no specialised product documents ought to be taken along to the first meeting in line with the WpHG, because, as Participant O states, there tends to be a danger that the strategy ‘product seeks client’ is likely to be applied. Not excluded in the first meetings are basic general explanatory documents which generally show the client the range of products offered. Hereafter a second consultation takes place, which focuses on the discussion of individualised strategies and the accompanying individual legally required risk explanation. Furthermore, the obligatory WpHG-protocol

is filled in during this meeting and KIDs are handed out. Preparation and follow-up of the meeting, including the compilation of the relevant documents, lies solely in the hands of the internal product specialist who is supported by the back office e.g. for creating the respective legal framework documents.

A consultation protocol is written after every meeting by the product specialist and given to the client for signing. The consultation protocol also states the margin for the product.

In case the respective credit line has been approved and the deal has been executed between the client and the product specialist, the internal back office of Institute 2 issues the trade/fixing confirmations as well as books and monitors the utilisation of the credit line.

Institute 3

In Institute 3, the typical and ideal sales procedure designates the identification of sales potential by the respective institute's RM who passes on the client requirements as early as possible to the relevant contact person in the competence centre, who then conducts the consulting activities. The affiliated savings banks however deviate greatly from the ideal and typical sales process. Often several consultations are necessary as certain RMs are intervening in the consultation process with their own independent pre-selection of products. Participant I comments as follows:

"We get invited from RMs to client meetings. That means the RM is really the 'door-opener'. In ideal cases, we are present during the initial talk, but that is really only in an ideal case. Mostly it tends to be the second or third talk to which we are invited to attend. In the end, we talk to the client, present the products and the consultation protocol and bring the matter to a conclusion."

(Participant I, Product Specialist, Employee)

The standard process calls for the product specialist to show the client the mechanisms of the offered solutions using a sales presentation; to give the client the relevant documents (e.g. KIDs and legal framework) and to record the knowledge and experience of the client in the WpHG-protocol. The outcome of the consultation is recorded in a separate

consultation protocol which is then signed by the product specialist and the client. All of the documents required for this meeting are created by the product specialist.

The in-company interpretation of the WpHG envisages that consultation and execution of the trade does not take place on one and the same day. This leads to the necessity of having to hold several meetings with accompanying documentation. Participant I sums up that for reason of this method of handling things “[...] *technically speaking, we have no standard process*” because deviations from the standard process are run of the mill.

After the client has taken a positive decision, the approval of the credit line is sought by the RM and the respective legal frameworks are drafted. In case the loan commitment is approved, the derivative business transaction can be concluded. Should this be done on a different day than the day of consultation (in accordance with the standard process) an indication is given as to whether the agreed consultation protocol is still up to date or has been updated.

Institute 3 deals in brokerage business and reverts to several cooperation partners so that the client has the opportunity to select a preferred contractual brokerage partner. The prices offered by the brokerage partners are reviewed and scrutinised by the product specialist from the competence centre using independently provided pricing software. The commission income generated by the derivative transaction is shared 50:50 between Institute 3 and the affiliated savings bank. The overall generated margin is communicated to the client.

After the trade has been executed, all of the confirmations from the cooperation partner (e.g. trade and fixing confirmations) are forwarded via the back office of Institute 3 to the client. The back office is also responsible for posting the guarantee in the affiliated savings bank and for monitoring the utilisation of the guarantee line for the relevant savings bank.

6.2.6. Sales Targets and Incentives

The description of exact sales targets and the level of incentives can only take place conditionally as the subject has not been answered in depth by all of the institutes. It can be noted, however, that all of the investigated institutes work with sales targets which impact the variable remuneration of the sales force. The way in which the targets are named and their relevance varies however. Furthermore, it must be differentiated between the targets of the different persons involved (product specialist or RM) and their hierarchy

(employee or manager). The following description focuses on the RMs' and product specialists' sales targets and incentives.

Relationship Manager

Institute 1 works with a target map for (corporate client) RMs, which refers to ten to twelve targets which are weighted differently. Three of the targets make up 70% of the overall target achievement: the gross earnings over all products (50%), deposit growth and credit growth (each 10%). The remaining targets are product targets, which are equally divided. For the RMs the topic of derivatives is thus a product target which is, at individual levels, as significant as other product target fields (e.g. personal insurance). The particular relevance of this field arises from the fact that the results are also counted in the parallel target field of gross earnings. Because of the level of earnings usually associated with derivatives they have a higher 'indirect' value in achieving personal targets than other products. Achievement or over-achievement of targets leads to financial remuneration which Participant D describes as being significant for the sales force. In principle however it is required that all of the targets are met. Participant C comments as follows:

"Well, there are numerous targets, one might say 'I feel better with some topics than with others' but in the end you have to play around with all of them. And at some time or other you have to reach the targets in some way or other."

(Participant C, RM, Employee)

In addition to the possibility of generating high income from commissions it is additionally commented, contrary to other targets and topics, that the field of interest derivative is one which is closer to the RM's original field of business than others.

Due to negative experiences in the past, Institute 2 has currently no derivative earnings targets for the RM's which means they are free to include product specialists and thus, according to Participant Q the product is only minimally considered in day-to-day business with the client. He also points out the errors made in his institute which led to a temporary standstill of the whole business area.

“We made the mistake of adopting a so-called derivative guideline in order to have a proper base for the derivatives business. The guideline envisaged that above a financing volume of 500 TEUR it was more or less mandatory to include an OTC derivative [...]. That means high-level obligation and inclusion pressure [...]. That resulted in being perhaps less critical in one or the other situation as to whether to use a derivative or not.”

(Participant Q, Product Specialist, Employee)

Participant P points out the legal consequences of transactions not correctly carried out and suggests that sales management in Institute 2 is increasingly based on qualitative targets in future.

“The subject of targets is highly explosive in connection with the WpHG and the Employee and Complaints Register because currently if you have a WpHG-relevant target or a product which is WpHG-relevant you automatically have someone who is a sales representative and who must be appropriately WpHG-certified and trained. That can lead to the BaFin (note: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) coming and saying that the branch manager ABC is the sales representative and then we interview him to see whether he knows what an investor- and an investment-relevant consultation is and what product is suitable. You can then assume that he doesn't know. Currently, we are thinking hard about how to agree targets without all sorts of people becoming sales representatives and in my opinion that will result in having to give up earnings targets, and working solely with performance targets or quality targets.”

(Participant P, Head of Treasury and Capital Markets, Manager)

Institute 2 thus considers to implement sales targets detached from income targets such as e.g. agreeing a minimum number of meetings with the client.

The principle relevance of setting sales targets in the product field in the affiliated savings banks is held in high esteem by Institute 3.

„Target setting in the savings banks is a considerable factor; it's easy to see that setting targets is a driving force.”

(Participant J, Product Specialist, Manager)

Affiliated savings banks of Institute 3 with agreed, strict income targets seem to generate more derivative transactions than others. Participant J explains that there is a tendency to agree on team targets for RMs of affiliated savings banks.

Product Specialists

Contrary to the RMs, the product specialists in all institutes are, besides hard income targets (such as commission income), controlled by soft targets such as contact frequency to the RM and the number of client meetings. With regard to monitoring the targets, Participant Q speaks up for team targets only in order to avoid client requirements not being properly served because of rivalry and concentration on personal performance.

Thus, it can be noted for RMs and product specialists that, with the exception of Institute 2, quantitative income targets for the sale of derivative solutions have been agreed and their achievement has relevance for the variable remuneration of the sales force. In view of new legal requirements, Institute 2 is considering anchoring increased qualitative sales targets in future and thus in this way controlling quantitative income targets indirectly.

6.2.7. Cooperation with Internal and External Units

In addition to product specialists, RMs, back office, landesbanks and external advisors, there are further internal and external third parties who impact the selection of a product and the sales process itself. Selected parties of these cooperations are described in the following sections.

Controlling

When closing derivative transactions, the controlling department is included for determining the credit and liquidity spreads for the granting of floating loans as well as the risk-relevant minimum margins. Thereby, the controlling department reviews to what

extent the derivative transactions achieve the necessary margins and that margins in the underlying transactions do not suffer (e.g. that there is no deferment of credit margin to commission income).

Treasury

As the treasury department is responsible for the overall steering of the whole bank, it is often included in monitoring the sales activities because an extended derivative business involves increased issuing of floating rate loans which hitherto had often been granted as longer-term loans at a fixed interest rate.

In addition to monitoring and steering the concluded transactions, the Treasury department is of increased relevance for implementing business strategies for derivative sales in savings banks as it has experience in derivative products for the asset-liability-management of the whole bank. The collaboration is facilitated by an organisational inclusion of the business unit derivative sales into the Treasury department (as for example in Institute 1 and Institute 2).

Regional and Central Associations

Furthermore, the savings banks revert to their regional and central associations within their 'network concept' in order to ensure uniform standards and a cross-institutional sharing of information. In this respect, participants note that on the one hand regular newsletters from the associations offer information about regulatory matters but on the other hand no basic designs for the implementation of business strategies, no advanced guidelines, centralised specifications nor (technical) implementation aid is given. Participant D explains as follows:

"[...] there's nothing at all. Support – nigh on nil. And the guidelines I mentioned earlier on, ten years old, were of practically no use [...]."

(Participant D, Sales Manager, Employee)

In addition to these basic centralised specifications for the business sector, both the reaction time and derivative-specific implementation of new regulations by the regional

and national associations come in for criticism (e.g. no help regarding derivative specific consultation protocols). Participant J criticises this lack of clear support for the business field from the DSGVO or the regional associations and refers to a lack of responsibility:

“In general it would be desirable for the savings bank ‘family’ if the DSGVO or the regional associations would really open up on the topics of interest and currency management as these are still negligently treated. You sometimes come across something in working groups when the topic of corporate finance is on the agenda or sometimes you get offshoots from the RMs’ area. In some cases, the topic is dealt with in conferences on international businesses. The problem is simply that there is no uniform structure within the savings banks group where interest and currency management is essentially at home.”

(Participant J, Product Specialist, Manager)

Tax Consultant/Auditor

In connection with the conversation with the clients, the position of the tax consultant and/or the auditor who advises the client on financial matters is often emphasised. Their inclusion in the talks and acceptance of the suggestions provided are often decisive. The RMs and product specialists from the institutes note that in the meantime the tax consultant of medium and large corporate clients are in most cases familiar with the topic of derivative products. A few years ago, however, the tax consultant did not usually have this expertise and required explanations. This is still the case where smaller corporate clients are involved. This leads to the strategy to include such tax consultants/auditors directly in the consulting meetings.

6.2.8. Education and Training

In view of the complexity of the business area, the value of appropriate training is emphasised by all participants whereby a difference is made between required basic knowledge and advanced specialised knowledge which often has to do with new regulatory, legal or balance sheet requirements. The required level of knowledge differs greatly depending on the parties involved.

Product Specialists

Regarding the basic training of product specialists it is essential that these have a comprehensive knowledge of the capital market and of the impact of products irrespective of whether this knowledge is gained during university studies, vocational training or further education. However, product specialists often note that there are only few suitable advanced training courses available because of the specificity of the area. Participant J points to courses offered by regional associations and landesbanks for RMs, which are not sufficient for product specialists. A basic uniform concept from the DSGV for product specialist analogue to RM seminars is however still forthcoming.

“It’s difficult to find any training. Because the DSGV or the savings banks own academy offer nothing at all in this respect. There are only advisory seminars mostly attended by RMs who as far as I know has one day of interest rate, currency and commodity management with the training being given by the ‘Head of the savings bank Sales, LB3’.”.

(Participant J, Product Specialist, Manager)

Acquiring information on advanced regulatory and legal changes is often undertaken under one’s own initiative acting on indications from the association, the landesbanks or the own personal network (e.g. ACI).

At Institutes 1 and 3, the landesbank as brokerage business partner plays a central role in advanced training and in passing on information. However, how this is done is perceived in different ways. Whilst Institute 1 feels it is well informed regarding changes and product innovations by the landesbank, Institute 3 expresses the opinion that there is backlog demand.

In addition to these basic professional prerequisites, Participant I refers also to the acquisition of soft skills which are essential when the product specialist needs to convince not only his client but also the RM of his solutions. Participant I comments thus:

“I think it is very important, very important, at least, what I want to say here is that they (note: the product specialists) must be in any case frank, honest and have a sense of humour – I mean that quite seriously because it only works through the link to the RM. And if the product specialist is a twerp who can’t manage to communicate in a sensible

way and build up a relationship to the RM, then forget it! That is even more important than knowing your product.”

(Participant I, Product Specialist, Employee)

Relationship Managers

Although the RM in all of the institutes is (only) responsible for identifying potential clients and for ‘teasing’ the topic of interest rate derivatives, the value of a separate training for RMs, not only from the view of the RM but also from the view of the product specialist, is deemed to be elementary and necessary for successful sales.

With regard to the depth of training, the RMs of the participant group point out that it is appropriate if the product specialist carries out the training for the RMs. This would also serve a better contact between RM and product specialist. The training should include not only product mechanisms but also simulated client pitches and consultation meetings. Another subject of the training should refer to the identifying features for sales strategies. Attendance of out-of-house seminars and in-depth, financial mathematics for RMs are deemed to be unnecessary. Participant F adds however the necessity of including the basic information on interest rate issues such as yield curves, interest computation and determination of forward rates in the training programmes.

Another aspect is commented on by Participant J who clarifies that training should be continuously repeated and it must be stated exactly where the competence of the RM stops and that of the product specialist begins in terms of legal requirements (e.g. the legally required risk explanation). One manager from the RM area expresses a similar opinion and states that the RM must first learn to cooperate with the product specialist intensively.

Back Office Employees

The necessity for back office training is also recognised in all institutes in order to ensure that the potential loan and guarantee commitment is appropriately analysed and controlled. Participant C, for example, comments:

“That was difficult –we were trained, we made sales - we had ‘Consultant I’ sitting round the corner. [...] and then you come along with a new product and bring it into the back office – they have all heard about it before but they have had no previous training.”

(Participant C, RM, Employee)

Because it is not day-to-day business the institutes chose to have people in the back office who deal preferentially with the derivative client cases. This procedure is favoured by the observation that the level of back office knowledge can also impact sales as Participant I reports:

“[...] on top of this the back office is trained, otherwise what happens is that the RM asks himself – what can I offer the client – fixed rates or derivatives? With derivatives – and I know exactly when I make a derivative, I work on it for three additional weeks because there is always someone from the back office who has some questions.”

(Participant I, Product Specialist, Employee)

In all it can be said that specific and up-to-date advanced training is absolutely essential for the product specialist. The RM area and back office ought to have a basic knowledge which can be conveyed by in-company product specialists and possibly can lead to a positive influence on later cooperation. Finding suitable and centralised advanced training for product specialists who need to handle changes is a much more difficult issue.

6.2.9. Competition

With regard to competitors, it can be said that these vary depending on the location, number of clients, applied market strategies and targeted client groups in the respective institutes. On the whole it can be established that in the case of smaller or medium-sized loan transactions, the competitive situation in the derivative environment tends to range from being either minor or up to practically non-existent as other market participants have left this field of business. Participant C comments as follows:

“OK, but we have the advantage of playing in a field which is not represented in ‘Location8’. We also work with smaller tranches; [...] I don’t think you would find anyone (note: competitor). [...] I would say that we do not recognise competition.”

(Participant C, RM, Employee)

Thus, in the case of smaller or medium-sized financing, the derivative solutions strategy frequently competes with traditional financing strategies. One exception can be found in the client group of self-employed doctors/pharmacists, who is often addressed by the Deutsche Apotheker und Ärztebank (a special bank for doctors and pharmacists, hereafter referred to as ‘Apo-Bank’). The Apo-Bank offers its clients the possibility of agreeing a variable interest rate for an individual credit contract with an upper interest limit and lower interest limit (so-called ‘cap loan’). The participants do not agree as to whether a derivative as part of a structured credit contract analogue to the Apo-Bank is advantageous or not. Participant I comments as follows:

“Of course there are client groups where we are in a unique selling position, I think, at least those who buy apartment houses as a hobby. These are not clients to whom Commerzbank or Deutsche Bank would offer e.g. derivatives. It’s more likely that the Apo-Bank turns up round the corner with a cap loan. But besides this we often have a situation of savings bank versus cooperative credit bank; at least for the customers with whom I am currently dealing the derivative has a unique feature versus the cooperative credit bank and simply represents longer terms of maturity, too”.

(Participant I, Product Specialist, Employee)

Where larger financing volumes are involved and there is increasing professionalism on the side of the client, the institutes are increasingly experiencing competition from private banks.

6.2.10. Relevance and Outlook of Business Field

Overall, it can be established that the relevance of the business field for derivative sales is highly rated in all of the institutes. The reasons are clients’ needs for risk-reducing

products, the (still) relatively high commissions and image reasons. Participant R and C comment as follows on this point:

“It will continue to be necessary to have such instruments. As long as there are risks out there, we must have appropriate products which will remove these risks or make them manageable. [...] I think it will continue to stay that way.”

(Participant R, Product Specialist, Manager)

“I am convinced that it is always part of a product portfolio if you want to advise the clients well and you can’t imagine things today without it.”

(Participant C, RM, Employee)

Besides this it is furthermore observed that it is a field of business which strengthens the level of competence assumed by the customer and supports the attractiveness of the savings bank and its image of being a high-performing business partner in other fields of business. Regarding this aspect, Participant Q states:

“I hope that savings banks don’t leave the field. Then they would only trade in what their name says and they would no longer have to compete with the private banks.”

(Participant Q, Product Specialist, Employee)

Nevertheless, the majority of participants indicate that the times of very large incomes are past. As an example, Participant M notes:

“Well, I think that the really great times are gone. But I also think that it will still remain important because such strategies generate considerably more than the classical product.”

(Participant M, Product Specialist, Employee)

Although the basic field of business remains relevant for Participant P, he asks himself the basic question regarding the manner in which it is dealt with, especially against the backdrop of incurring costs due to regulatory changes. When asked for his opinion on the future developments he replies:

“That’s difficult to say. [...] I think that on the whole the Golden Times - I mean when many transactions were concluded and high margins generated – are simply over. Because we are seeing more transparency in regulatory matters and communication with the client is clear and honest concerning how much there is to be earned and why things are done as they are done and that tends to make everything more complicated. The question arises ‘how much process do I have and how much time and effort must I spend, and how much will come out of it’ when it comes to the issue of cost-efficiency.”

(Participant P, Head of Treasury and Capital Markets, Manager)

In this respect, Participant R points out that in future all parties involved will be much more sensitive on risk-adequate pricing derivative products than in the past.

Besides this, the following common points are named as being strongly influential for future business success: i) the bank’s credit risk strategy and willingness to grant new loans, ii) the market development of interest rates, iii) the introduction and implementation of new regulatory and legal requirements and iv) the behaviour of competitors in the market. The granting of underlying financings is seen to be a basic condition and thus an elementary condition for sales success. However, participants from Institute 3 anticipate that there will be a more stringent selection of credit applications in some of the affiliated savings banks with a negative conclusion for the business field.

The concerns regarding further regulations and the associated restrictions concerning clients groups are observed by nearly all participants. Participant O, for example, comments that further regulation of the market is to be expected and he assumes that by continuing with the clearing concept (cf. Chapter Appendix 2), business with clients will cease from the savings bank point of view. At the same time, he states that new requirements demanded by the WpHG lead exactly to those quality demands which a bank should have regarding its own consultation services.

Contrary to Institutes 1 and 2, participants from Institute 3 point out that they have observed a withdrawal of established competitors from the business field with small clients which in future may provide an opportunity to expand competitive advantages in a certain segment. The opportunity is underlined by the positive image of the savings bank as well as the experience that the savings bank has proven to be a reliable business partner during the financial crisis.

Therefore, it can be said that according to participants' estimations, the business field is necessary in order to be able to meet customer requirements and expectations in a suitable way. It can further be said that the relevance of the business field and future potentials is highly rated in all of the institutes because of the commission income which can be generated even though the days of high yields are over and the (regulatory and procedural) obstacles in sales have increased.

6.3. Changes and Influences of the Financial Crisis (RO2)

6.3.1. Introduction

The following description of the impacts of the financial crisis focuses basically on the areas mentioned in Chapter 6.2. The aspect ‘attitude of clients’ has been added, while the categories ‘cooperation with internal and external units’, ‘competition’ and ‘outlook of business field’ have been dispensed with as available information regarding the impacts of the financial crisis have already been provided in Chapter 6.2. Reference is therefore made to the relevant passages in Chapter 6.2.

In all it can be established that changes are observed by the participants mainly in the area client attitude (cf. Chapter 0), products and services (cf. Chapter 6.3.5) as well as sales processes (cf. Chapter 6.3.6). However, the circular reference to the financial crisis and market distortions made it difficult to derive clear and definite causalities. For this reason, all remarks have been sub-summarised under the heading ‘changes and influences of the financial crisis’.

During my research, the topic of new statutory and legal frameworks triggered by the financial crisis turned out to be a major topic. They directly influence the banks, the client and the relationship between bank and client. During the interviews, the participants mentioned four regulatory topics which influence their field of business, i) EMIR, ii) Basel III, iii) MiFID II/MiFIR and iv) specifically German legislation such as documentations requirements, KID and the introduction of the Employee and Complaint Register. As these were named several times by the participants, a literature review was carried out in February 2013 to work through the main contents of these changes to consolidate the results and to present them in detail (cf. Appendix 2). The procedure allowed more detailed questions to be asked about the changes and to concentrate in the following chapters in particular on the participants’ perceptions.

A summarising overview of the main points of Chapter 6.3 is provided in Chapter 7.1.3.

6.3.2. Attitude of Clients

In principle, the following four main changes in the clients’ attitudes were observed by the sample group:

- a basic negative perception of the financial sector,
- a differentiated trust/mistrust in the bank as an institute,

- the (remaining) high level of trust in the regional RM and
- an increased need for consultation regarding the sale of derivatives.

Basic Negative Perception

In summarising it can be established that the crisis in the financial markets and its consequences have changed the attitude of the client towards the financial industry, the bank and the RMs. All participants observe a basically negative attitude towards the financial industry. Participant H comments as follows on the changes in client attitudes and the influence of the crisis in the financial markets and explains that the general bad reputation must be ‘sold’ as well when offering products and services.

“They have all become a little more cautious and on the whole the banks have a bad reputation.”

(Participant H, Product Specialist, Employee)

Differentiated Trust/Mistrust

When ascertaining the negative image of the financial industry, Participant C indicates a new form of differentiated trust/mistrust towards the institution ‘bank’. Contrary to the past, an increased sensitivity concerning insolvency risk of the (brokerage business) partner has been observed and is expressed for example in clients wanting to know what happens if a bank becomes insolvent.

“If anything is a topic, or was a topic in history, then the one of ‘we take on a guarantee for the client’ for all of the payment flows and so; and then vice versa comes the frequent question ‘alright, but what about the bank’s creditworthiness – WestLB, Lehman?’ Today, that is a much more relevant topic; what happens if a bank gets into payment difficulties and the trade is balanced up.”

(Participant C, RM, Employee)

It appears that the client differentiates between the savings bank as a lending bank on the one hand and the landesbank as a business partner for derivative transactions on the other

hand (e.g. in the case of brokerage business). It seems that the savings bank as a business partner has profited most from its image as a reliable, conservative and local provider of financial services in the face of the financial crisis, while trust in landesbanks has decreased. Regarding the landesbanks, the participants point out that mistrust could have been strengthened by the special role of the WestLB AG in NRW and a possible ongoing consolidation of the landesbank sector.

“And I believe that as a savings bank we have a major advantage – we enjoy an extremely great bonus in trust. That is something I am always aware of - that the savings bank does not deal in high-risk, hara-kiri type of business but is still very down-to-earth and conservative.”

(Participant C, RM, Employee)

Participant E is also aware of this differentiation and points in this connection to the increases in deposit volumes in his Institute 1 during the crisis in the financial markets. Participant M bases this positive development on the conservative image which the savings bank has built up and maintained over many decades. Besides this, Participant C explains this principle confidence of clients in the local savings bank and the savings bank's RMs by referring to long-term relationships and a low fluctuation in RMs and concludes that this facilitates the sale of derivative products and services in the face of competitors. This is also observed by Participant L who comments:

“We've been living with crises only for the past four to five years and that has been a time in which we have been successful. And maybe we profit from the bonus that it was not us that triggered off the crisis on the financial markets. That the people from the savings banks were the good guys in the game”.

(Participant L, Head of International Business, Manager)

Trust in the RM

The role of the savings bank's RM as the client's person of trust appears to continue to be important. RMs increasingly remark that many of their clients trust them to carry out financial transactions and it appears that in most cases there have been no negative changes. Therefore, the demands made on the role of RM in terms of the bank and acting

in the interests of the customer are high as the RM indirectly becomes the one to make decisions for the client.

“You have a definite talk on financing and I say that at the end of it either we have the best overall package or we don’t – that might be a derivative because we are relatively alone in this field – plus a good relationship to the client. For me those are the real success factors because I think... I can remember so many transactions where I really nodded my head at the end of it and thought I have created an atmosphere of trust, and the product is a good one.”

(Participant C, RM, Employee)

“In the end, it is the savings bank which does the selling and I (note: taking the position of a client) rely on it and/or the savings bank RM and don’t read all of the small print on the pages I have to sign.”

(Participant D, Sales Manager, Employee)

A contrary tendency is noted by Participant G in his former professional experience in a private bank regarding the influence of the financial crisis on the relationship.

“Not through court decisions nor the financial crisis itself, but the practical experience which clients have made with interest and currency management. And from my own experience I remember the issue of interest ladder swaps which greatly contributed to the fact that some clients had very reserved feelings towards it. I don’t think there are any clients left who conclude transactions purely on the basis of the RMs judgement.”

(Participant G, RM, Manager)

Need for Consultation

Regardless of the perceived basis of mutual trust all participants comment that because of developments in the financial crisis, the clients require a higher level of advice when it comes to a definite sale of derivatives. With regard to consultation and the sales of derivatives Participant A, for example, points out that because of the earlier better image

of and trust in consultations it used to be easier to sell the client a derivative. Participant C also observes that there is a clearly increased need for explanations compared with client meetings in the past. Besides overall negative press on banks and derivatives, in NRW this can often be put down to a number of local press reports on civil lawsuits between local authorities and landesbanks because of the sale of exotic interest rate derivatives. In this respect, Participant C comments as follows:

“Well, I take it very positively and say ‘listen, have you heard anything about derivatives?’ If they (note: the clients) know about them from the press, then only with a negative image and then the topic of local authorities etc. crops up. But those were all cases of pure gambling without any relevant basis business. That’s my experience and then the topic is quickly forgotten.”

(Participant C, RM, Employee)

And Participant I has this to say specifically about consultation on derivatives:

“[...] particularly derivatives, swaps were in the newspaper and I spent quite some time explaining things to the client. On the left side, interest rate hedging, on the right side, interest rate speculation. In the newspaper it says interest rate speculation – we talk of interest rate hedging.”

(Participant I, Product Specialist, Employee)

However, even though the client’s sensitivity towards derivatives has increased and is accompanied by a higher need for clarification, in most cases that does not mean that transactions are not concluded.

6.3.3. Organisational Structure and Form of Execution

In all it can be established that financial crisis had not presented any reasons for making organisational changes in any of the institutes; i.e. the basic organisational structure of the departments or the outsourced competence centre both remained unaffected. However, slight adjustments occurred. These are presented in the following.

Institute 1

In Institute 1 the crisis in the financial markets had no direct influence on the form of sales as the selected form of cooperation with the external consulting company and brokerage business has not been introduced until 2008. Beforehand, the business area was operated with the regional landesbank using the technique of intermediate business (cf. Chapter 6.2.2). The reason for the change to an establishment of own product specialist and to consider external support laid in the absence of the anticipated business success, in the lack of a business range with numerous clients and lack of sustainability. The reasons for the changes were therefore not to be sought in the financial crisis.

However, later the selected operational organisational form has been adjusted by taking on a further brokerage partner due to the deterioration of the creditworthiness of the initial brokerage partner. Participant K comments on the impact of the financial crisis on Institute 1 and the business area as follows:

“The most severe development most certainly did not impact ‘Institute1’; yes, sure, we noticed that clients felt very uncertain and extremely cautious especially towards ‘Landesbank1’ when the ‘Landesbank 3’ was urgently needed because it still had a little bit of reputation left.”

(Participant K, RM, Employee)

Institute 2

As a consequence of chaotic conditions in the market due to the financial crisis, accompanied by legal suits filed by clients and other supervisory matters, Institute 2 has ceased to focus actively on new business in recent years. Participant N comments on the impact of the financial crisis on the business area in Institute 2 as follows.

“Somewhere along the line, we fell into this big hole. We had many problems of a supervisory nature, heightened by increased customer complaints and legal suits which were probably stimulated by the financial crisis and the public awareness that bankers wished nothing good for their clients.”

(Participant N, Product Specialist, Employee)

The product specialists focused at this time more on currency management and a re-orientation of the business field of interest derivatives. There were no accompanying organisational changes. It can however be established that the financial crisis and its consequences in part contributed towards temporary cessation of the business area and a re-alignment of the sales processes; activities which took up much of the product specialists' working time.

Institute 3

Institute 3 confirms that the set-up found in times of the financial crisis turned out to be correct as many regulatory and legal reforms would not have been feasible for an in-house product specialist in an individual smaller savings bank and the processing of these reforms would have restricted sales severely. There have been no changes or increases in the amount of brokerage business partners in Institute 3 because of the financial crisis as brokerage contracts had already existed with various landesbanks beforehand.

Execution Form

No uniform tendencies could be derived from the impact of the financial crisis concerning the execution of products. Several participants from Institutes 1 and 3 express thoughts as to whether the negative image of the brokerage partners can be counteracted by operating the business area as direct business in the medium term. However, both institutes mention that the cost-efficiency of the decision ought to be checked again in depth as the accompanying costs are difficult to estimate. A contrary tendency is expressed in Institute 2 which already uses the technique of direct business execution. Participant P expresses concern as to whether this method of execution is economically the most sensible in the light of the new regulatory requirements which resulted from the financial crisis.

Overall, it becomes apparent that the selected processing form in principle have been checked as an (indirect) consequence of the financial crisis and with one exception (the inclusion of a second partner for the brokerage business in Institute 1) led to no organisational changes.

6.3.4. Target Client Groups

As a result of the obligation to provide more detailed information about derivatives and due to the potential risks from legal suits, all of the institutes in question have focused on the business with (larger) corporate clients in the wake of the financial crisis. Besides this, some client groups, for example public authorities, receive further (product) advisory information and have to confirm the understanding of those by providing additional signatures. As a rule all client related advisory and documentation in the participating institutes orientates itself on the MiFID-standards for retail clients. Even though the clients might not be retail clients in the original sense.

Real ‘retail clients’ are no longer deliberately advised in Institute 1 and 2, while Institute 3 gathers differing experiences in the affiliated savings banks (cf. Chapter 6.2.3).

The participants report that no changes have been made regarding provisions on creditworthiness and minimum transaction notional. It can thus be established that the overall client field has been narrowed down by the financial crisis i.e. contrary to the past, ‘real’ retail clients no longer represent a group of clients to whom derivatives are to be sold.

6.3.5. Offered Products and Services

Overall it can be said that the range of products on offer in the savings bank sector had already been strongly plain vanilla focused before the financial crisis took place. Nevertheless, the financial crisis has led to a critical reflection in the savings banks regarding i) the traded products, ii) the newly-offered products and services and iii) the innovation of new products.

Traded Products

The financial crisis’ impact on existing, traded products are often illustrated by the participants by referring to the heavy drop in interest rate levels in the European currency area as well as the upward revaluation of the Swiss Franc against the Euro (cf. Figure 43 and Figure 44).

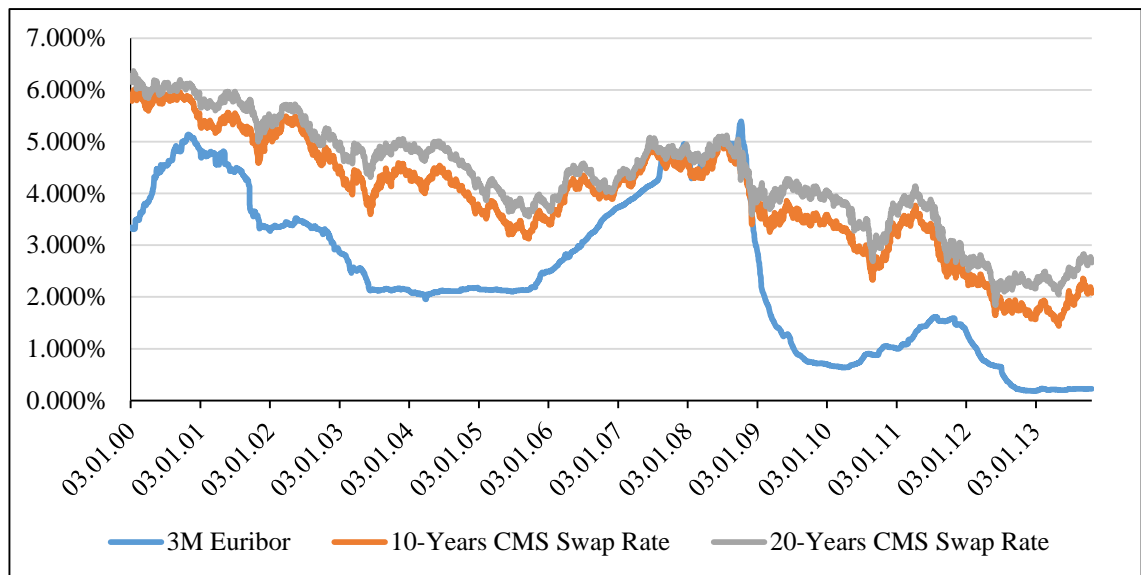


Figure 43: Development of Interest Rates (Bloomberg, 22.10.2013)

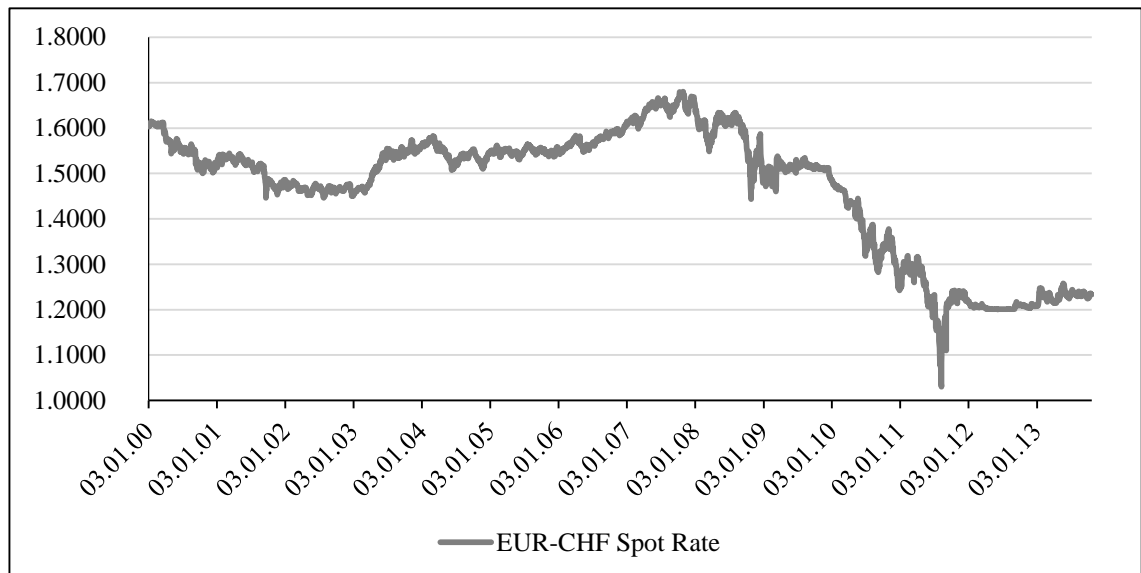


Figure 44: Development of EURCHF Spot Rates (Bloomberg, 22.10.2013)

For example, Participant E, when asked about the influence of the financial crisis on derivative transactions, names beside the loss of a brokerage partner the following:

“And otherwise with reference to derivative transactions? No. Except that the interest rates continue to drop which is after all a direct corollary – not really.”

(Participant E, RM, Manager)

Under the circumstances of the current market levels, clients sometimes remarked that the interest rate fixed at higher interest rate levels (e.g. with fixed-interest payer swaps) seen in today's light is not a satisfactory transaction. However, as these would have likewise been in traditional financing forms with longer fixed interest commitment, the number of complaints in these cases remains manageable.

The category cross-currency-swap, however, is an exception. These swaps were sold by all three institutes as a substitute for the classical foreign currency financing and were offered mainly to clients who wished to make use of the low interest rates of another country despite the exchange rates risks. Cross-currency-swaps with reference to Swiss Francs had been the preferred choice. On the basis of the current market situation, these products have built up (extremely) negative market values, a corresponding utilisation of the credit lines as well as a severe increase of the client's payment burden with respect to the nominal debt drastically increased when repaid in Euro.

"[...] on the whole, we must ask ourselves whether the client is in a position to take a credit in Swiss Francs with only a more favourable interest in mind when he in fact does not really understand the risks attached to a currency transaction. We experienced that in the past, those are things which in the end 'were off target' and we as advisors are criticised when the client nevertheless does it of his own free will after approaching us. But now we have experienced things with Swiss Francs where our credit exposure has increased by 20-30 %. Without the client really having had any added value from it; in some cases the real estate is more heavily burdened or the client's balance sheet looks rather distorted."

(Participant G, RM, Manager)

Newly-Offered Products and Services

Nowadays, those products with foreign currency reference have disappeared in all of the participating institutes from the active range of products offered and it is ascertained that currently only plain vanilla-like Euro instruments with a maximum interest rate are being sold.

“...we deal practically only with plain vanillas. As already said, that fits in well with the savings bank business model. If we were to start selling our clients speculative things, it would not be in line with what we do.”

(Participant G, RM, Manager)

Participants A, an employee of ‘Landesbank1’, which is active throughout NRW has also observed this and notes the following:

“It is certain that municipal clients have closed more structured transactions than corporate clients but even there, there has to be a worst case nowadays. The financial crisis has most certainly changed things.”

(Participant A, Product Specialist, Employee)

In this connection, the low interest rate in the wake of the financial crisis means that particularly long-term interest hedging instruments have taken on a special relevance for sales and clients have been/are eager to hedge their fixed interest rates over a period of more than ten years. In addition to this, the holistic observation of the client’s financial situation emerges more and more into the foreground; i.e. by conducting portfolio analyses. Whether this development is due to the financial crisis (e.g. investor-friendly advisory) or to the sales strategy of the three institutes (e.g. differentiation to competitor) is not recognisable.

In view of newly offered derivatives it is increasingly indicated that in the course of the financial crisis derivatives can only be offered nowadays if they provide the client with added value. The substitution of a classical ten-year fixed interest credit with a ten-year payer swap (and a floating loan) as it was the case prior to the financial crisis is described by all participants as not being sustainable and as not in line with the WpHG (cf. Chapter 6.2.4).

Innovation of new Products

The development of new (structured) interest rate derivatives has thus come to a complete standstill in the savings banks and cooperating landesbanks. In the case of the newly

offered products (plain vanilla derivatives as well as underlying loan transactions) several participants note increased sensitivity in the institutes regarding risk-adequate pricing.

6.3.6. Sales Process

It is overall perceptible that the whole sales process has become more extensive i.e. it has been amended with more specific (sub-)elements and generally higher demands are made to individual process phases than compared to recent past. This has led to Institutes 1 and 2 consciously separating client meetings during the sales process (informative talks followed by an individual consultation). In Institute 1 this separation is likewise founded by outsourcing certain phases of the process to an external consulting company. It must be noted hereby that in Institute 1 the setting up of a sales process via brokerage business had not taken place until 2008 which means that although the financial crisis has had an impact it has not caused any changes.

In Institute 3 there have been no principle changes in the sales process; however, compliance with the new regulatory requirements means that the sales process has to be supplemented with numerous elements. According to Participant I, this has led strictly speaking to there being currently no standard sales process, because exceptions are the rule (cf. Chapter 6.2.5).

Identification of Potential

The crisis in the financial markets has had no direct impact on practice regarding the initial identification of potentials by the RMs in all institutes.

However, in Institute 2 it is seen that because of negative experience made with derivatives for clients during the financial crisis, cooperation between the RMs and product specialists has become more reserved. Besides the split of the clients meetings in at least two parts (cf. Chapter 6.2.5), the re-organising of the business process in Institute 2 focuses more on i) early inclusion of product specialists in client meetings to determine the client's situation, wishes and requirements and ii) in-depth internal preliminary meetings in order to avoid the customer being offered non-suitable solutions. This procedure is a change from previous handling where the RM, in cases of financing volumes in excess of 0.5 mio EUR, had to include the product specialists (cf. Chapter 6.2.6).

Consultation and legally required Risk Explanation

As an indirect consequence of the financial crisis, consultations consume ever more time and effort because of the various explanatory documents which have to be handed out and explained under the new regulations. On the one hand, this places new requirements on the product specialist to provide more specified investment-specific and investor-friendly advice and on the other hand to appropriately cope with a greater number of documents. Regarding the intended added value for the client, Participant B and D comment as follows:

*"In principle, too much information is demanded from the client, it serves neither the matter nor the client. [...] For that reason, the key investor information document which summarises everything was a good idea. I think that's O.K. but the key investor information document is **merely** (note: emphasis) one more thing which has been added."*

(Participant B, Product Specialist, Employee)

"Exactly, the 'Head of International Business' must take along the whole package with him, and must ask about the level of education etc. OK, the client lets it happen but sometimes it is doubtful whether it really contributes to the explanations. In the end, the savings bank does the selling and then I rely on the savings bank's RM and don't read all of the small print on the sheets which I sign."

(Participant D, Sales Manager, Employee)

Taking the time to hand out all required documents into consideration, an initial meeting can take anything up to two or three hours which in the view of Participant K is no longer productive/suitable for the client. The time and effort the savings bank requires for supplementary work to create a consultation protocol which has to be individualised also increases.

The relevance of the documents supporting the consultation meeting increases thus for the product specialist and the institute. It appears that a uniform, centrally-approved set of sales documents has become more important in order to protect the RM and the client from incorrect advice and the institute from the risk of lawsuits. Furthermore, clients have

to additionally demonstrate that they have understood everything, including the explanations, by providing additional signatures (e.g. in the consultation protocol).

The product specialists, the legal department or an external consultant are often included in setting up the sales and consultation documents whilst the product presentation in all institutes is adapted to the individual meetings by means of document software. The use of a prescribed sales presentation hereby appears to give some of the product specialists confidence and security during the meeting whilst others indicate that it is equally possible to explain the most important mechanisms during a meeting (if necessary by using graphics). Basically, all institutes intend to additionally hand out a product presentation to the clients.

Margin Disclosure

Contrary to the time before the crisis the three savings banks nowadays reveal the amount of commission income earned from derivatives transactions to their clients. Thereby the formulation of the margin disclosure depends on the savings bank's individual interpretation of new laws and court judgements. The client can therefore recognise that the bank is acting with the aim to realise a profit already during the first advisory meeting.

From the point of view of the product specialist this is, however, not an obstacle when selling derivatives. Conversations with the participants show that in Institutes 1 and 3 there have been no losses in turnover because of the financial crisis; but rather the crisis has been beneficial to business. In Institute 2, the decline in turnover has been the outcome of other supervisory restrictions.

Specific Job Instructions

Regarding processes and suitability guidelines, the RMs strive increasingly to be protected in what they do either through their superiors, or by means of job instructions. Participant G observes this with respect to the new Employee and Complaint Register referring to advice given in Institute 1 on classical securities like shares:

*“The RMs are also worried, all of them are now known by name by the Bundesbank (note: Federal Central Bank) or the BaFin, and they are personally worried about being made **liable** (note: emphasis) for what they do – they notice it, and they feel it.”*

(Participant G, RM, Manager)

Coping with these feelings, Participant I notes that in those institutes where the management board has made a commitment and there are defined job instructions, sales are more successful.

“In our institutes, we succeed when success is practiced from the top down. Where the board truly wants something, we do business and the processes are correspondingly anchored in the institutes so that they are part of standard business and this has overcome the inhibition threshold.”

(Participant I, Product Specialist, Employee)

The basic challenge of increasing regulatory dynamics and the accompanying lack of OTC-specific and real-time provision of advisory documents by the regional or national savings bank associations is an issue broached in Chapter 6.2.7.

Post Execution Activities

Regarding back offices process, the increase in negative market values leads to a higher relevance of monitoring credit line utilisation. Participant G remarks on this that the savings bank's system does not offer an efficient possibility for risk monitoring in so far as business transactions are made in brokerage business.

In summary, it can be said that the regulatory changes triggered by the financial crisis mean that the sales process has become more comprehensive and more detailed. From the point of view of the bank employees, however, it is arguable that instead of being helpful when making a decision, the number of documentary requirements tend to overtax the client. In addition it is increasingly noted that because of experience made during the financial crisis and its consequences, bank employees are more worried about their career

and are increasingly requesting transparent guidelines and rear cover from their management.

6.3.7. Sales Targets and Incentives

In view of sales targets and incentive measures, the financial crisis has led to the creation of stronger awareness in Institute 2 that a solely sales control over quantitative income targets can lead to wrong impulses in client consulting. In the other institutes, this risk is not an issue broached by the participants. However, it can be established on the whole that agreed income targets are still decisive when selling a product category i.e. no changes have taken place in the basic way of thinking. However, in the wake of the financial crisis the issue of how to suitably promote employee motivation and provide incentives arose.

Where product specialists are concerned these income targets are supplemented in part by qualitative targets (e.g. contact frequency) or as is the case in Institute 2 also proportionally substituted. Nevertheless, it could be said overall that the relevance of income targets continues to be firmly anchored with employees and the system of bank control. For example, Participant M comments on expectations as follows:

“Currently, the relationship (Note: between product specialist and RM) is being re-established i.e. there has been a lot happening in recent weeks at this level. But that won’t be enough for anyone taking decisions in the institute; one will say ‘that’s all very well, that you can have a good talk and that you understand each other so well’ – but it would also be great if we could generate the one or other income’. [...] And if it doesn’t happen that way and the volume of expected business is not generated, then I don’t really know how the management’s attitude towards our business unit in the institute will change.”

(Participant M, Product Specialist, Employee)

Due to banks’ negative image brought about by the financial crisis and the resulting regulatory specifications for the sales of derivatives it is increasingly noted that motivation among the sales force has dropped. For example, Participant J and Participant P comment as follows:

“Business, sales have become distinctly more difficult alone because of the regulations which have been created for this area of business and which we must accordingly meet. [...] and that naturally has had a considerable impact on employee motivation.”

(Participant J, Product Specialist, Manager)

“And what repeatedly puts a damper on everything, in the whole institute and in the team, are all the complaints from the clients when they notice they are getting a negative market value and then motivated by the press and solicitors to claim that nothing was correct, that they weren’t properly advised and then they are off the hook. That is something which is naturally not yet over, it’s like that throughout the whole industry.”

(Participant P, Head of Treasury and Capital Markets, Manager)

The question therefore arises as to what extent employee motivation can be increased by suitable monetary incentives or whether other factors could be motivating. In this sense e.g. the commitment of the management board takes on a distinctly higher relevance regarding employee motivation as the employees want clear guidelines from the management board or team head regarding this field of business and would feel better protected (cf. Chapter 6.3.6).

6.3.8. Education and Training

With regard to the training of RMs and back office staff it is overall agreed that basic training is essential. No direct changes have taken place in the wake of the financial crisis but one manager attributes the necessity for training to a certain scepticism towards derivatives in his company and states:

“That is naturally a process; I would say the fear of embarking upon something new. Whoever has read about derivatives in the newspaper associates them not only with positive things and you have to accept that people think like that and have to overcome these prejudices.”

(Participant G, RM, Manager)

From the RM's point of view it is increasingly emphasised that this is an area of business where only product specialists are to provide advice because of the increased level and changing requirements of expertise. This understanding corresponds to legal requirements and the identified need for clear job specifications.

With regard to the product specialists, no changes in basic training for product specialists are perceived which can be put down to the financial crisis. Contrary to past times, the Employee and Complaint Register ensures that this basis knowledge is documented by means of relevant qualifications or professional experience (cf. Appendix 2). Besides such basic knowledge, it is determined that there is an increased necessity to remain up to date regarding regulatory and legal reforms. It appears that previously this level of being up to date was not required. Participant A comments as follows on being up to date in this area of work:

“When I look at the CVA now or the new legal provisions, Basel III, all of the bells and whistles, you see the need to be constantly training and reading [...] when something new comes up, yes, but you really need to be well-briefed and up to date.”

(Participant A, Product Specialist, Employee)

The necessity to grapple with such reforms results in the consequence that small and medium-sized institutes are hardly being able to operate this area of business with own product specialists as the increased need for further training and adoption of changes hardly leaves any time for selling/clients. Participant G explains the challenges of an in-company product specialist in small and medium-sized savings banks to find and adopt such reforms:

“All of the regulatory requirements, new products, everything which has to do with them the in-house product specialist gets left at a certain level and that causes problems in the long run.”

(Participant G, RM, Manager)

6.4. Understanding Success and Sustainability (RO3)

6.4.1. Introduction

In preparation for developing the critical success factors in Chapter 6.5, the present chapter maps out the participants' understanding of 'success' and 'sustainability' regarding the sales of interest derivatives. When discussing success and its measurement in Chapter 3.2.1, it has become clear that it is difficult to find uniform definitions – especially regarding a specific business area. With this in mind, the following sections present the various descriptions expressed by the participants and finally condense these into two centralised characterisations. These characterisations deal with the individual aspects and perspectives of the participants and are as definite and practice-oriented as possible.

All of the direct and indirect statements on the subject matter were coded using NVivo in order to elaborate the characterisations. By forming higher and lower concepts and their relationship to one another and corresponding specificity, the main categories 'success' and 'sustainability' were further described and defined (cf. open coding, Chapter 5.3.2). An elaboration of the causal connection via analysis using axial coding was dispensed with (cf. axial coding, Chapter 5.3.3) as RO3 rather focuses on characterisations than on causalities.

In principle, the question arises as to what extent the terms 'success' and 'sustainability' are separable as certain responses led me to presume a higher degree of interface. However, in terms of a transparent presentation, the concept of 'success' (Chapter 6.4.2) is first defined before describing the term 'sustainability' (Chapter 6.4.3).

6.4.2. Characterising Success in Derivative Sales

The topic 'Please define/characterise success against the background of derivative sales' developed into something of a challenge for the participants because they were asked to provide a comprehensive description without having had time to prepare their answer. Seen against this background, most participants approached the definition using comparisons or descriptions giving a strong practical affinity to the business area of derivative sales.

In view of the enquiry period, all of the responses are subject to the impacts of the financial crisis. It is often pointed out that the term 'success' is characterised differently now than before the crisis. This difference is explained by referring to structured

speculation derivatives, whose sale cannot be described as being successful (and sustainable) by the clients, the bank or employees from the current point of view. Participant R describes e.g. the change in characterisation as follows:

“[...] seen against the financial crisis I find the question particularly important. Success will presumably be defined differently than before. Five years ago, you were successful when you were able to make umpteen millions. In those days you would have said, the client doesn't really matter [...].”

(Participant R, Product Specialist, Manager)

The question for a (new) definition was purposely open-ended and no limits were given regarding the subject. For this reason a variety of aspects were raised in the interviews which are to be outlined in the following sections and condensed into a uniform description. They are outlined for three perspectives in the following which took shape during talks with the participants and whose transitions are in part fluent: i) the product specialist's perspective, ii) the RM's perspective as well as iii) the client's perspective as expressed (indirectly) by both parties. No difference in the value of individual aspects is considered.

Regarding the question of a definition of sales success the majority of the product specialists (regardless of whether landesbank or savings bank) says that success is achieved when the business area of derivatives is continuously observed ('high level of awareness') and actively driven ('high-level of acceptance') by the RM (e.g. by discretely including the product specialist in client meetings).

“For me success would be when at least those colleagues from the savings bank who are involved in corporate banking transactions know that interest rate management exists at all. And that in so far as they have been told this and the message has got through to them that they not only grant a fixed-interest loan but also consider that there is an option to do something else. That would be the first success.”

(Participant A, Product Specialist, Employee)

“I find success is when it is already in the heads of the sales staff. [...] And that the sales staff themselves notice that something like that makes sense [...].”

(Participant F, Consultant, Employee)

The aforementioned aspects of awareness and acceptance to describe success in interest rate management are extended by Participant J to other relevant departments such as Controlling and Treasury and in this connection he points out adequate pricing of variable loans as a measure of success. This will be dealt with later under the heading ‘distinct understanding of the business area’.

Participant B introduces a target component by stating that success is achieved when defined target figures (calculated by using possible business potentials) have been reached (‘achievement of defined targets’). This description resembles the goal approach described in Chapter 3.2.1 whereby Participant B mentions as an example the number of meetings or concluded transactions as target figures.

With regard to his own area of responsibility, Participant R points out that interest rate management is successful if the product specialist is able to diagnose the client’s requirements well (‘distinctive skills in recognising requirements’) and knows how to combine this with the opportunities in the capital markets.

“I find in our profession, one is successful if one is able to combine several professions. I like to compare it with the profession of a doctor. We are good doctors; a good doctor is a good diagnostician. A good doctor is one who asks questions and only if he asks the right questions can he make a good diagnosis. [...] I would also like to compare us with the job of a cook; we are star cooks. And what does a star cook do? [...] A good cook would, of course, go up to the guests and say ‘we have got today’s special on the menu, but what would you really like?’ And on this basis, with the current market in mind, namely seasonal products – the capital market is no different – he tries to diagnose the guests preferences and offer them just what they want“.

(Participant R, Product Specialist, Manager)

These aspects are supplemented by the prospects of one RM who describes interest rate management as successful if it provides an opportunity to generate sustainably higher

profit margins for the bank. In this respect, it is important to the participants not only to generate higher profit margins using conventional forms of financing, but to ensure that these margins are also sustainable. Participant L comments as follows:

“I must be financially successful. The business must provide permanent profit margins and I must not cause any collateral damage.”

(Participant L, Head of International Business, Manager)

These aspects are based on increased time and effort as well as on restrictions in generating other business with the client because of having to draw on the credit line.

“And the income must also fit because the time and effort behind it is not inconsiderable. The credit equivalent for the guarantee you have to allocate to the client reduces the possibilities with regard to what other products you can do with the client.”

(Participant C, RM, Employee)

In addition to the higher profit margin, the savings bank's development of the skills which can be expected of it and an improvement of the competitive situation are named as being factors for success. Participants K summarises as follows:

“When have I been successful? When I have created added value for the client. When I have also generated a positive profit margin. When, in addition, I have convinced my client and others that they can expect me to provide a high level of skills and that I am well positioned in the business area for the future. Then not only am I successful, but my success is sustainable.”

(Participant K, RM, Employee)

Contrary to other participants, Participant K points out one long-term aspect by saying that today's interest rate management can only be successful if it is already setting the course for future success. Besides this, he also speaks about the client's perspective, the

client's increased satisfaction and increased connection to the institute being characteristics for success.

Another aspect from the client's point of view is that interest rate management can only be successful if the customer - by understanding the subject and receiving an added value - enters into a derivative solution strategy. Participant M describes the following as an example:

“That means if you decide not to make any more swaps just because its trendy or because my neighbour did it or because I need to meet a target or because it sounds great but because, in that moment, it really offers an added value and really suits the client. And it is sustainable in the sense that I remain in contact with the client - perhaps that generates more business. For me that is valuable.”

(Participant M, Product Specialist, Employee)

The following characteristics for successful interest derivative sales in savings banks and, thus, a definition of success in this context can be derived on the basis of the aforementioned aspects:

The successful sales of interest rate derivatives describes a condition in which in-company and inter-divisionally the field of business enjoys a high level of awareness, acceptance and a distinct understanding and offers the client need-oriented solutions in a comprehensible way which will (i) provide him with added value, ii) increase his level of satisfaction and iii) his loyalty to the institute as well as allowing the institute to i) generate sustainable, higher profit margins, ii) enhance its own competence assumption and iii) improve its competitive situation.

The aforementioned 'success-definition' clarifies the general characterisation of critical success factors (cf. Chapter 3.2.2) by specifying the frame the critical success factors stem from. Against the background of the present research critical success factors are therefore defined to be those parameters, which – in case they are appropriately handled – are able to influence a savings bank in such way to make their derivative sales business either successful or not. Thereby, each critical success factor does not need to cover all of the

aforementioned aspects of ‘success’ as long as the bundle and interplay of all critical success factors ensures the aforementioned conditions of success to be met.

6.4.3. Characterising Sustainability in Derivative Sales

With regard to the experiences made during the financial crisis and its consequences, the issue of sustainability appears to be one which is currently very prevalent in the banking sector. Participant E has this to say about sustainability and derivative business:

“And for me the matter of sustainability, honesty and transparency are extremely important in this case because – I would say – no other product in the financial sector has been the topic of so much controversial discussion as that of derivative sales.”

(Participant E, RM, Manager)

When participants were asked to define sustainability within derivative sales, the different aspects named can be split up into three categories: sustainability referring to i) existing business, ii) newly offered products and services and iii) success in the business area. Some definitions for sustainability unavoidably overlapped in several points with the aforementioned definition of success. Nevertheless, an attempt is made to produce a distinct separation.

With regard to existing derivative business, several participants point out that already concluded transactions must not fall into oblivion and any queries afterwards from clients must be answered with the same level of meticulousness as newly concluded business. At the same time, existing business should, in principle, be part of future considerations. Participants A, M and R remark on this as follows:

“Regarding sustainability I would say that colleagues do not forget transactions settled with clients and that they must include them in future considerations what to offer.”

(Participant A, Product Specialist, Employee)

“That means if you say ‘I’m not making any more swaps just because its trendy or because my neighbour did or because I need to meet a target because it sounds great but

because, in that moment, it really offers an added value and really suits the client. And is sustainable in the sense that I remain in contact with the client - perhaps that generates more business. For me that is valuable. It is not valuable if you come together after one year and ask need to ask yourself 'why on earth did we decide on a swap?'. ”

(Participant M, Product Specialist, Employee)

“[...] talking of sustainability, we always say so tersely 'no client comes back, if he isn't satisfied', we need to offer after-sales services and dialogue and make it clear to the customer that we have dealt with and selected the solution together; either we stay with the strategy or we change strategy.”

(Participant R, Product Specialist, Manager)

Participants M and R simultaneously mention the second previously named aspect that products and advisory services regarding new business must offer the client an added value and the client must by means of a consultation realise that there is an added value and express it; e.g. by a wish to structure new financing requirements with derivatives. To this effect, Participant E points out that it is essential that the client understands the transaction and that it is equally sustainable not to conclude certain transactions if the RM/product specialist thinks the client has not understood the business.

[...] if we sell something to our client, then he has understood it and that is why we conduct such in-depth meetings; we have the whole thing confirmed and documented. And I would go so far as to say if I have the feeling that the client does not understand the product or he feels uncertain I would tend to discourage him from concluding the transaction instead of saying 'go ahead'.”

(Participant E, RM, Manager)

Participant B also states that it is essential that the client feels he is getting an added value and subsequently defines this with the product category of plain vanilla derivatives:

“Thus, the client has a benefit, a sound benefit. I see that especially with the plain vanilla products in any case. The constructions must simply be aligned to the interests and wishes of the client and not to some sales idea or other.”

(Participant B, Product Specialist, Employee)

The exclusion of exotic derivatives without a maximum interest rate regarding sustainable client consultation and solutions strategy is mentioned several times and pro-actively by the participants. The majority of the participants states that besides the plain vanilla derivatives, simple combination strategies with maximum interest rates are also possible. For example, Participants A and I state:

“And what makes it sustainable for the client? I would deal with structures, but always with a worst case interest rate which is never too far off.”

(Participant A, Product Specialist, Employee)

“I would say- what have we learned? Everything to do with interest hedging, which can also be structured but still an interest hedging. [...] we have clearly learned transactions without worst case do not fit so well in with the times.”

(Participant I, Product Specialist, Employee)

Participant C remarks that the sustainability of the proposed solutions exists as long as the bank employee himself believes in the proposed strategy and could imagine concluding such a transaction privately and in this connection points out the trust between client and RM (cf. Chapter 0).

“Well, it’s sustainable as long as I believe in the product. How to put it best? Well, there are, for example, products which I have never sold in this institute. [...] As a RM, you need to know the product I think, and must be committed to it otherwise you can’t creditably sell it. So, I would find it difficult to approach the client using the word ‘derivative’ if I myself thought ‘well, privately, that would give me stomach ache’. [...] But the issue of sustainability is really the most important factor in relationships with the

bank. And the income must also fit because the time and effort behind it is not inconsiderable.”

(Participant C, RM, Employee)

In this connection, Participant G points out that the products must fit the customer as well as the savings bank in order to be sustainable and successful.

“That’s why we limit ourselves to ... we deal practically only with plain vanillas. As I already said, that fits in well with the savings bank model. If we started to sell speculative things to our clients it wouldn’t be like us. At the latest when things started to go wrong, the damage to the savings bank’s reputation would be so severe that we need to exclude something like that from the very beginning. [...] the product range ends for each client where we think he no longer understands it.”

(Participant G, RM, Manager)

The participants name a third category which is likewise characterised by sustainability – that from the bank’s point of view, the business area must be operated successfully over a longer term. In this connection however, the main reference is to the aspect of positive profit margins (cf. Chapter 6.4.2, citation Participant K).

The following definition of sustainability concerning the sales of interest derivatives in the savings bank may be derived on the basis of the aforementioned aspects:

Sustainability regarding the sales of interest derivatives characterises the requirements that the newly offered and existing products and services provide the client and the bank a long-term, mutual and understandable added value and meet the respective profile.

6.5. Critical Success Factors within Derivative Sales (RO4)

6.5.1. Elaborating Main Categories

During the iterative process of coding and analysis, a variety of lower and higher concepts focusing on critical success factors were raised, changed and elaborated through open coding (cf. Chapter 5.3). The informational basis for these concepts were directly or indirectly expressed answers of the participants regarding their opinion and experience about factors influencing the sustainable and successful sale of derivatives, experiences from my professional background as well as cross-checks with the literature reviews. Additionally the relationships of the identified concepts were described and analysed through axial coding (cf. Chapter 5.3.3). Resulting from this procedure, (lower) concepts were aggregated to more abstract main categories. Therefore, the chosen critical success factor method focuses on qualitative data and develops critical success factors by consensus between the information.

Besides the mentioned advantages/disadvantages of the chosen qualitative research design (cf. Chapter 4.4.1), the applied method of data gathering (cf. Chapter 5.4.1) and data analysis (cf. 5.4.2), further specific consequences need to be reflected and made transparent. These are on the one hand the consequences of the employed method for developing the critical success factors and on the other hand the consequences of the organisational aspects leading to the delivery of those critical success factors.

Suggesting the use of interviews with experts to identify critical success factors, Boynton and Zmud (1984, p. 18) name three specific limitations researchers/managers need to reflect on when using this method for elaboration. These are i) the methods' necessity to be "directed by a skilled analyst" due to its difficultness, ii) the threat of bias through the interviewing process and iii) the challenge to identify causalities appropriately due to environmental complexity and humans' "limited capacity" (Boynton & Zmud, 1984, p. 18). To address these limitations appropriate mitigating actions were conducted, which are briefly revised in Table 12.

Method-specific Aspects	Reflections regarding present study
Difficultness of application	Researcher is a practitioner with a long-standing experience in capital markets, is familiar with savings banks culture and gained experience in analysing and presenting complex issues (cf. Chapter 4.3). This facilitates the interview process and helps to encourage the interviewees to provide information. Threats

	resulting from method's difficultness are therefore mitigated.
Interview process leading to bias	Threats resulting from interviews with participants are explicitly addressed, appropriate mitigating actions were conducted and remaining limitations were made transparent (cf. Chapter 5.4).
Identification of causalities	Research focused on the identification and exploration of phenomena and their relationship. The corresponding data gathering and data analysis procedure was made transparent and strategies to ensure validity and reliability employed (cf. Chapter 4.5).

Table 12: Reflections on employed method regarding Critical Success Factors

Regarding the organisational aspects leading to the delivery of the critical success factors, three consequences need to be reflected on. These are i) the general savings banks' culture (cf. Chapter 2.2), ii) the institute-specific context (cf. Chapter 6.2) and iii) the specific role of the participants expressing the factors (cf. Table 11). Based on these aspects, the following consequences need to be kept in mind with respect to the elaboration of the critical success factors (cf. Table 13).

Organisational Aspects	Reflections regarding present study
Culture: Savings banks culture is strongly characterised by the elements of network concept, principle of subsidiarity, public service obligation and regional principle	<ul style="list-style-type: none"> • Strong specificity of the present research due to special characteristics • Greater buy in and acceptance by persons engaged in the savings banks sector (especially of those participants involved in the study); however lower acceptance by users with different backgrounds (e.g. private banks)
Institute: Each underlying institute has its own characteristics and history regarding sales of interest rate derivatives	<ul style="list-style-type: none"> • Threat that delivered and elaborated critical success factors are strongly influenced by one savings bank with 'extreme characteristics' • Individual characteristics of one savings banks might not be representative/valid for other banks • Aforementioned limitations were mitigated by focusing on similarities and by including participants' views and wishes (not only experiences)
Participant's Role: Interviews were conducted with experts of different hierarchy as well as with different job specifications	<ul style="list-style-type: none"> • Threat that delivered and elaborated critical success factors are strongly dominated by one participant (group) and are only limited applicable for other institutes; threat was mitigated by

	<p>focusing on sales aspects and ensuring group heterogeneity</p> <ul style="list-style-type: none"> • Multiple hierarchies and varying job specifications complicate the identification of similarities, but ensure inclusion of different perspectives
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Table 13: Reflections on selected organisational Factors

Against the background of the aforementioned analysis procedure and its consequences, five main (success factor) categories were determined, named i) business-level strategy, ii) sales organisation, iii) staff, iv) customer relationship and v) environmental changes. Figure 45 shows the inter-relationships between the individual lower concepts and the main categories in a very simplified overview.

To provide better comprehensibility, the up-coming discussion of the findings follows the process described in depth in Chapter 5.3.3 and begins with a description of each main category (phenomenon) by including its lower concepts and the initial cause (condition). Each category is specified using properties with relevant dimensions and the context is illustrated. In addition, the strategies of the decision makers are presented with reference to intervening conditions to which the strategies are subject to and the consequences resulting from the strategies for the main category. Finally, a short summary of each main category closes each section. The later consolidation of the five main categories to the core category (cf. Chapter 5.3.4) as part of a theoretical framework is explained in Chapter 6.6.

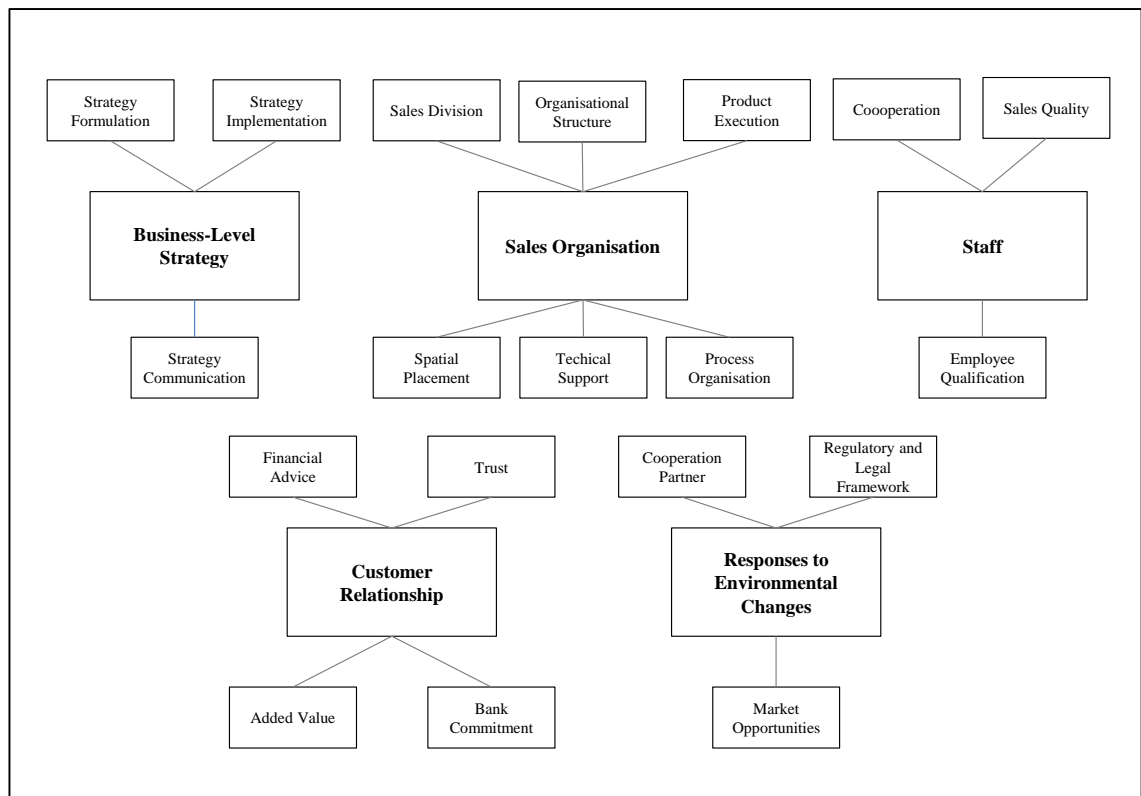


Figure 45: Elaborating five main Categories

Regarding the presentation of the results, the challenge lies basically in presenting the reciprocal causal connection in a systematic and comprehensible sequence, in avoiding redundancies and in preserving practical relevance. For example, a lower concept functions within a main category as a property itself, which, as part of another main category, can be called intervening conditions. For this reason, the focus is placed on the significant inter-relationships for each main category and the use of corresponding references to other chapters. Categories referred to several times are only described once. Graphics at the end of each analysis chapter which are aligned to the coding paradigm described in Chapter 5 serve easier understanding.

6.5.2. Conscious Development and Communication of Business-Level Strategy

This thesis endeavours, among other things, to develop appropriate suggestions for practical activities; for example, in the form of providing information for developing a business-level strategy for the area of derivative sales. For this reason, literature reviews have been used in addition to classical data collection by means of semi-structured interviews. The literature review on ‘strategy’ (cf. Chapter 3.3) has been used in order to i) principally better understand strategy theory, ii) to clarify to what extent derivative-

specific business-level strategies exist and from this iii) to enable me to ask specific questions in my investigation.

It became clear during the data collection and data analysis that the phenomenon ‘business-level strategy’ plays a decisive role in the discussion concerning success factors (cf. Chapter 3.2.6). In this connection, it was considered to what extent all of the identified main categories could be summarised under a (core) category ‘business-level strategy’. This procedure was however dismissed in the end as such a core category would neither have sufficiently nor adequately taken into consideration the relevance of inter-human phenomena (e.g. the categories ‘staff’ (cf. Chapter 6.5.4) and ‘customer relationship’ (cf. Chapter 6.5.5)).

Irrespective of this, the relevance of the category ‘business-level strategy’ turns out to be very high and it is appropriate to take business-level strategy as a main category into consideration whereby not the definite contents of a business-level strategy are under observation but first and foremost the existence and effectiveness of the business-level strategy. Individual details of business-level strategy elements will be dealt with separately regarding their relevance in the following chapters.

Lower Concepts	Main Category
Strategy Formulation Strategy Implementation Strategy Communication	Business-Level Strategy

Table 14: Main Category - Business-Level Strategy

The description of the main category ‘business-level strategy’ results from the combination of the three (lower) concepts i) strategy formulation, ii) strategy implementation and iii) strategy communication (cf. Table 14). Therefore the following descriptions follow in content and terminology as far as possible those given in Chapter 3.3.2 but assign a particular relevance to ‘strategy communication’ in a separate observation/concept. Due to this relevance it is not subsumed under one of the three presented main elements of strategy (formulation, implementation and evaluation), but treated separately. ‘Strategy evaluation’, as addressed in Chapter 3.4.2.4, has not been classified by the participants as a differential feature between successful and less successful institutes.

Strategy Formulation

The participants' descriptions of the (lower) concept 'strategy formulation' can be split up analogue to the descriptions found in the literature – the external analysis, the internal analysis and the strategy determination (cf. Chapter 3.4.2.2).

The external analysis was linked during the discussions about success factors by the majority of participants to the services offered by suppliers/cooperation partners, supervisory/regulatory issues and the economic environment (cf. details in Chapter 6.5.6). With regard to the internal analysis, an evaluation of the derivative potential (e.g. by analysing the loan book and credit risk strategy) in combination with an analysis of the operating models ('sales organisation') took on a particular relevance (cf. details in Chapter 6.5.3, Appendix 8a-8c). Participant H, for example, comments as follows when asked about the steps required in (re-)organising a business area.

"I would look at the institute, who's there, who must be included and not until then would I lay the foundations and processes for everything to run smoothly."

(Participant H, Product Specialist, Employee)

Combining the results of external and internal analyses results in an appropriate strategy determination for the strategic business unit, which defines i) where the competition lies (niche vs. core market), ii) rules of competition (rule taker vs. rule breaker) and iii) competition focus (cost leadership vs. differentiation strategy) (cf. Chapter 2.4.2.2.3).

Hereby, the intervening conditions are the spatial restrictions to which the savings banks are subject to ('territorial principle'), the targeted clients determined in the corporate-level strategy (e.g. business clients from medium-sized enterprises) and the institutes' credit risk strategies. When observing these intervening conditions it becomes clear that the institutes observed focus primarily on serving SME's on their territory with loans ranging from 0.25 – 0.50 mio EUR upwards ('niche strategy') whereby mainly derivatives with an added value compared to traditional forms of financing are offered (no 'substitution strategy'). Hereby, the institutes assume the sales structures and advisory processes which are common in the market ('rule taker') and seek to differ from the competitors by means of in-depth consultation, advanced services and their image

(‘differentiation strategy’) (cf. Chapter 6.2). Sales via favourable conditions is rejected in all institutes.

The relevance of such conscious procedures in formulating the strategy (individual external/internal analysis and strategy determination) is clarified by Participant D:

“What a success factor is; I worked for several years in ‘Landesbank1’, we had no idea whatsoever of how they worked in the savings bank. And what is important - it’s not enough for the RM to convince the client by saying ‘come on, buy it’ but it requires the savings bank to have an overall concept on how to develop such a complex transaction.”

(Participant D, Sales Manager, Employee)

Participant P similarly describes the relevance of a conscious and structured procedure when formulating a business-level strategy:

“That means that everyone is involved right from the beginning and that the resources required have been provided. Not only do they say, theoretically we can do it but we also have a sales concept. I look at what my potentials are, and then set priorities which I deal with one after the other.”

(Participant P, Head of Treasury and Capital Markets, Manager)

It is thereby just as important not only to formulate definite activities but to state those activities which are to be avoided. Participant P remarks that, in the past, in Institute 2 arguments were “a little too uncritical” and procedures too undifferentiated and this led to unsustainable sales activities.

In connection with the formulation of a strategy, the question arises as to what steps in the value creation chain are to be produced by the institute itself and which steps should potentially be sourced in. Internal and external analyses provide important information regarding decision-making and increase the relevance of a conscious debate on formulating the strategy. Participants C and L provide an example referring to the analysis of in-company resources and the assumption of activities by an external service provider:

“But at that time we made a deliberate decision to use it (note: external support) because it was a new product group for us and we knew neither how it really functioned nor how successful one could be with it nor how to build up our own expertise and implement the EDP for it nor whether to pass everything on to an outsider. I think it was simply a matter of economic calculations in the end.”

(Participant C, RM, Employee)

“That means it always depends on the way it is managed. We are in the best possible position because of our set-up, because of ‘Consulting Company1’. If we didn’t have them, we would have to think quite differently about software and think quite differently about personal capacities.”

(Participant L, Head of International Business, Manager)

All conversations with the participants showed that strategies which critically take into consideration external and internal issues and promote a consistent determination of strategy have a positive link to the effectiveness of a business-level strategy and thus, the sales success.

Strategy Implementation

The strategy implementation can be split up into three aspects: i) individual measures ii) operational process and iii) human resources (cf. details in Chapter 3.4.2.3). Whereas the participants see no increased relevance regarding the first aspect (but accepting its necessity), the management of operational processes and establishment of human resources are mentioned as decisive success factors. Participant K comments as follows:

“I must also have a relevant strategy which implements the subject over the long term in the company and I need the right personnel and resources, too, who can and want to implement it in a sensible way.”

(Participant K, RM, Employee)

For reason of their relevance, the aspects of operational processes and human resources will be dealt with in depth in Chapter 6.5.3 ('consistent sales strategy') and 6.5.4 ('cooperating, dedicated and competent staff') and are at this point merely mentioned. It can however be observed that activities which promote an appropriate implementation of derived strategies (e.g. comprehensive coordination by neutral departments or process support from an external consultant) have a positive link to the effectiveness of the business-level strategy. These strategies are decisively determined by the historically developed set-up and procedural organisation, the services offered by available cooperation partners and the corporate-level strategy as intervening conditions.

The participants strengthen the relevance of the 'strategy communication' throughout performing the strategy implementation. Due to this relevance the aspect will be dealt with separately in the following paragraph.

Strategy Communication

The participants see the communication of a developed strategy to the persons involved as playing a decisive role in selling derivatives and developing strategies. This comprises i) the type of communication, ii) the management level of communication and iii) the frequency of communication.

The first describes how the strategy is communicated (e.g. 'centrally or decentrally' or 'precisely or imprecisely'). Participant E comments for example on the kick-off meeting in his institute:

"[...] and you notice it was highly important issue, everyone who took part noticed that."

(Participant E, RM, Manager)

Regarding management level of communication i.e. the hierarchy which assumes the task of communication, it is clear that it is important for employees that in particular senior management is clearly committed, as expressed by way of in-company communication, to the business area and the approved strategy. Participant G even calls it a basic condition for sales success (*"that is not possible without the board's commitment"*). In particular, when seen against the background of the financial crisis and negative precedent cases in the press it becomes clear that a lack of communication leads to uncertainty and that in

turn negatively impacts sales (cf. Chapter 6.3.6). Whilst employees in Institute 1 appear to have the management board's commitment and a communication strategy, employees in Institute 2 are not so sure. Participant M states his opinion of the management board regarding derivative sales as follows:

“It is really very difficult to estimate because the only decision-maker in the company with whom I speak is Participant P and he gives me to understand that the subject has once more become important in our company. [...] So, what opinion does the board member really have regarding interest and currency management? According to Participant P it's a better one than maybe a year and a half ago. But I have no idea what it really is.”

(Participant M, Product Specialist, Employee)

Participants also state the relevance of 'management level of communication' in Institute 3. Participant J explains for example that sales success has resulted mainly from a strategy communicated by the board:

“Exactly, it depends solely on the board and the tendency. There is one interesting example: ‘Savings Bank6’ is e.g. a very, very small company and yet this year they booked 700,000 EUR income from derivatives. ‘Savings Bank4’ which is well-known didn't reach even half of this sum although it has clearly more potential with corporate clients at ‘better addresses’.”

(Participant J, Product Specialist, Manager)

It is clear that besides the type of communication and the level of communication, the frequency of communication is also decisive. Business-level strategies which are regularly confirmed by management to the employees show a higher rate of success in sales as strategies which have only been initially made known.

Summary

Under the condition that the sales of interest derivatives is to be successfully operated (condition) decision-makers have the possibility through appropriate activities (strategies) to influence the effectiveness of a 'business-level strategy' and to accordingly impact business success positively (consequence).

The main category of 'business-level strategy' is essentially characterised here by the properties i) strategy formulation, ii) strategy implementation and iii) strategy communication. Activity strategies which promote the formulation (e.g. conscious period of time for analysis of internal and external environment), implementation (e.g. support from neutral specialist departments or external experts) and communication of the business-level strategy (e.g. central and regular meetings with inclusion of the board) show a positive link to the effectiveness of the business-level strategy and an accordingly positive link to business success. The territorial principle of the savings banks, historically developed set-up and procedural organisation, supervisory standard conditions, derivative-specific court rulings and corporate-level strategy all have a particular effect as intervening conditions on the strategies and activities of decision-makers.

Figure 46 illustrates a simple model of the aforementioned properties, strategies and interdependencies. An inclusion of the links of lower concepts to one another is dispensed with. The aforementioned positive interdependencies to the effectiveness of the business-level strategy will be summarised under the success category 'conscious development and communication of business-level strategy' in the final model.

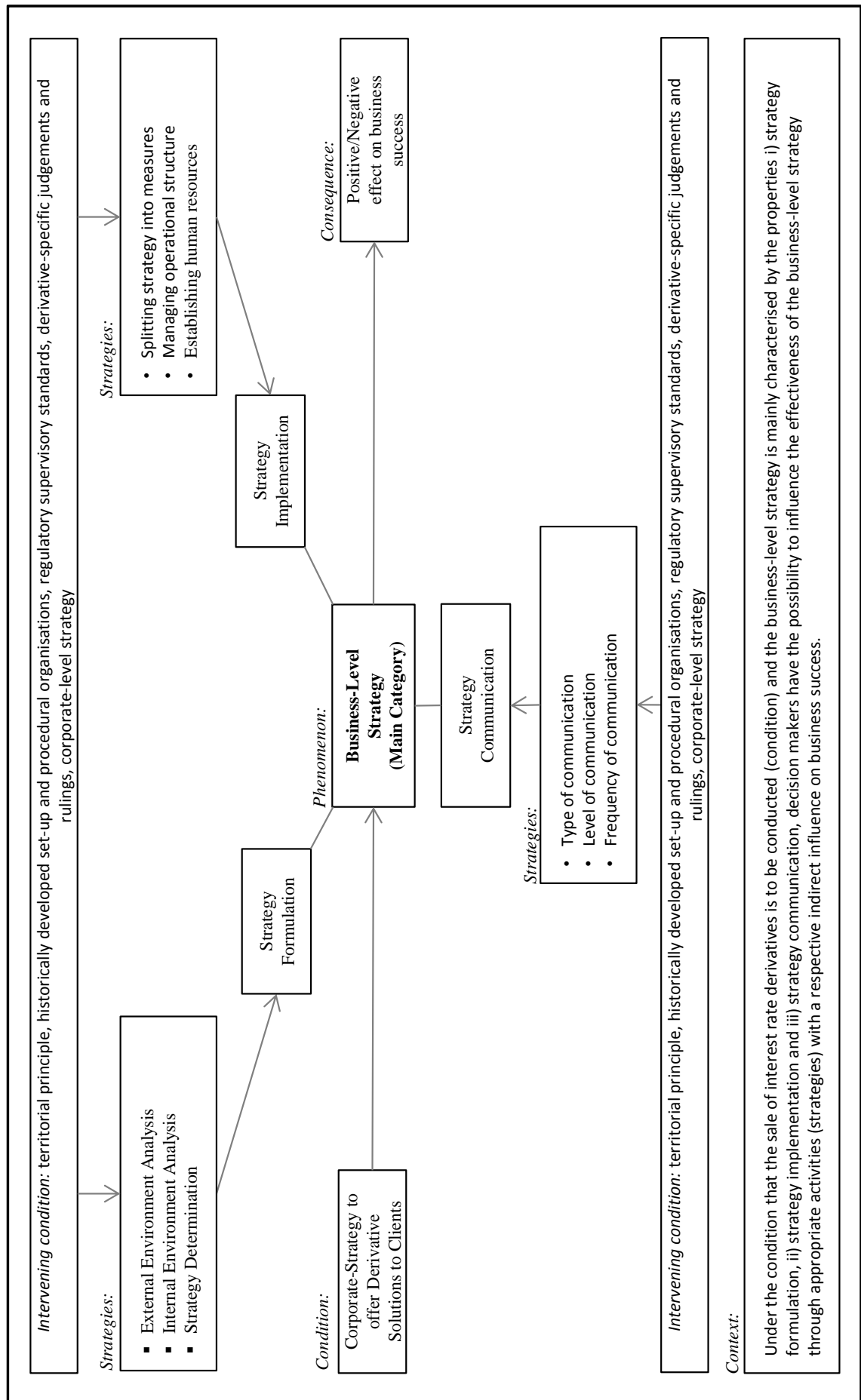


Figure 46: Partial Model I – Business-Level Strategy (own creation)

6.5.3. Consistent Sales Organisation

Lower Concepts	Main Category
Sales Division Organisational Structure Product Execution Spatial Placement Technical Support Process Organisation	Sales Organisation

Table 15: Main Category - Sales Organisation

‘Sales Organisation’ is a main category resulting from the synthesis of six (lower) concepts: i) sales division, ii) organisational structure, iii) product execution, iv) spatial placement, v) technical support and vi) process organisation (cf. Table 15). ‘Sales organisation’ means the process-related and organisational set-up of a business area. The aforementioned six partial phenomena describe the main category ‘sales organisation’ and are characterised by their respective own properties. As the main category is an abstract consolidation of the lower concepts the main category can be described likewise via the dimensions of the properties of lower concepts and appropriate interdependencies can be derived.

Sales Division

The lower concept ‘sales division’ is mainly characterised by the following specifications: ‘independent responsibility for income’, ‘own strategy’, ‘differentiated role distribution’ (generalist and specialist) as well as ‘quantitative and qualitative target-setting’ which are almost congruent with the definition of an SBU in literature (cf. Chapter 3.4.1.2). Thereby, the participants appear to find it basically unimaginable that the area of derivative sales can be set up in another form but an own business unit. According to the participants, the reasons for this are the required expertise, the opportunities and risks associated with the business area for the institute and the existing targets clients (intervening conditions). The existence of a separate business unit, as in-company competence and income centre, is agreed uniformly by all participants to be essential for sustainable business success (positive interdependency) as far as the business area is basically operated within the institute itself. Participant A and O speak on behalf of all the other participants by saying:

“Yes, it (Note: interest and currency management) must be defined as a business area. [...] The savings bank must have a separate business area – i.e. derivatives. And someone must be responsible and must, as already said, provide targets.”

(Participant A, Product Specialist, Employee)

“Well, what you need in any case is a competence centre. And what you don’t need are people who do it merely on the side.”

(Participant O, Product Specialist, Employee)

However, it must be mentioned that irrespective of the aforementioned set-up there is an alternative to having the business area managed by generalists within the RM area. The questions as to whether this is theoretically imaginable in Institute 1 is answered by Participant E as follows:

“No, I don’t think so. Then we would have to have someone else with the appropriate expertise. And not everyone here has this. In principle, they all have the product in their portfolio but in order to elaborate on it or to develop special ideas, we need the specialist.”

(Participant E, RM, Manager)

Organisational Structure

The part phenomenon of ‘organisational structure’ must be observed and differentiated further. It describes the organisational attachment and integration of the sales division into the sales strategy of the institute. Assuming that the institute is active in derivative business, three strategies for the organisation of the business area can be identified although mixed forms are also possible (cf. Chapter 6.2.2).

One initial possibility for a set-up is the inclusion of a network partner who takes over the consulting and sales of derivatives (‘inclusion of network partner’). This form of consultation is often considered as promising when the sales potential is not sufficient for setting up internal resources or the business area is only reactively supported within the corporate-level strategy.

A second form of set-up is present in Institute 3 which as a special purpose vehicle carries out the function of a competence/income centre for several savings banks ('outsourcing to special purpose vehicle'). Contrary to the statements given by participants from Institutes 1 and 2, who suspect external solutions might bring disadvantages, the participants from Institute 3 explain that outsourcing to an 'external' competence centre has neither a negative nor a positive impact on sales success but that business success of the (affiliated) savings banks is determined by other causal links (e.g. spatial proximity). Following this experience, it can be concluded that decisions can be made to outsource by taking other parameters into consideration, such as economic reasons. Participant I explains the advantages of synergy effects in this case:

"Because we have a different position towards the landesbank; because we get more things moving than perhaps individual savings banks would and the whole thing is supported by administrative time and effort and market entry and whatever else we need to have. That would be exorbitantly expensive if every savings bank were to handle it alone."

(Participant I, Product Specialist, Employee)

A third form of organisational structure is to have an in-company department as is the case of Institutes 1 and 2 ('establishment of own product specialist'). In both institutes the independent department accountable for interest derivatives is incorporated within the company's department for capital markets/treasury. The high level of content, regulatory and technical interfaces to other participants of capital markets justifies this organisational set-up and is not queried by any of the participants. The form of integrated alignment tends to increase the obligation of other departments regarding cooperation, identification of the RMs with the department as well as perception by the management and thus positively influences business success.

Figure 47 summarises the corresponding advantages and disadvantages of the different organisational forms.

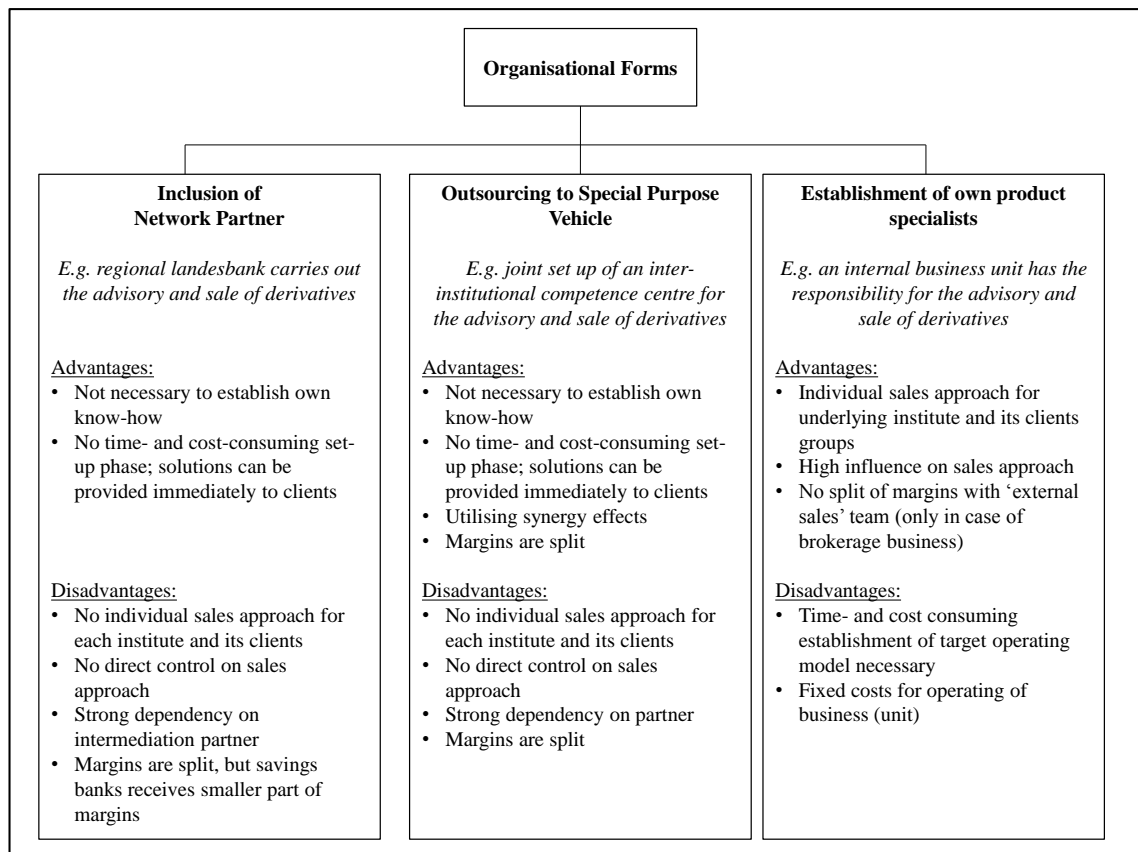


Figure 47: Advantages/Disadvantages of organisational Forms (own creation)

Product Execution

The selected processing and execution form must likewise be differentiated. Three general forms are differentiated: intermediation business, brokerage operations and direct business (cf. details in Chapter 6.2.2). Whilst the organisational form of a SPV and in-company specialists allow for either direct or brokerage business, the inclusion of a network partner determines intermediation business (cf. Figure 42). The individual forms of execution incorporate both advantages and disadvantages as shown in Figure 48.

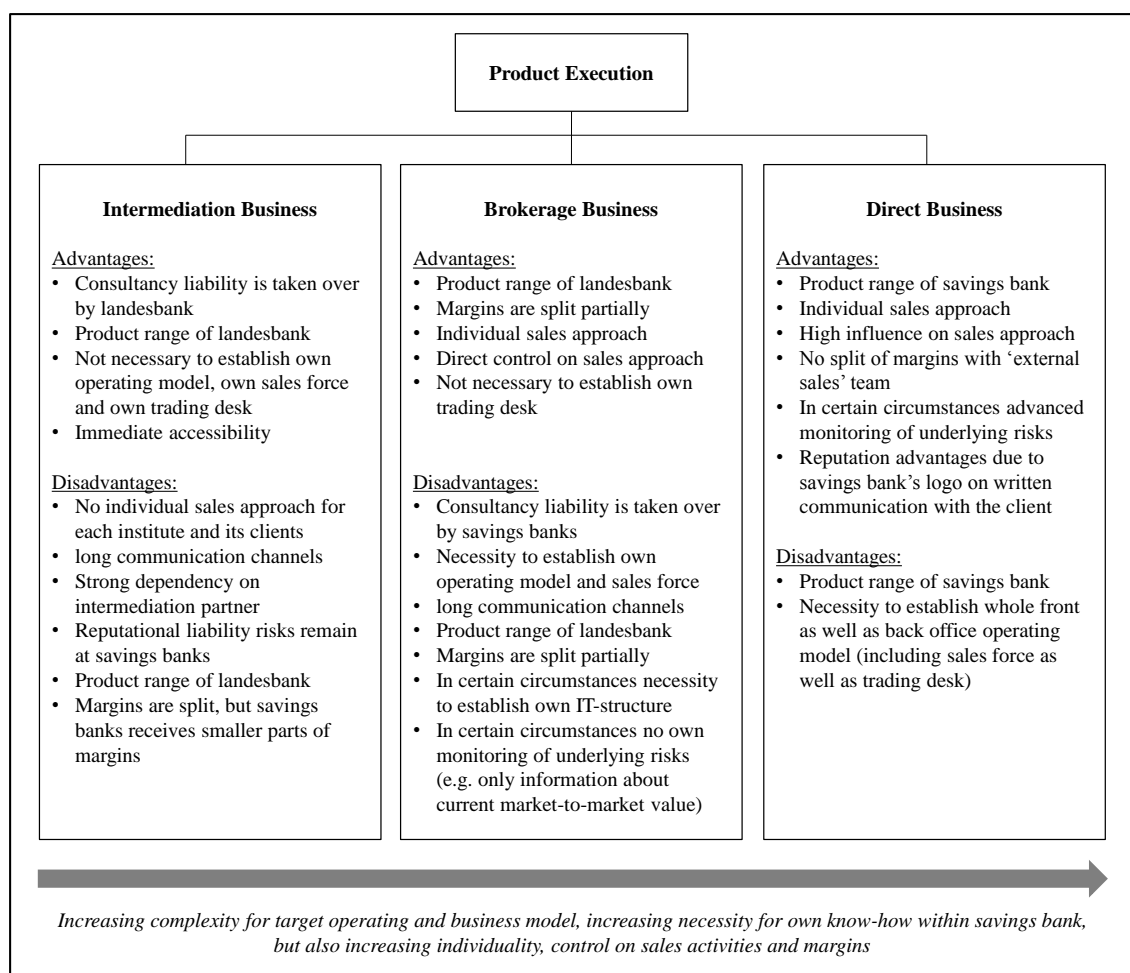


Figure 48: Advantages/Disadvantage of different forms of Product Execution (own creation)

Indicative parameters for form of organisational structure and product execution

In addition to the specific advantages and disadvantages of individual organisational and execution forms (cf. Figure 47 and Figure 48) the following parameters are identified as overall intervening conditions for determining a suitable form of sales: specifications from corporate-level strategy (e.g. credit risk strategy and external presentation), economic feasibility (potentials and (additional) costs), desired level of flexibility (i.e. how quickly can the selected form of organisation and processing be set up, changed and dismantled), desired level of individuality, the network partner's range of services and the spatial proximity to other institutes. The aforementioned decisive aspects of economic feasibility which affect both the organisational and execution form are not included in the analysis for reasons of confidentiality obligations.

However, participants' statements allow me to gather that conduction of the interest derivative business via a network partner lends itself in particular to smaller institutes who make only a few transactions and who wish to offer an area of business for selected major clients i.e. on a case-by-case basis and/or reactively (on the basis of client enquiries). These institutes provide the business area for meeting clients' wishes; however they know that they have no adequate, sustainable business potential with which to participate in a cooperation and/or to consider rendering their own services. With regard to estimating the derivative potential, please refer to Chapter 7.2 and Appendix 8a-8c.

An interim solution between the inclusion of a network partner and establishment of own product specialists is provided by the cooperation solution with other institutes (e.g. Institute 3). The affiliated institutes are offered the possibility of an almost independent market entry as the staff of the competence centre works for the affiliated institutes under (inferior pro-forma) employment contracts. This form of processing lends itself in direction to small and medium-sized savings banks i) which are striving to actively and promptly enhance existing market potential in their area of business but do not wish to, or cannot set up any resources of their own, ii) which are in close spatial proximity to savings banks with similar interests and iii) which feel that the range of services offered by their network partner is not individual enough. For a cooperation of this kind they are prepared to pay an appropriate share of the derivative income to the competence centre in addition to a basic remuneration for services rendered.

The set-up of the sales by in-company product specialist lends itself to medium-sized and larger institutes with the corresponding loan business and which have sufficient potential for the sustainable sales of interest derivatives. In addition to achievable income potentials, large institutes in particular provide their own consultation services for reasons of image. In spite of their own in-company consultation services, relevant steps in the value creation chain can be externally procured in order to remain relevantly flexible (e.g. Institute 1). Figure 49 provides an overview of these and further indicative parameters for determining an appropriate organisational form.
























Decision parameter	Low	Medium	High
Level of business potential for selling interest rate derivatives to clients		 	 
Desired level of flexibility regarding fixed costs			
Desired level of individuality regarding sales activities and management			
Attractiveness of services and products offered by network partners	 		
Spatial proximity to other savings banks	 	 	 
 Inclusion of network partners  Outsourcing to SPV  Establishment of own product specialists			

Figure 49: Indicative Decision Parameters for Organisational Strategies (own creation)

While product execution is pursued via intermediate business when choosing the organisational form of ‘inclusion a network partner’, institutes which look after the business area either in cooperation with a special-purpose vehicle or on their own have the possibility of a product execution via brokerage and/or direct business. On this issue, the participants state that although direct business can have a positive impact on business success because of the corresponding external visibility, it should only be preferred over brokerage business when high, continuous and sustainably achievable income potentials are likely to achieve. Participant L comments as follows:

“At the time, we let ourselves be guided by the statement of another major savings bank which said – I don’t know how they found out – from 2 mio EUR upwards of sustainably generated income it was worth setting up our own back office because ostensibly you would quickly tend to represent everything yourself in your own business but the back office would surely be forgotten. Later, when it turned out that business was not sustainable and there was a hike and nothing else comes along and you’ve set the whole thing up – that’s not so good.”

(Participant L, Head of International Business, Manager)

The initial costs for an in-company set-up via direct business could be lowered in so far as corresponding processes and products have already been implemented for the overall treasury of the bank (cf. Chapter 6.2.7). Even in Institute 2 which can be described as being a major institute with a high amount of loans the set-up via direct business was primarily chosen for image reasons and decision-makers consider changing over to brokerage in spite of the size of the company.

It can be generally said that the choice of a suitable organisational and processing structure is a decisive success factor and should be decided by including the relevant, aforementioned quantitative and qualitative decision parameters.

Spatial proximity

The part phenomenon ‘spatial proximity’ describes the local placement of product specialists and/or the distance of their premises from the premises of the RMs. The institutes investigated use different positioning strategies. In Institute 1 the product specialist is situated in the same corridor section as the RM, whilst the product specialists in Institute 2 have their offices on a different floor than the RM, albeit in the same building. Contrary to this, the product specialists in Institute 3 have to make a car trip of around 15 to 45 minutes if they wanted to speak to the respective RMs of the affiliated savings banks personally (cf. Chapter 6.2.2).

All of the participants confirm that the close proximity of the product specialist to the RMs has an immediate positive influence on their cooperation and thus to business success. Participants F and J reply as follows when asked about the importance of on-site presence:

“[...] and it is very important that the specialist is on site. We have noticed that when we are not on site things are worse. We sometimes bump into our colleagues in the corridor and chat a little about the case. These cases are much clearer and information is exchanged more quickly when we are not far away from each other.”

(Participant F, Consultant, Employee)

“I can certainly confirm that on-site presence has led to distinctly more business enquiries and concluded transactions. It has also led to the RM and the specialist being

seen working more closely as a tandem and simply finding acceptance among colleagues. You are one of them and it's easier to do business."

(Participant J, Product Specialist, Manager)

The benefits of close proximity however presume a principle willingness to cooperate, a necessary client potential and efforts to sell derivatives. Regarding smaller savings banks, Participant I has this to say about savings banks' potential:

"Of course, there are meaningless stories when the savings bank says 'ok, after all we are paying a service fee and you must be on site'. It's required, but nevertheless does not contribute to success."

(Participant I, Product Specialist, Employee)

Conversely, it is noted that a sales organisation with great spatial distance between the respective units has a negative impact on sales success:

"What was stupid in the past in the 'Landesbank1' times was accessibility; 'Sales3' was a sales trader and sat on the trading floor – but you had to get hold of him, and he had to have the information straight away. [...] You felt yourself far removed from everything."

(Participant C, RM, Employee)

Technical support

During the sales process product specialists turn to software solutions for determining the price of derivatives, for analysing loan and derivatives portfolios and for creating sales documents. The deployment of pricing libraries improves the negotiating position of the product specialist in brokerage business against the landesbank and increases his independency in direct business against his institute's own trading department. Being able to analyse the whole loan and derivative portfolio and to create sales documents makes the product specialist's job of selling easier.

However, the participants point out that competitors also have similarly prepared sales documents and that the creation of these is not a competitive advantage over other institutes. By including appropriate and supporting software can however standardise and simplify the creation process and the results and avoids operative and manual errors.

As all of the institutes considered make use of the aforementioned technical solutions the analysis does not show that it is a critical factor for success which differentiated between successful and less successful business units. On the contrary, it facilitates (technically and automatically) the achievement of results. Decisions on the individual handling in the respective institute (e.g. the acquisition of own software licences or usage of software solutions of the cooperation partners for brokerage business) ought to be taken based on economic feasibility studies and including supervisory general conditions. This part phenomenon is addressed for reasons of completeness.

Process Organisation

Regarding the sales organisation, the participants point out repeatedly that transparency and complexity of the sales process for those involved are critical factors for success in sales. For example, Participant G comments that because of the conceptual and sales-relevant inclusion of an external consultant in the sales process, Institute 1 has found a procedure which is very easy for the RM (cf. details in Chapter 6.2.5). All of those involved in this institute report congruently on how the sales process functions, how responsibilities are regulated and who takes over what tasks. This phenomenon affects the process of inter-departmental cooperation as well as in-departmental processes. On this point, Participant K states that the allocation of a superimposed responsibility has a positive impact.

“When at least someone, somewhere in the company carries the can, and pulls all the strings, then there is hope that a few of the processes are optimised or that they are aligned with one another because one area of the back office depends on it.”

(Participant K, RM, Employee)

Mixed forms of consultancy may have negative effects on the sales organisation (e.g. parallel provision of sales services by network partners and from in-company specialists

depending on the client group), just like non-transparent and badly communicated sales processes. However mixed forms might be necessary for different client groups (e.g. to meet regulatory requirements). It can be determined that under the condition that the sales of derivatives should be the job of a product specialist a process which is i) simple to operate, ii) clearly defined and iii) highly transparent has an immediate and positive effect on business success. Under the condition that staff feel ill-at-ease with the business-level strategy and their inner approach to sales, a written documentation of the sales process has likewise a positive effect on business success. Under other conditions it is not able to show that written documentation had a positive effect on business success.

Summary

Under the condition that the organisational set-up of the derivative sales is to be introduced or reviewed and interest rate derivative business in principle is to be operated (condition), decision-makers in the savings bank have the possibility of using appropriate measures (strategies) to influence the sales organisation and to correspondingly impact business success (consequence).

Sales organisation is mainly characterised by i) the sales division, ii) organisational structure, iii) product execution, iv) spatial proximity of the sales unit, v) technical support and vi) the process organisation. As intervening conditions, i) the provisions from corporate-level strategy, ii) feasibility studies, iii) wishes regarding flexibility of those involved and iv) external factors (range of services offered by the network partner, spatial proximity to other institutes) have a particular effect on the strategy. Figure 50 illustrate the aforementioned properties, strategies and inter-dependencies using a simple model. The inclusion of the link of lower concepts to one another was dispensed with.

In view of the described differentiation characteristics which partly appear in the main category 'sales organisation' (e.g. regarding the form of organisation and product execution) it is not possible to establish an appropriate ideally typical, general specification of the properties which affect business success positively. On the contrary, it becomes clear that strategies must be consistent with the institute and its environment, and appropriate decision parameters have been named. For this reason, reference will be made in the following to the success category 'consistent sales organisation' which differentiates successful from less successful sales departments and which are to be taken into consideration in a business-level strategy.

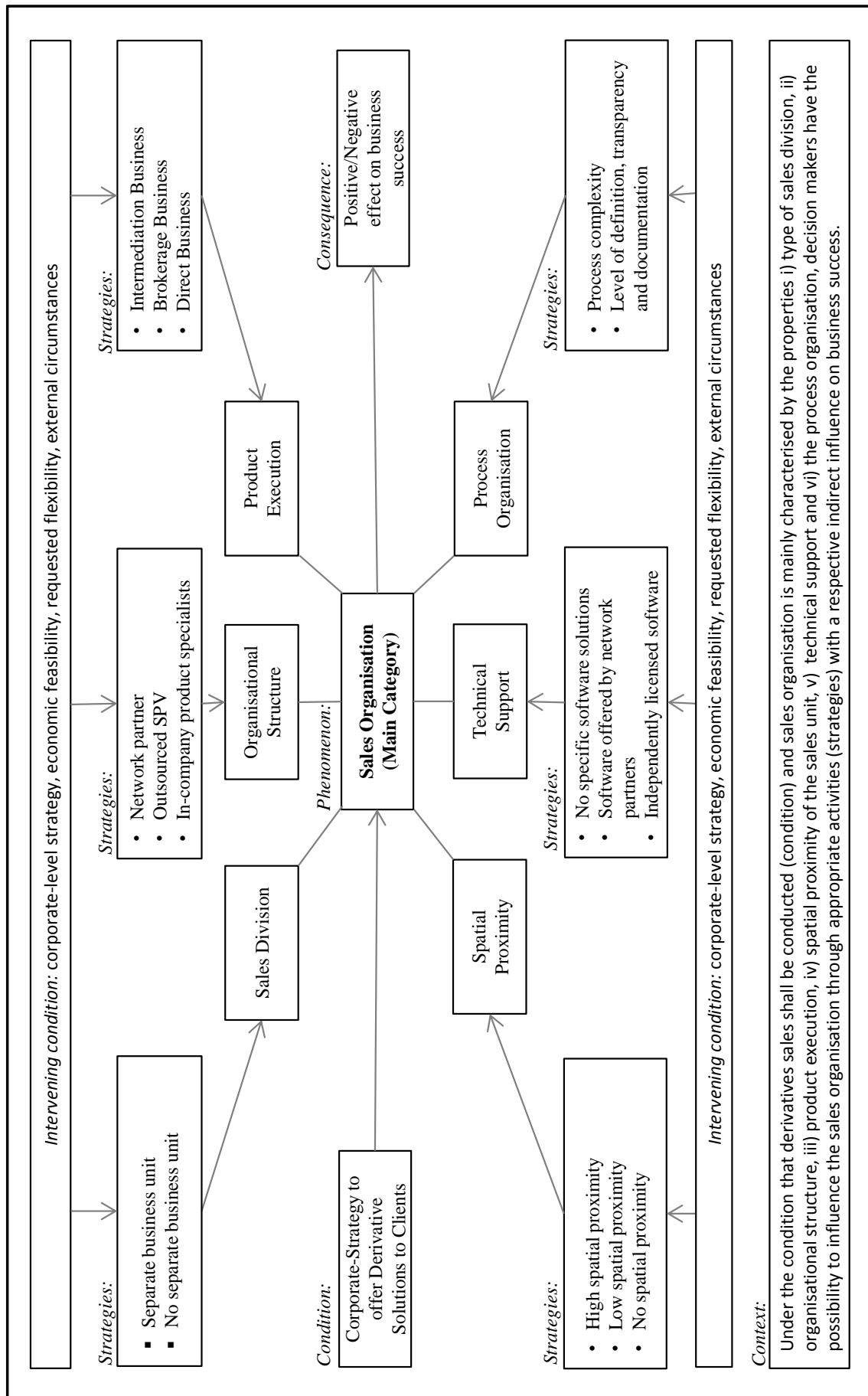


Figure 50: Partial Model II - Sales Organisation (own creation)

6.5.4. Cooperating, dedicated and competent Staff

Lower Concepts	Main Category
Cooperation Sales Quality Employee Qualification	Staff

Table 16: Main Category - Staff

‘Staff’ is a main category which results from the synthesis of three (lower) concepts, named i) cooperation, ii) sales quality and iii) employee qualification (cf. Table 16). The main category ‘staff’ describes the influence as well as the potential of the persons involved in the sales process of interest rate derivatives.

Cooperation

As already generally illustrated in Figure 35, it is mandatory to engage in various internal and external cooperations to support the sale of interest rate derivatives. These are mainly cooperations between product specialists and i) RMs, ii) back office areas involved in specific trades and iii) other generally involved areas such as controlling and treasury respectively (cf. Chapter 6.5.2). Leaving aside if such product specialist is an internal or external employee, the performance of cooperation is predominately characterised by the process organisation (cf. Chapter 6.5.3), the level of trust between the involved parties and the perception of the relevance of the business field. Involved parties are able to influence this performance of cooperation through appropriate strategies, also affecting the staff performance with analogous consequences on the success of the business.

With regard to the process organisation it has been described in Chapter 6.5.3 that in case the sales of derivatives is effectuated by a cooperation between RMs and product specialists, i) an easy to comply with, ii) a unambiguously defined and iii) a highly transparent process has a direct positive effect on the success of the business area. These dimensions of the property ‘process organisation’ also have a positive effect on the performance of cooperation. Especially, clearly defined responsibilities and roles of the involved parties facilitate the cooperation and avoid unnecessary work. The practicability and transparency of this process organisation is essential and requires the willingness of the involved parties to cooperate. Participant H (product specialist) for example answers the question on potential problems of the cooperation that in some instances the RM has

already engaged in some parts of his fields of duty with corresponding negative implications on the sales success.

“An early involvement in the meetings with the clients would be great in order to really advise the client instead of being confronted with a situation where the relationship manager has already decided what is best for the client.”

(Participant H, Product Specialist, Employee)

Participant I adds:

“Generally speaking the process would be leaner if we (note: the product specialists) develop the ideas as this is our business field. RMs that have real trust in what we do make sure that this is always the case and arrange client meetings accordingly.”

(Participant I, Product Specialist, Employee)

These examples make it clear that an improvement of the cooperation requires a certain level of trust between the involved parties. This trust is predominately regarded as being a positive influence on the performance of cooperation when the parties accept each other personally and professionally. Furthermore it has to be a continuous cooperation in order to be successful. Participant C describes the current set-up with internal product specialists and compares it to the previous cooperation with a network partner for intermediation business activities:

“As we started with the sales of interest derivatives ‘Landesbank1’ came to visit us with ‘Sales 3’ who also participated in client meetings although I hardly knew him – and I do not want to criticise him personally. So you had a conversation with a person the client does not know at all, who I only knew from few other occasions with the aim to sell a very abstract product which needs quite some explanations.

The level of trust in that trio never reached 100%, resulting in difficulties in the sales process. [...] So the issue was hard to sell. At the end – the specialist went back to ‘Location3’ and was not present here, all further questions needed to be clarified via

phone. Nowadays, 'Consultant I' is here all the time – which can be seen as a constant factor."

(Participant C, RM, Employee)

Due to the dependency of the product specialist on the RM in order to be involved in and invited to client meetings the level and form of trust is highly relevant. Participant I states with regard to this dependency:

"If someone does not want to tell me about a client situation, he does not tell me. [...] Pro-active sales can only be effectuated by us if we know that the client exists in the first place. But we cannot search one on our own."

(Participant I, Product Specialist, Employee)

Trust as a prerequisite for being involved in client meetings is also confirmed by Participant C and Participant F:

"This mutual trust is eventually the basis for being allowed to present the topic to client. Or being able to present it - as oneself might not being an expert within the area. That you are able to say 'I know someone who is an expert', and especially referring to 'Consultant I' an expert, who does not only push the sale for the sole purpose of selling but also considers the respective client situation accordingly in order to find a product that really fits the client's needs."

(Participant C, RM, Employee)

"Definitely my colleague and I are also a success factor. That we manage to interact with the colleagues on a trust basis – personally and professionally. This is a very important success factor. Furthermore we manage to confirm such trust every day. When we participate in client meetings we are recognised as experts. [...] If this would not be the case they would not take us to further client meetings and the situation would deteriorate quickly."

(Participant F, Consultant, Employee)

Vice versa the participants also confirm that especially a missing interpersonal acceptance leads to a low level of cooperation. Participant M answers the question to which extent the cooperation depends on the persons involved:

“Yes, it is clearly dependent on the persons. But is not only with regard to the RMs but also to the product specialists working on this topic together with the RMs. If the product specialists do not manage to explain the products in an easy to understand manner than the RM is quickly in a position where he does not want to cooperate any longer with such a person.”

(Participant M, Product Specialist, Employee)

The level of cooperation is dependent on mutual trust not only in front office areas but also with regard to the interaction between front and back office. Participant F explains for example that there has been only little cooperation between back office and front office in the beginning in Institute 1 and that this has only developed to a better cooperation through mutual acceptance and a certain service mentality of the product specialists.

Furthermore it can be derived that the performance of cooperation is also dependent on the perceived relevance of the business field in the respective institution through the corporate-level strategy. Participants, who have been giving the feeling that the business field ‘derivative sales’ has a high relevance for their institute (e.g. through corresponding agreement on objectives and targets or management communication), are cooperating more dedicatedly with the other involved parties with a corresponding direct effect on the success of the business. Participant E answers the questions if derivative sales is a normal cross-selling product for the relationship managers as follows:

“It has a higher priority as the profit – and we are profit-orientated – from such derivative sales is very interesting, also for the achievement of the objectives of the RMs.”

(Participant E, RM, Manager)

Participant Q states the reverse conclusion that due to the low perceived relevance of the business field by the RMs a low level of motivation to cooperate with the product specialist can be noticed in the RM department. This can be explained with negative experiences in the past as well as with general negative business culture in Institute 2 with regard to the business area of derivative sales. Participant M depicts the recognition of the business field in Institute 2 as follows:

“Due to certain things that happened in the past which have not been positive and due to which many people had the impression that a good cooperation is not possible with the product specialists. The products were far too complicated and the product specialists have not been willing to participate in client meetings – furthermore often little misunderstandings turned into real problems and trouble. [...] This destroyed quite some trust.”

(Participant M, Product Specialist, Employee)

“Due to experience we have made it is of utmost importance to have a responsible head – in our area the department head (note: Participant P) – who has a direct communication line to the board and who gives us the impression to fully support this topic and the respective employees.”

(Participant M, Product Specialist, Employee)

It can be concluded that strategies which support a simple, practicable, clearly defined and transparent process (e.g. joint development and adoption of a cooperation agreement), which increase the level of trust between the involved parties (e.g. frequent alignment meetings including informal talks, increased service mentality of product specialists) and which increase the perception of the relevance of the business field (e.g. kick off and review meeting with the management board) have a direct positive effect on the performance of cooperation and thus indirectly also a positive effect on the staff performance.

Sales Quality

Besides the level of cooperation it has emerged that the performance of the staff is determined by their sales quality, which can be further broken down into i) the individual sales skills, ii) the sales targets, iii) the individual mind set of the involved parties and iv) the professional competence.

The relevance of the individual sales skills in the context of the concept ‘sales quality’ is especially accentuated by Participant F who answers the question on the reasons for the success of Institute 1 as follows:

“I would say the sales skills of the employees here are one reason for the success. [...] They are all good in all areas. There are of course some who are a bit better or worse than the average, but I would say this average is really high. [...] Due to that strength in sales skills they identify the potentials for new businesses quickly and they also want to implement the businesses accordingly.”

(Participant F, Consultant, Employee)

A potential strategy to increase the sales skills is, according to Participant R, a sensible and heterogenic set-up of the sales teams in order to serve RMs’ and clients’ personalities and needs appropriately.

“In a good sales team you have different characters, a bit like in the A-Team. You have a crazy helicopter pilot who likes flying and another one who is more into direct fighting and does not like flying. This is all about management and the right composition. There is nothing worse than all being equal. Another factor is of course the qualitative set-up – they are also important. [...] There are different roles that have to be taken. A good sales team is able to cover all these roles – due to good management.”

(Participant R, Product Specialist, Manager)

Besides taking the targets for the sales control into consideration, it can be observed that the individual sales targets of the employees also have an influence on the sales activity of the respective employee which is closely aligned with the mind-set of the employees.

The general positive correlation of quantitative objectives with monetary incentives is basically confirmed by all participants. Nevertheless especially the participants of Institute 1 and Institute 2 strengthen the fact that such specific sales targets and incentives for derivative business could lead to wrong stimuli and to a malfunction of the sales efforts due to missing sustainability of the sales efforts for clients, employees and the institute. Furthermore participants from Institute 2 point out legal reforms, which might call quantitative targets into questions. Due to this fact participants from Institute 2 consider to implement more qualitative sales targets as well as to define appropriate quality criteria with regard to the sales process (e.g. target clients, generation of value added, product scope). A further component that has to be considered when defining sales targets is the personal identification of the employees with the respective sales targets. Participant C states for example that it would be rather difficult for him to sell product he would not buy himself.

“As a RM, you need to know the product I think, and must be committed to it otherwise you can’t creditably sell it. So, I would find it difficult to approach the client using the word ‘derivative’ if I myself thought ‘well, privately, that would give me stomach ache’. Neither do I hope that I would at some time or other be forced to sell things that I could not believe in myself. I would find that very, very difficult.”

(Participant C, RM, Employee)

It has to be concluded that the sales controlling for derivatives is nowadays faced with the challenge to bring sales targets and steering guidelines in line with the clients’ needs. Strategies which take targets into consideration that meet the clients’, the banks’ as well as the employees’ interests have a positive influence on the sales quality and thus the staff performance.

In the above statement Participant C also points out two further components – the employee’s mind set as well as the product knowledge of the employee, both being a necessary prerequisite of the sales success. Both factors are needed to consult the client appropriately and to sell products sustainably and according to each party’s interest. A negative mind set and a low level of identification with the business field have a negative impact on the whole sales team and the staff performance. Participant M states in this regard:

“What is really obstructive if you have a colleague in your sales team who is not really into the topic any longer – those who always complain that ‘selling those product do not make sense anymore’ and ‘regarding the whole WpHG-issues - it does not work any longer’.”

(Participant M, Product Specialist, Employee)

Strategies which improve the sales quality, consider sales targets, which are in line between clients, bank and employees, which additionally have positive impacts on the attitude and the product knowledge of the employee are suited to increase the level of sales quality and thus the staff performance. The topic of an appropriate steering of expert knowledge is discussed in the following section.

Employee Qualification

With regard to the necessary education for the sales of derivatives it has to be differentiated between educational requirements for the various involved parties (RMs, product specialist and back office). However a basic knowledge and understanding of the products is essential for each group (cf. Chapter 6.2.8).

As Participant H explains employees working in the back office also need a certain understanding in order to perform the necessary control tasks. The RMs need to have a basic understanding of the products as well as a qualification in order to identify potential new clients and to initially address the issue in conversations. In addition to these two knowledge profiles, the product specialist needs to have an extended understanding of capital markets in general as well as of the products and their mechanism in particular. Furthermore the product specialist has to make sure to be constantly up to date with regard to changes in the regulatory, accounting and tax environment. Although this adoption to the quickly changing environment is key to the educational profile of the product specialist, the support from the respective savings banks associations is currently regarded as not sufficient by the participants.

This comes even more into play as the theoretical knowledge of the product specialist is also required by law resulting in the fact that a high level of education should actually not be a critical/differentiating success factor any longer (cf. Appendix 2). Nevertheless it seems that this legally required level of education is not always given. Participant H and

Participant I underline this suggestion by referring to negative impressions they have experienced during joint seminars with product specialists from other institutes. This phenomenon has corresponding consequences with regard to the level of acceptance and thus also of cooperation.

According to the participants the internal education of RMs and back office employees can and should be conducted by the product specialists. Seminars with a direct connection to their daily work are perceived as being most helpful. Besides this product knowledge the participants highlight the relevance of specific soft skills (cf. Chapter 6.2.8) which have already been explained (cf. category ‘cooperation’, Chapter 6.5.4) and are also mentioned in the passage on ‘investment-specific and investor-friendly advice’ (cf. Chapter 6.5.5).

For the lower category concept qualification it can be concluded, that strategies, which allow for knowledge to be gained continuously according to the respective employee’s needs and with a direct link to the practical use have a positive influence on the level of qualification with a corresponding positive influence on the staff performance.

Summary

Under the condition that the sale of interest rate derivatives is to be conducted in principle and that the client is to be approached jointly by the RM and the product specialist (condition), and that the staff performance is determined by the performance of cooperation, the sales quality and the employee qualification, decision-makers and employees have the possibility to influence such staff performance through corresponding activities (strategies). Strategies which enhance the level of cooperation, which increase the sales quality as well as the employee qualification according to the respective needs, show a positive link to the improvement of the staff performance, with an accordingly positive link to the business success of the derivative sales unit. In this context, one can observe the corporate level-strategy, the business culture as well as experiences made in the past by the parties involved in taking such strategy decisions as intervening conditions.

Figure 51 illustrates a simple model of the aforementioned properties, strategies and positive interdependencies. An inclusion of the links of lower concepts to one another is dispensed with. The aforementioned positive interdependencies on the improvement of

the staff performance will be summarised in the success category ‘cooperating, dedicated and competent staff’ going forward.

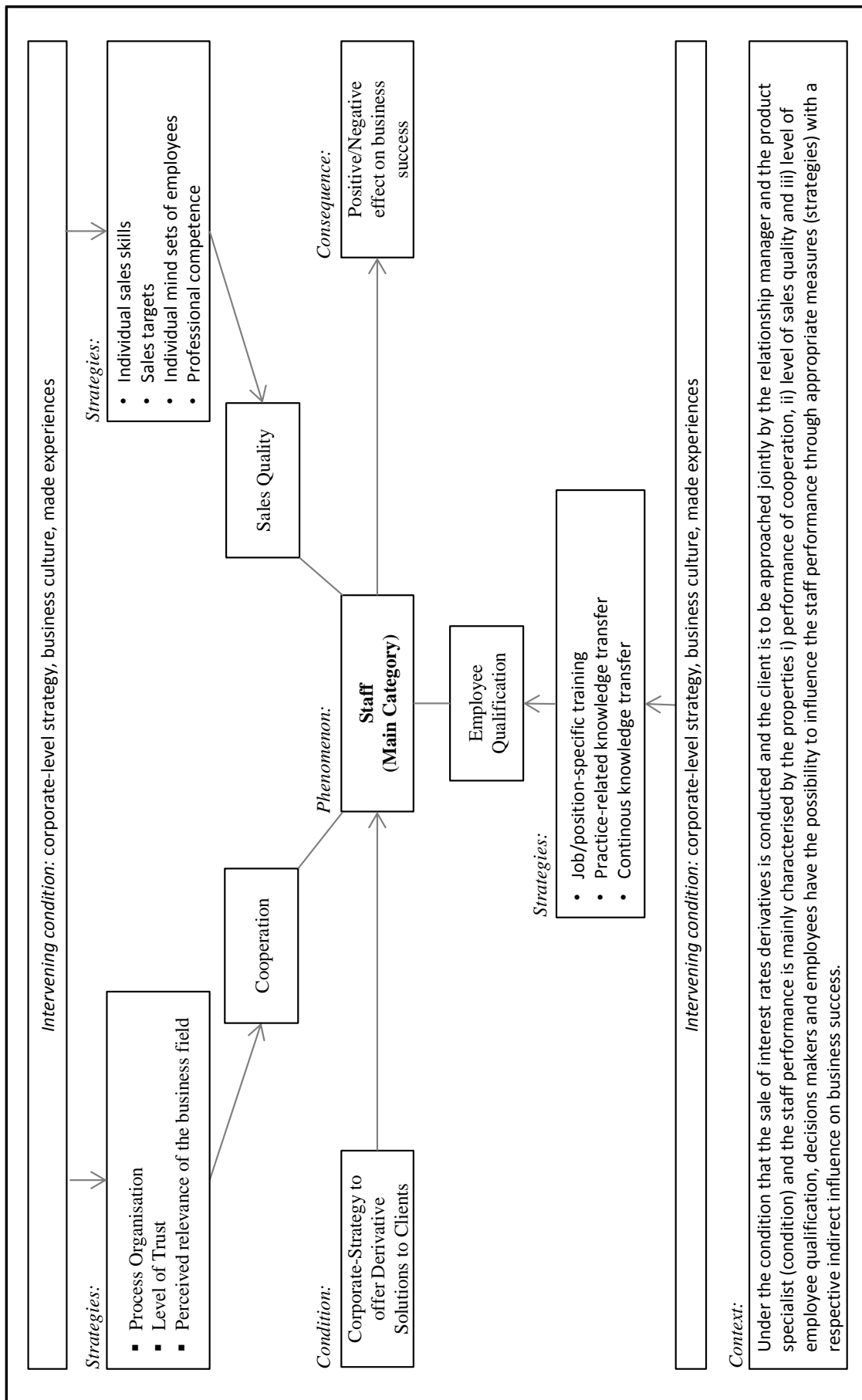


Figure 51: Partial Model III – Staff (own creation)

6.5.5. Sustainable and committing Customer Relationships

Lower Concepts	Main Category
Financial Advice Trust Added Value Bank Commitment	Customer Relationship

Table 17: Main Category - Customer Relationship

‘Customer Relationship’ is a main category resulting from the synthesis of four (lower) concepts: i) financial advice, ii) trust, iii) added value and iv) bank commitment (cf. Table 17). It describes the relationship between the client and the savings bank, whereby the latter one is represented by the RM and the product specialist towards the clients.

Financial advice

The sales process is normally started by the RMs with the identification of the sales potential for a certain client. Afterwards a joint client meeting with the product specialist should take place with the purpose to advise and consult the client with regard to the specifics of the products. After the potential closing of the respective trade, the product specialists are available for further questions and enquiries of the clients as well as for the consultation on further products (cf. Chapter 6.2.5). To characterise such (consultation) meetings different properties are named: i) the form of the investor-friendly advice, ii) the level of investment-specific advice, iii) the transparency as well as iv) the trust of the clients in the sales personal.

The first two points are also regulated within legal frameworks (intervening conditions) and are documented in specified advisory documents (e.g. WpHG-protocol and consultation protocol). At the same time these legal requirements are also descriptions of the (quality-) standards of the sales process, which have a positive influence on the standard of financial advice if conducted properly. The more appropriate the investor-friendly and the investment-specific consultation is conducted, the higher the level of financial advice.

A sample strategy which addresses the legal as well as practical application of the two requirements and which at the same time increases the standard of consultation is the standard process for derivative sales applied in Institute 2. It includes a general separation

of the client meetings in a preceding information meeting and a subsequent consultation meeting. During the former the client situation and the clients' needs are addressed whereas in the latter a potential presentation of certain individual derivative solutions takes place. Participant M describes this approach as follows:

"It was important for us to say that we would like first of all to have an informative conversation and take a look at the client's complete portfolio, [...] and thoroughly discuss the matter with the client. What do you think of the interest rate? What do you want? What do you really want to achieve with this new project and so on and so on. And then after this initial informative talk, the client comes in again for a consultation. That means splitting the consultation process into two steps – an information part, where we describe everything without any consultation and after that a second meeting with 'real' consultation."

(Participant M, Product Specialist, Employee)

The intention of this separation is to avoid a sales strategy which is only product-driven and not need-driven as Participant O describes. Content and extent of the initial information meeting can vary according to the client's knowledge, the duration of the client relationship and the format used for such meeting. The initial informative conversation can for example take place in a telephone conference or in a physical meeting and often refers to generic strategies (without a close connection to the client situation). A similar approach is also used by Institute 1, which also distinguishes between a general information meeting and a meeting where the risk aspects of the products are explained (cf. Chapter 6.2.5).

In addition to the consideration of the legal requirements Participant F stresses the fact that it is also important to have a structured approach in the consultation meetings which avoids too technical or too complex explanations of the offered solutions ('investor-friendly advice').

"What is always important is to kind of 'pick up' the client [...] to bring him into the position to think 'well, this could also be a good product for me'. For example because 'the result might not be achieved using a traditional loan'. Once he has this opinion he

also has enough interest to learn more about the topic. In fact I think the whole secret is to present him what he could get and to let him know how to get there. Once the client understands this he is more open to the whole topic – much more positive compared to a situation where I would say to him that ‘the whole topic is very difficult to understand’ and where I would use explanations that are hard to understand and to follow.”

(Participant F, Consultant, Employee)

According to the participants it is helpful to refer to appropriate analogies to traditional financial strategies to make the mechanisms of the products more transparent.

Such a structured, transparent and investor-friendly preparation is not only relevant with regard to clients but also with regard to other involved parties within the institute. Participant M for example explains that it is important for the product specialist to be in a position to explain the product and the respective processes also to the RM in a complete but not too complex way.

In all institutes the interpretation of legal regulations and certain court rulings has led to a disclosure of the margin to the client – though in different ways (cf. Chapter 6.3.6). The influence of this form of transparency on the standard of the financial advice within the discussion of sustainable success factors is regarded as being positive by the participants (cf. Chapter 6.4.3). A negative influence of the disclosure of margins on the general success of the sales process is not noted according to the participants.

Besides transparency the lower concept financial advice is also described by the phenomenon trust. Due to the relevance of this phenomenon it will be described separately as an individual lower concept of the main category customer relationship in the following paragraph. In order to avoid redundancies there is no separate description within the context of the lower concept financial advice.

It can be concluded that in the context of the lower concept ‘financial advice’ the product specialist and the RM can influence the standard of ‘financial advice’ with certain strategies and thus are also able to indirectly influence the customer relationship with respective consequences on the success of the business.

Trust

A second descriptive property of the main category customer relationship is the category trust. This comprises the relationship between sales employees (RM and/or product specialist) and the client, although the confidence between the sales employees (e.g. between RM and product specialist) is also incorporated (e.g. if the client notes certain discrepancies between the different employees; cf. Chapter 6.5.4)

The level of trust is mainly influenced by i) the interpersonal acceptance of the involved parties, ii) the duration of the client relationship (e.g. low/high fluctuation of RMs), iii) the extent of the client relationship (e.g. how many positive experiences have been made) and iv) the image of the institute. A high significance of the properties' dimensions, i.e. a high interpersonal acceptance, a long lasting client relationship with positive experiences and a good image of the savings bank have a positive influence on the level of trust with a resulting positive influence on the category customer relationship. Participant C and F illustrate this as follows:

“You have a definite talk on financing and I say that at the end of it either we have the best overall package or we don't – that might be a derivative because we are relatively alone in this field – plus a good relationship to the client. For me those are the real success factors because I think... I can remember so many transactions where I really nodded my head at the end of it and thought I have created an atmosphere of trust, and the product is a good one.”

(Participant C, RM, Employee)

“I regard the relationship between the client and the relationship manager as really important. If there is a trustful relationship between those parties it is far easier for us, as this also relates to us. Therefore it is really important for us to talk to the RM before we talk to client in order to learn as much as possible about the client and his situation in advance in order to ‘pick the client up’.”

(Participant F, Consultant, Employee)

It can be noted for the lower concept ‘trust’ that the decision maker in the savings bank, product specialists as well as RMs can influence the level of trust with various strategies

(e.g. by creation of surrounding conditions that make long lasting client relationships possible) with further indirect influence on the customer relationship with the respective consequences on the success of the business itself.

Added Value

The main category ‘customer relationship’ is further described by the lower category ‘added value’, which on the other hand is described by the added value which i) the financial advice, ii) the derivative products and iii) the complementary services offered to the client, the employee and the institute. Participant K explains:

“When have I been successful? When I have created added value for the client. When I have also generated a positive profit margin. When, in addition, I have convinced my client and others that they can expect me to provide a high level of skills and that I am well positioned in the business area for the future. Then not only am I successful, but my success is sustainable.”

(Participant K, RM, Employee)

This added value is described by an investor-friendly, investment-specific, transparent and trustful consultation which enables the client to take a decision on his own and to reach his goals quicker (e.g. long term fixed rate interests, implementation of his opinion on interest rate developments or separation of liquidity management from interest rate management) and if the client gets the necessary support to implement the offered products into his current economic situation (e.g. by the means of portfolio analysis) and his business context (e.g. with further support regarding accounting). This condition for the generation of an added value excludes a pure substitution strategy of classic financing instruments by a combination of a floating loan and a derivative product. Participant O explains:

“Under today’s regulation of the WpHG it simply means [...] derivatives are just for someone who is really in need for them. And really needing requires that ‘this one has a problem’. Namely a problem which cannot be solved [...] by conventional financing instruments. Thereby, it is made sure that it definitely makes sense for every customer,

not for the bank, [...] to deal with the issue of derivatives, because it is supposed to get him to the point which was defined as his actual concern. So that you can say 'listen, this and that is what you wanted to have and explained it to us and this is how we got you. We can cover point one and point two with conventional methods, point three and four are just rough compromises, though. This is what you have to be aware of. But there is way, in which we can handle one, two and three and little parts of four. If you rather like that, we just go for a Euribor loan and any derivative'.”

(Participant O, Product Specialist, Employee)

With regard to the added value in services that need to be offered Participant O adds:

“Well, the whole thing can be seen to be some kind of missionary exercise, meaning that if you close a derivative the next step is to educate the commercial and accounting department of client as well. In order to let these employees of the client know how to treat these payments and how they can be sure that all the accounting transactions which result out of a derivative trade are indeed correct. After that the tax advisor of the client has to be focused on – sometimes you also need to educated him to provide more comfort.”

(Participant O, Product Specialist, Employee)

Besides this generation of an added value for the client there should also be an added value for the employee (e.g. by appropriate compensation) as well as for the savings bank (e.g. positive earnings contribution) which compensates the respective expenses and risks of the sale of derivatives.

It can be concluded that in the context of the lower concept ‘added value’ the decision makers in savings bank, product specialists and RMs can influence the level of added value by applying certain strategies (e.g. by setting of appropriate sales goals, offering of appropriate services and products) with an indirect long term influence on the customer relationship.

Bank Commitment

Finally, the main category ‘customer relationship’ is also determined by the lower concept ‘bank commitment’ to the client. This lower concept is described by the extent to which the savings bank is willing to take on risk with regard to the client, i.e. making real balance sheet business by i) allocation of loans as a basis and ii) by granting further lines for derivative businesses. All participants state that successful derivatives business requires the granting of a loan to the client as a basis. The pure consultation and the sale of derivatives for provision income without the granting of the respective underlying loan is an exception in the savings banks who take part in this research.

By implementing a certain corporate-level and credit risk strategy the institute can influence the level of bank commitment with regard to the client and thus also the main category customer relationship. The property bank commitment can however be interpreted as being a digital condition for the sale of derivatives. In this case it is not the relative value/significance of the property’s dimensions but rather the pure existence which is crucial for a positive or negative influence on the customer relationship and thus business success.

Summary

Under the condition that the sales of interest rate derivatives is to be conducted sustainably and economical successfully (condition), decision-maker and employees have the possibility to influence the ‘customer relationship’ by certain activities (strategies) with a respective influence on the business success (consequence).

The main category ‘customer relationship’ is essentially characterised by i) the standard of the financial advisory, ii) the level of trust, iii) the added value and iv) the commitment of the bank towards the client. Strategies which increase the level of financial advisory, the level of trust and the added value show a positive link to the form of customer relationship with a respective positive influence on the business success. A general requirement for the sales of derivatives is a certain commitment of the bank towards the client with regard to the provision of credit lines. Legal requirements and the credit risk strategy of the bank have a particular effect as intervening condition on the strategies and activities of the decision-makers.

Figure 52 illustrates a simple model of the aforementioned properties, strategies and interdependencies. An inclusion of the links of lower concepts to one another is dispensed

with. The aforementioned positive interdependencies to the improvement of the customer relationship will be summarised under the success category ‘sustainable and committing customer relationship’ going forward.

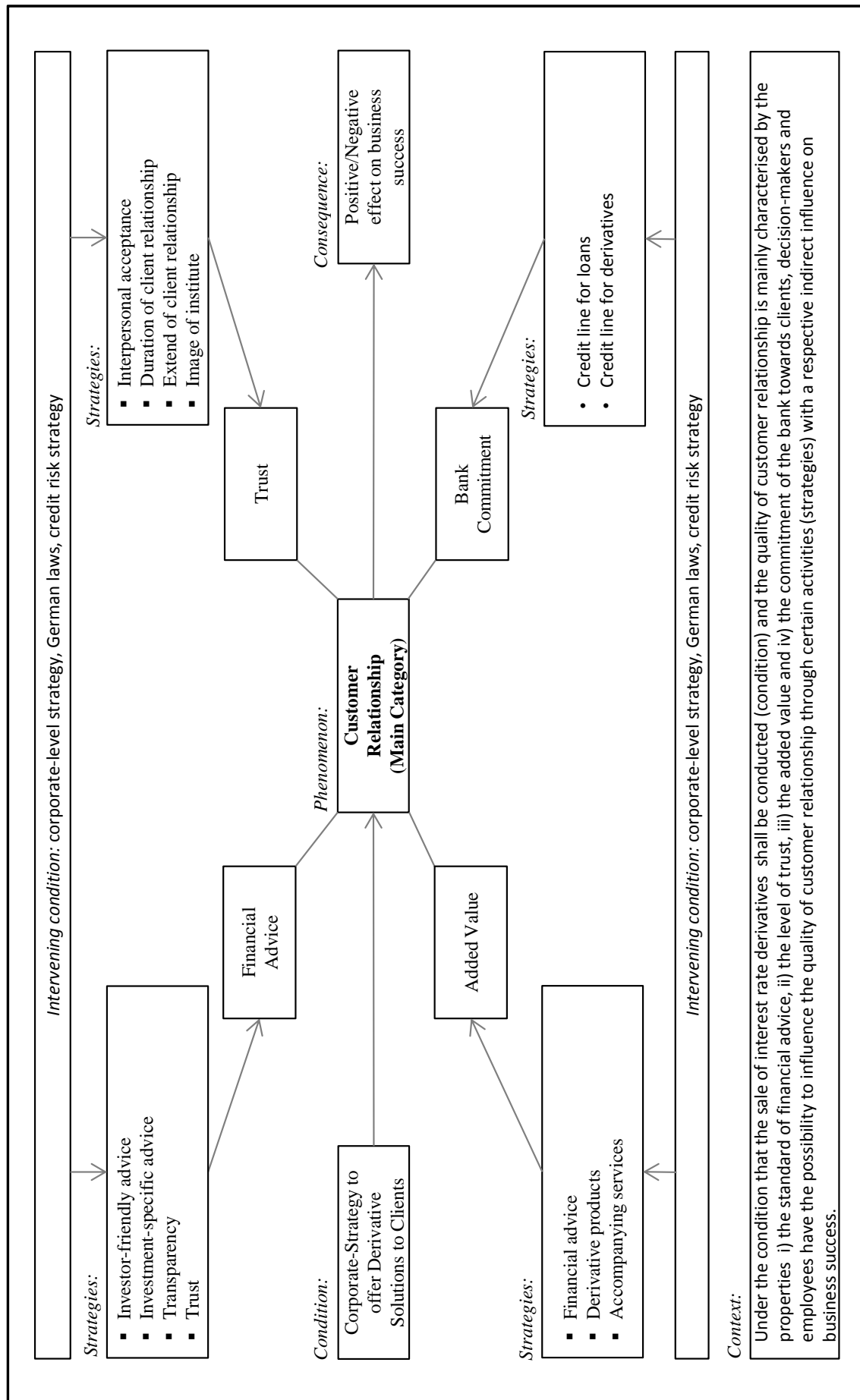


Figure 52: Partial Model IV – Customer Relationship (own creation)

6.5.6. Appropriate Responses to Changes in Environment

Lower Concept	Main Category
Cooperation Partner Regulatory and Legal Framework Market Opportunities	Environmental Changes

Table 18: Main Category - Environmental Changes

‘Environmental Changes’ is a main category resulting from the synthesis of three lower concepts: i) cooperation partner, ii) regulatory and legal framework and iii) market opportunities (cf. Table 18). The main category describes the ability of the institute and the relevant employees to anticipate changes in the environment, the ability to react to those changes adequately and to use such changes to generate competitive advantages.

Cooperation Partner

‘Cooperation partners’ are mainly those changing external parties and their respective services which savings banks cooperate with for the sale of derivatives. These are primarily changing services offered by the landesbanks, associations and external consultants. The continuous review of the structures and procedures in comparison with the market environment, the deliberate choice which services should be handled internally/externally in view of changes of the environment including the selection of appropriate partners as well as the anticipative structuring of the contracts with the cooperation partner are the main strategies to react to those changes.

As a result of the financial crisis certain established brokerage business partners of the savings banks left the market completely, while other reduced the level of services offered or changed their business-level strategies. Participant L points to fact that on the one hand (due to the closing of ‘Landesbank1’) it has been necessary to include a second landesbank for the further conduction of brokerage business early enough but on the other hand to also include further services which have been offered until that point in time in the drafting of the contracts with this new cooperation partner (e.g. future services for the automatic booking of credit equivalents for guaranteed credit lines).

„Until recently we had two partners, one has left the market and you realise that the remaining one does not show such a performance the other one has done. This is also

true for the range of products offered. Although we have not used to whole range in the past either. The range of 'Landesbank1' was so big (note: participant signals a big range with the hands) while the one of 'Landesbank3' is so big (note: participant shows a small range with the hands). Most of the times we only need this small part, but occasionally we also request something from outside of this range. But this part is not offered by 'Landesbank3' and this is the critical point. The quality of the business depends on the partner and if he can offer those things or not."

(Participant L, Head of International Business, Manager)

The general question is to which extent the necessary services are produced by the savings banks itself or bought from external partners ('make-or-buy decision') and which consequences this has on the internal structures and processes (cf. Chapter 6.5.3). A good example for this can also be found in Institute 2 where, based on changing economic conditions which are influenced by changes in the regulatory and legal framework, it is taken into consideration to replace the direct business with brokerage business (and a subsequent new cooperation).

The usage of external services is also addressed with regard to the regional and central savings banks associations. It is made clear by several participants that it would be highly appreciated if regulatory or legal changes would be commented by the experts of the associations and passed on to the individual institutes promptly. Through a respective review and a close collaboration on the question if potential services are offered by the association, the savings banks have the possibility to reduce internal capacities and to meet the same legal standard across the different savings banks.

In addition to this it also becomes clear in Institute 1 that not only an appropriate reaction to changes in cooperation and services but also a respective active design of such new services is important. Institute 1 conducted a market screening in order to find a service provider who takes over certain parts of the savings bank-internal value chain of derivative sales. As result of this market screening a concept for derivative sales was developed jointly with an external consulting company ('Consulting Company1'). Before taking over this role in Institute 1, this consulting company has not been active in such form for a savings bank but has been familiar with those kinds of services from other mandates. The remuneration of these services has been set as a performance-linked fee in order to avoid respective fixed costs and to remain flexible to react on further changes in

the environment. In addition the chosen procedure left the savings bank in a position to react freely on certain changes in the case of further up-coming changes.

„If ‘Consulting Company I’ was to say: ‘From now on we do it differently, we do no longer engage in this services and thus move on’, we would certainly not be happy about it, because it was/ is a very successful cooperation. Nevertheless, we would not face an existential problem. It might probably be that new business is not exactly as before, but we will certainly not be unable to perform nor would we face any legal or regulatory problems or something like this.’”

(Participant D, Sales Manager, Employee)

It can be said that decision-maker in the savings banks can react on changes in services and changing providers of such services with different strategies and can also partly contribute to such change with a respective influence on the appropriateness of their responses to cooperation changes.

Regulatory and Legal Framework

The regulatory and legal frameworks are primarily influenced by EMIR, Basle III, MiFID/ MiFIR, the national laws in Germany as well as certain rulings of German courts. Therefore a comprehensive literature review on these topics has been conducted, whose results can be found in Appendix 2.

The possibilities to acquire certain information including the evaluation of the implications are not an issue or a unique selling point for any institute. The participants make use of internal departments, information from steering committees or from the aforementioned cooperation partner (e.g. landesbanks or external consultant companies). The sharing of general information is mainly described as sufficient. Participant L comments on potential problems with regard to information gathering on certain changes in the regulatory and legal frameworks as follows:

“No, I trust that we get this information from other internal departments or from the input of ‘Consulting Company I’, which we highly appreciate. Furthermore I see this a big

part of the job of our brokerage business partner. Until now I can say that we have not been disappointed in this regard, or that the information has reached us far too late.”

(Participant L, Head of International Business, Manager)

However the degree of support for the later implantation of changes varies, i.e. the time frame in which the respective cooperation partner or associations offer certain support and to which extent. Strategies which address legal reforms and the respective consequences in a timely manner (e.g. by including a certain description in the respective contracts with the cooperation partner, participation in working groups, incentive for training of the employees), which support the implementation with as few sales-resources as possible (e.g. usage of synergies by cross-institutional handling) and which are compliant with the respective regulatory and legal provisions, have a positive link to the appropriateness of the responses to regulatory and legal changes.

Market Opportunities

The term ‘market opportunities’ comprises the various changes, distortions and developments of the money- and capital-market which have a direct link to the decisions of a client whether to engage in derivative business or not and on the respective products used for such client business (e.g. a persisting low interest rate environment). In this context it is important to make use of the respective market conditions, to anticipate future developments and to prepare the launch of certain products. Nowadays, the possibility to offer different products for long-term interest rate hedging on the basis of current market parameters seems to meet the need of most of the corporate clients of Institute 1. Participant F anticipates that in case of rising interest rates products which optimise the interest rate payable by the clients will be more sought after than it is currently the case and thus have to be prepared and maintained for such market conditions.

„Due to the really low long term interest rates the sale of long term fixed rate hedging is ‘en vogue’, nowadays.”

(Participant D, Sales Manager, Employee)

„But what we do as well is to set the course for future developments - for a change in the level of interest rates. And therefore I clearly see the necessity to enhance our product range.”

(Participant F, Consultant, Employee)

However, the category ‘market opportunities’ does not only include money- and capital markets-driven parameters, but potentially also other asset classes (e.g. the inclusion of foreign exchange and inflation markets). This further inclusion can be discussed with the client during a general meeting where the whole portfolio of the client is evaluated (c.f. Chapter 6.2.4). Thus generally decision maker and sales employees can address changing market opportunities with certain strategies and indirectly influence the business success.

Summary

Under the condition that the sales of interest rate derivatives is to be operated successfully and sustainably (condition), decision-makers and employees have the possibility through appropriate activities (strategies) to influence the reaction to environmental changes with respective influences on the business success (consequence).

The main category ‘environmental change’ is essentially characterised by i) the cooperation partners, ii) the regulatory and legal framework and iii) the arising market opportunities. Strategies which anticipate changes and their implications (e.g. flexible contracts with cooperation partners, implementation of new products), which address such changes and their consequences in a timely manner (e.g. inclusion of further cooperation partner, implementation of standards for documentation) and which actively shape those changes where possible (e.g. influence on the products offered by the cooperation partners, flexible contracts) show a positive link to the appropriateness of the reaction to environmental changes and an accordingly positive link to business success. Intervening conditions are the aforementioned external phenomena themselves (e.g. behaviour of the cooperation partner, regulators/law makers as well as money and capital markets) as well as the internal corporate-level strategy.

Figure 53 illustrates a simple model of the aforementioned properties, strategies and interdependencies. An inclusion of the links of lower concepts to one another is dispensed with. The positive interdependencies to the improvement of the customer relationship will

be summarised under success category ‘appropriate responses to environmental changes’ going forward.

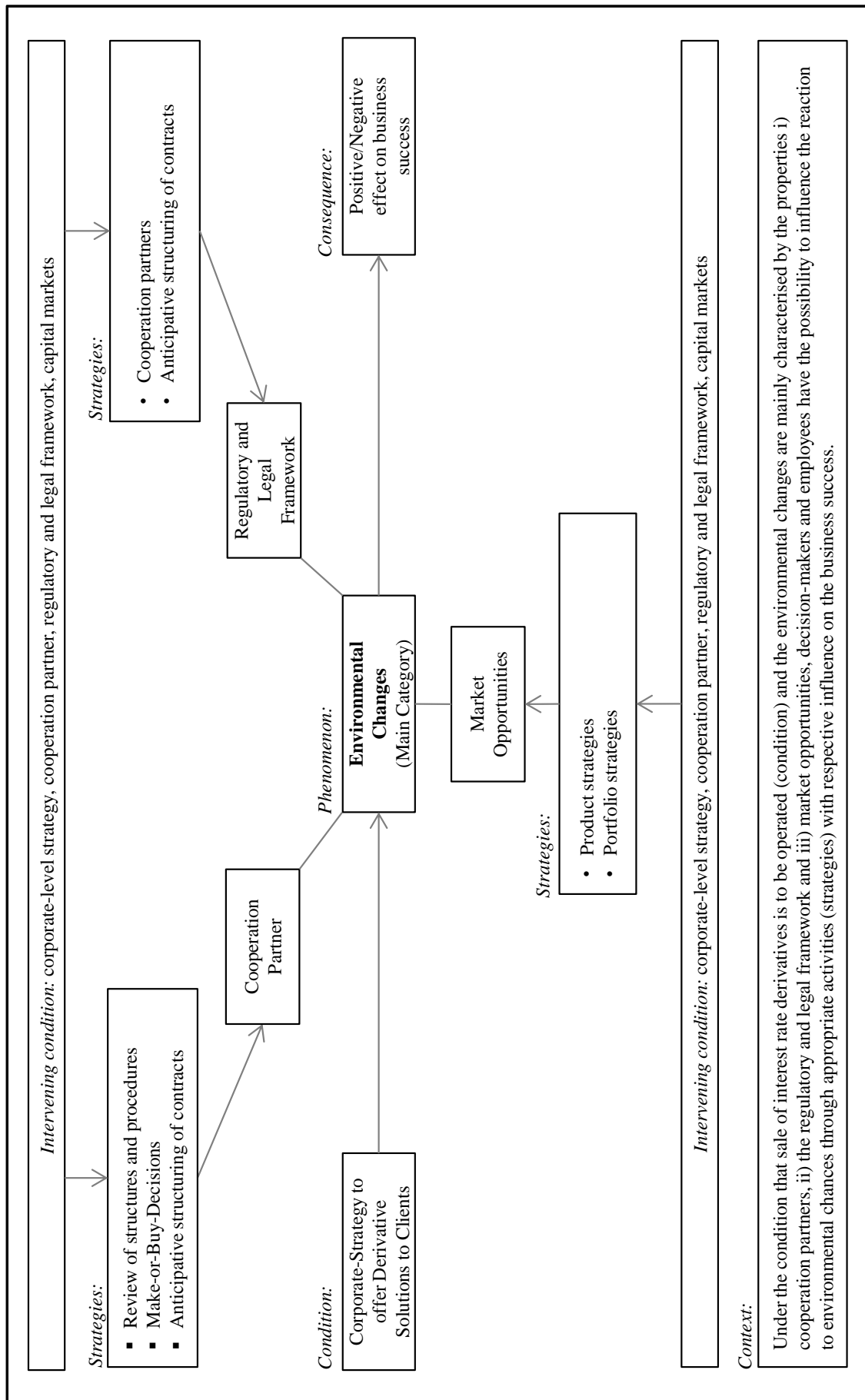


Figure 53: Partial Model V – Environmental Changes (own creation)

6.6. Conceptual Framework for Derivative Sales in Savings Banks (RO5)

Five main categories have been elaborated, which differentiate successful from less successful business units and which are, therefore, the basis for implementing a successful and sustainable business-level strategy for derivative sales in German savings banks (cf. Chapter 6.5). For each of the success categories an own partial model has been developed which shows the respective interdependencies by taking into account the respective context as well as the intervening conditions (cf. Figure 46, Figure 50, Figure 51, Figure 52 and Figure 53). Differentiations have been made where necessary and the parameters for decision making have been made clear. The five success factors for the sale of interest rate derivatives in the described research field are:

- conscious development of a business-level strategy,
- consistent sales organisation,
- cooperating, dedicated and competent staff,
- sustainable and committing customer relationships and
- appropriate responses to environmental changes.

After elaborating the five main categories the challenge arises to identify a core category which captures the research and summarises the critical success factors' in an abstract way. The necessary requirements as well as the procedure has been described in all detail in Chapters 4.4.3.2 and 5.3.4 respectively. By using a multi-stage iteration process the category 'commitment' has evolved which meets the requirements of a core category and consolidates the lower concepts and the main categories in an abstract way (cf. Table 19).

Lower Concepts	Main Categories	Core Category
Strategy Formulation Strategy Implementation Strategy Communication	Business-Level Strategy	Commitment
Sales Division Organisational Structure Product Execution Spatial Placement Technical Support Process Organisation	Sales Organisation	
Cooperation Sales Quality Employee Qualification	Staff	
Financial Advice Trust Added Value Bank Commitment	Customer Relationship	
Cooperation Partner Regulatory and Legal Framework Market Opportunities	Environmental Changes	

Table 19: Core Category - Commitment

‘Commitment’ is generally defined to be the “state or quality of being dedicated to a cause, activity, etc.” (“Commitment”, 2013). Against the given background it is additionally characterised to be a holistic, pro-active and personal work attitude, which emphasises spirit and willingness to do this kind of business - independent of the own business unit and the own job function. This means that not only the directly involved persons identify themselves with the business field, but also only indirectly involved parties of the engaged institute feel identification. Furthermore it is characterised by a state, where also the organisation’s operating model is calibrated to support the strategic business field of derivative sales.

This necessary inter-department personal and organisational identification has been continuously expressed by the participants in various ways when asked for success factors. Participant D for example states a “form of willingness”, Participant E refers to a “broad support” and Participant C to a necessary “conviction”.

“I think the main point is – when looking for success factors – and success factors are in my mind – ‘to really want to do something’ and therefore it is not sufficient that someone in sales control or someone in sales or just anyone in the bank wants it. No, it has to be the whole savings bank that really needs to want it.”

(Participant D, Sales Manager, Employee)

“First of all I’d say the ‘broad support’ that we got.”

(Participant E, RM, Manager)

“There is no connection between the size of the savings bank and the earnings generated with the sale of derivatives. This relates to the fact on how the business is conducted in each bank, how it gets pushed. If the management board is convinced as well as the head of the RMs, the business will be up and running. If only some relationship managers are convinced it gets difficult.”

(Participant I, Product Specialist, Employee)

Furthermore the necessity to adjust the operating model of the savings bank to the conduction of derivative sales is mentioned, e.g. by Participant A:

“Yes, it (Note: interest and currency management) must be defined as a business area. [...] The savings bank must have a separate business area – i.e. derivatives. And someone must be responsible and must, as already said, provide targets.”

(Participant A, Product Specialist, Employee)

Being derived from the five main categories the core category ‘commitment’ itself it also described and determined by its five main categories. Respective positive/negative dimensions of the main categories have an indirect positive/negative link to the level of commitment and an indirect link on the business success. These interdependencies have been described in detail in Chapter 6.5 both visually in graphics and verbally in the respective partial models. Figure 54 summarises the mentioned models into an initial conceptual framework. Therefore this research follows the advice of Corbin and Strauss

(1990) who suggest a graphical presentation of the results as well as Corbin and Strauss (2008, p. 55, with reference to Hage (1972)), who inter alia describe favourable research results/theory to be a “set of well-developed categories [...] that are systematically interrelated through statements of relationship to form a theoretical framework that explains some phenomenon”. The developed conceptual framework states the properties of the five partial models by condensing the initial condition for the sale of interest rate derivatives, the five success factors and the consequences of those success factors on the business success in an abstract way.

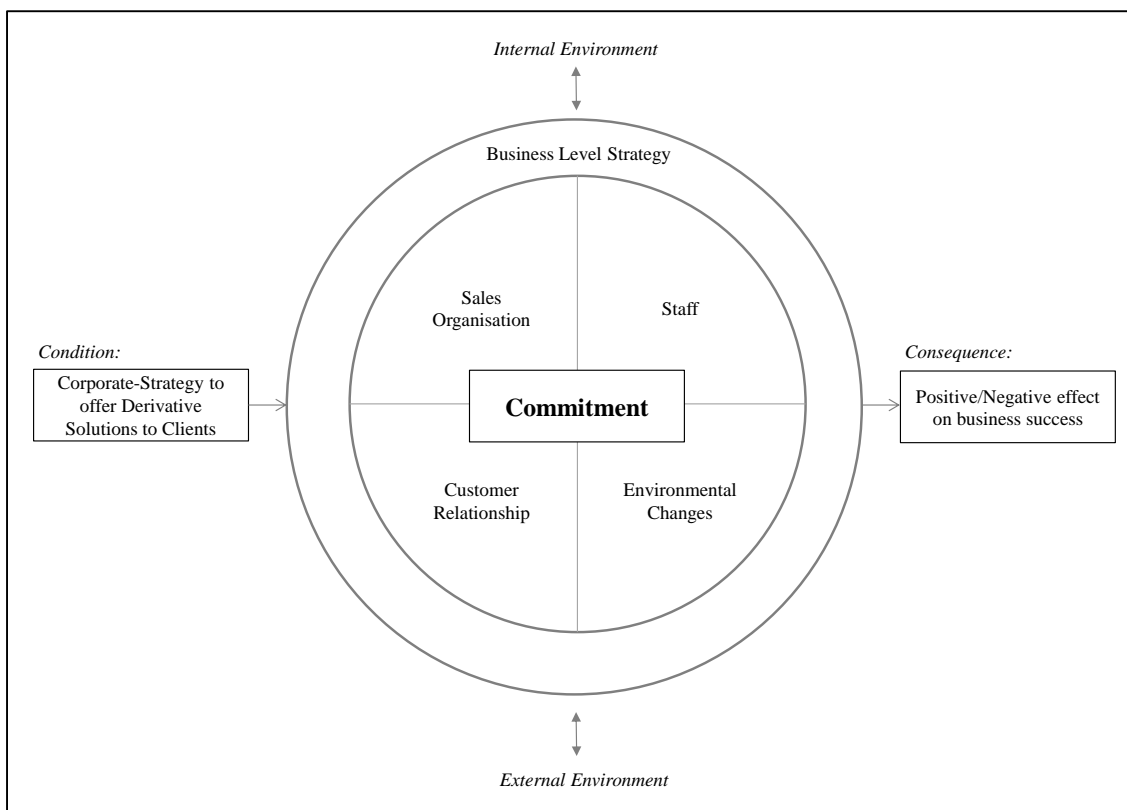


Figure 54: Conceptual Framework of CSFs for Derivative Sales (own creation)

Starting with the abstract situation of a savings bank and the task to conduct derivative sales (condition), the success factors characterise the potential ways of adjustments to the conceptual framework, which differentiate successful from less successful sales units and which have a positive/negative influence on the business success of the interest rate derivatives sale (consequence).

The five success factors are (graphically) condensed in the core category ‘commitment’ which thus takes a central role in the conceptual framework visually. The core category

explains the variations seen between and among the categories and illustrates the main idea of my findings. Furthermore the business-level strategy is shown to be a dominant and surrounding function, as the other four success factors can be understood to be part of a business-level strategy (cf. Chapter 6.5.2). While the business-level strategy considers both internal as well as external aspects (cf. Chapter 3.3.2 for a detailed description) the other four success factors can be attributed either to internal or to external influences and relationships. The main categories 'sales organisation' and 'staff' are mainly influence by internal factors while the categories 'customer relationship' and 'environmental changes' are more dependent on external influences (cf. Chapter 6.5). However it has to be taken into consideration that the respective internal or external oriented categories are also influence inferiorly by external and internal factors respectively so that there is no clear distinction possible.

6.7. Reflection on Literature

6.7.1. Reflection regarding conducted Literature Reviews

Dunne (2011, p. 111) comments that “[...], one of the most problematic issues relates to *how* and *when* existing literature should be used during a grounded theory study“. This challenge was overcome by presenting the current state of knowledge and the research gap in a separate section and thereby identifying which parts are based on the knowledge of third parts or are raised by my own research (cf. Chapter 1.3).

Even though the literature reviews made obvious that no concrete model for derivative sales to clients exists, they revealed aspects which were partially related to my research area and had influence on the process of data gathering and analysis. These aspects shall be reflected in the following by briefly discussing differences and similarities between the findings of the literature reviews and my research. An additional orientation of the findings to further - not previously identified and covered literature - is presented in Chapter 6.7.2 (cf. Figure 55), while a general appreciation of the contribution to theory of my work is given in Chapter 7.3.

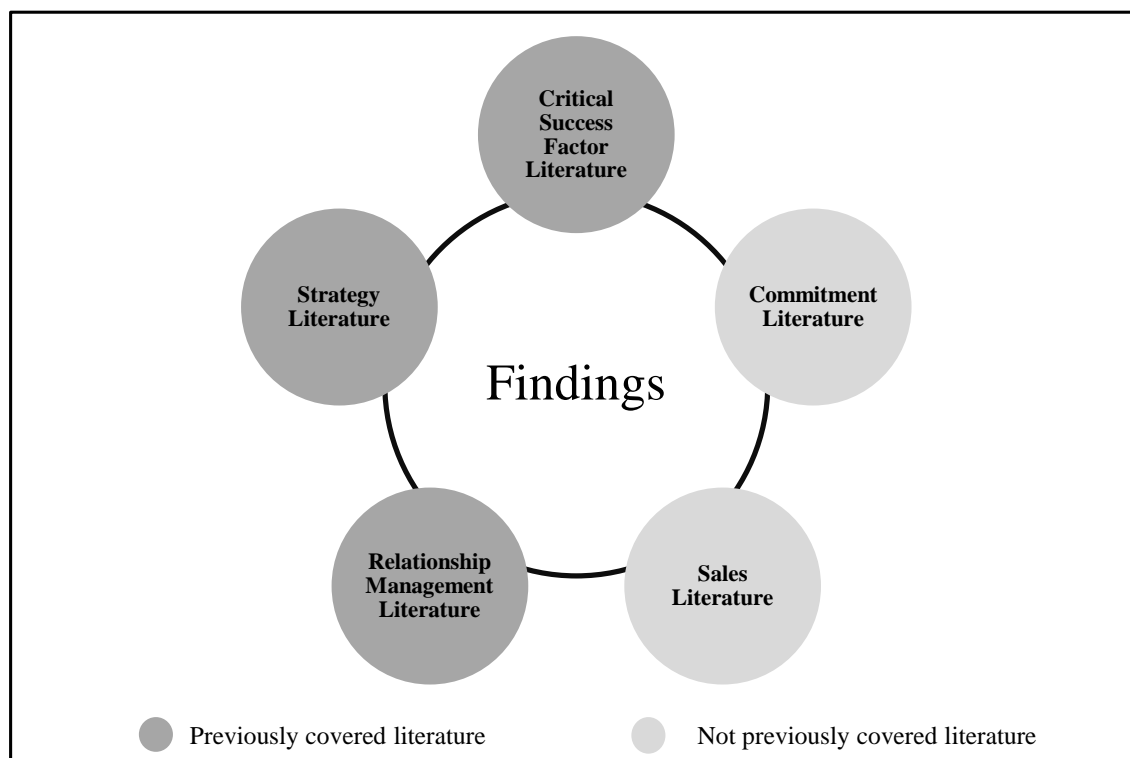


Figure 55: Reflection on selected Literature

Reflection on Critical Success Factor Literature

The present research paper extends the existing literature by adding new success factors especially valid for derivative sales in German savings banks. Comparing the five identified critical success factors for derivative sales with those critical success factors that had been identified for the banking sector in general (cf. Chapter 3.2.5) it can be shown that, although some of the critical success factor groups have also been mentioned by other authors before (in varying terminology), the compilation, aggregation and application on the area of derivative sales is new and innovative. Furthermore the present work goes a step further and combines the identified critical success factors with the strategic aspects of derivative sales and develops a conceptual framework for this business area, which describes and explains the nature of relationships.

Reflection on Strategy Literature

As the conducted literature review illustrates that, on the one hand, literature regarding strategic management is extensive and, on the other hand, no derivative-specific business-strategy literature exists, background knowledge regarding strategy theory has been given by presenting a basic model for strategic management (cf. Chapter 3.3.2).

While the basic model focuses on the aspects of strategic planning by dividing the process of strategic management in three parts (formulation, implementation and evaluation), my conceptual framework focuses on the exploration of certain influencing phenomena and their relationships in savings banks' derivative sales. Both models are thus not contradictory to each other but rather complement each other (e.g. by focusing on the specific critical success factors and their cause-relationship derived from my conceptual framework when fulfilling the process of strategic planning using the basic model for strategic management as guideline). Thereby, literature (e.g. Strauss (2005) with reference to Ebbinghaus (1997) and Kube (1991)) stresses the relevance of the critical success factors as instrumental part of the external and internal environment analysis and, thus, as part of the strategy formulation.

However and as indicated, the descriptive school of strategy theory reveals the challenges of the following process of strategy implementation (cf. Chapter 3.4.2.3). Referring to the three different functions of strategy implementation, introductory reference shall be made to the aspect of splitting strategy into individual measures. As my framework and the underlying partial models ask for a variety of measures as well as the involvement of a

variety of employees, decisions makers may require further information when putting my conceptual framework into practice.

In this context, literature *inter alia* refers to the Balanced Scorecard Approach²² (Bea & Haas, 2005; Kaplan & Norton, 1997; Schreyoegg & Koch, 2010). This approach considers the possible existing contradictory goals of an organisation (e.g. financial and non-financial objectives) and translates the announced strategy into (separate) manageable goals and key figures, which are allocated to the financial perspective, the customer perspective, the internal perspective and the innovation and learning perspective (Kaplan & Norton, 1997).

An initial (practical) linkage of both, the process of strategic planning and the identified critical success factors, is presented by the provision of a checklist in Chapter 7.2.

Reflection on Sheedy's Relationship Research

Further background knowledge was given by introducing the study of Sheedy (1997) in Chapter 3.4.3.4. This study also analyses the nature of relationships in the area of derivative sales. Although a direct comparison of this study with my present research is difficult (e.g. Sheedy (1997) focuses only on the phenomenon 'relationship approach', different timing of research, different participant group) the following information can be derived: i) in both studies, a loss of trust in banks has led to an increased use of plain vanilla products; ii) the existence of a relationship (concept) is a prerequisite for derivative sales and iii) that the use of hard sales targets as performance measures often leads to a transaction-based consultation of clients (vs. a real and holistic relationship approach). However, in contrast to Sheedy's observation (1997), the present research has shown that the relationship approach, which is conducted by the savings banks, leads to adequate margins and competitive advantages. Nevertheless, it has to be kept in mind that the research has shown that the relationship approach is not the only reason for this success as the general business-level strategy of the savings banks seems to be important (e.g. by focusing on certain client group and transaction sizes).

²² For further information regarding the Balanced Scorecard Approach and the motivation to use it, please refer to Kaplan and Norton (1993, 1997).

6.7.2. Orientating Findings to further Literature

In addition to the previous reflection on aspects covered in the conducted literature reviews, this chapter orientates my emerged findings/framework more closely to literature not explicitly covered before. It focuses on the areas of commitment and sales, which seem to be relevant from an ex-post analysing view (cf. Figure 55). Thereby the orientation does not claim to provide a comprehensive overview, but rather tries to offer an introduction to the existing literature as a starting point for further research.

Selected Literature on Commitment

Reviewing literature about commitment it becomes apparent that the “concept of commitment [...] is still one of the most challenging and researched concepts in the fields of management, organizational behaviour, and HRM” (Cohen, 2007, p. 336 with reference to Cohen (2003), Cooper-Hakim and Viswesvaran (2005) and Morrow (1993)). Thereby literature defines (organisational) commitment to be a state of “psychological attachment of workers to their organization” (Chen, Tsui, & Fahr, 2002, p. 339). Differentiating between three eras of commitment research (1st era: “commitment as side-bets”, 2nd era: “the psychological attachment approach” and 3rd era: “the multi-dimensional approaches”), Cohen (2007, p. 338 et seqq.) concludes that nowadays Meyer and Allen’s (1997) tri-dimensional approach is dominant within literature.

Meyer and Allen (1997) refer to the three dimensions of affective, continuance and normative commitment for describing the development and implications of organisational commitment. Thereby, they make clear, that “an employee’s relationship with an organization might reflect varying degrees of all three” (Meyer & Allen, 1997, p. 13). While affective commitment is the employees’ feelings of identification evolving through (positive) work experience, continuance commitment characterises the costs and benefits employees associate with leaving an organisation (Cohen, 2007, p. 5; Meyer & Allen, 1991). Besides this, normative commitment is “defined as a feeling of obligation to continue employment” and is influenced “by socialization and/or culture prior to entry in an organization” (Cohen, 2007, p. 5). However, even though the three-dimensional approach is seen to be dominant, critiques address the approach’s overlap between the dimension of normative and affective commitment as well as the “unclear dimensionality on another dimension” (Cohen, 2007, p. 2).

Against the background of studies illustrating the relevance of commitment to reduce employee turnover (e.g. Felfe, 2008; Haase, 1997 and Meifert, 2005), the finding that employees are much more motivated in case they morally identify themselves with their organisation (Ziemeck, Elke, & Zimolong, 2007) and that commitment and job performance of sales persons are positively related (e.g. Jaramillo, Mulki, & Marshall, 2005), Thaler (2013) explored the concept of commitment in savings banks (in the context of employee loyalty) in 2011. Thereby, Thaler (2013) analyses responses of 453 employees of different hierarchies and business units of one medium-sized savings bank using quantitative analysis techniques. As normative commitment is influenced by a-priori-socialisation and therefore not able to be influenced by senior-management, Thaler (2013) focuses on the aspects of affective and continuance commitment using the following working-model for stating his hypotheses (cf. Figure 56).

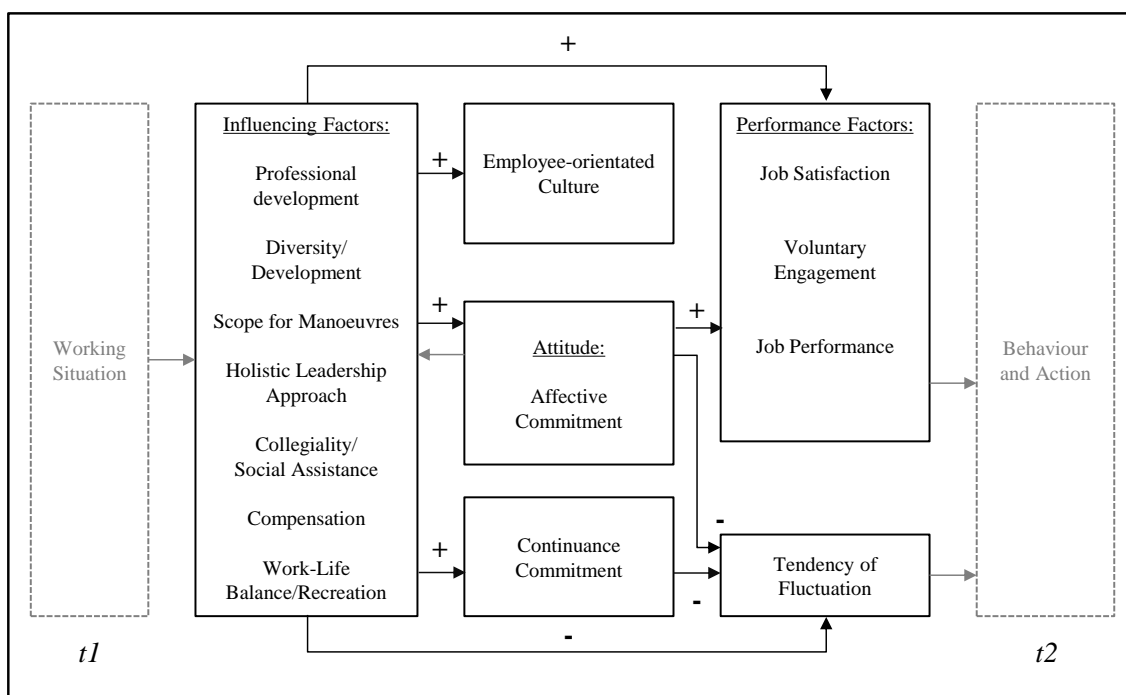


Figure 56: Provisional model - Analysing employee loyalty in a savings bank (translated from Thaler, 2013, p. 21)

Testing the illustrated hypotheses, Thaler (2013, p. 74 et seqq.) comes to the following main conclusions:

- Generally positive assessment of the working conditions regarding the influencing factors diversity/development and collegiality/social assistance. Mixed results

regarding the other influencing factors depending on the participants' individual situations and expectations.

- In comparison to Felfe's (2008) norm values, the level of affective commitment towards the organisation is quite high, while continuance commitment is quite low.
- As part of affective and continuance commitment, the selected factors either directly or indirectly influence the chosen performance factors (job satisfaction, voluntary engagement, work performance and tendency of employee turnover).
- Development/career opportunities as well as possibilities to develop personally as influencing factors generally have a high relevance for a motivating and bonding workplace, while the influence of employees' scope to manoeuvre and compensations on emotional loyalty vary depending on the participants' age. The last one is also valid regarding the factor 'work-life balance', which has a higher relevance for female participants.

Derived from these findings, Thaler (2013, p. ix, translated by the author) formulates six areas for optimisation for savings banks. These are: i) "Promotion of an employee-orientated culture within the whole institute", ii) "creation of a systematic approach for professional development in the board staff- and non-markets-units", iii) "encouragement of work-life balance and recreation; especially for women in sales", iv) "compensation schemes, which increase motivation; especially for junior employees", v) "promotion of a holistic leadership approach; especially within board staff- and non-markets-units" and vi) "extending senior sales employees' scope for manoeuvres".

As commitment evolves to be the core category for the successful and sustainable sale of interest rate derivatives within my framework (cf. Chapter 6.6), Thaler's (2013) aforementioned work underlines the necessity and relevance of (organisational) commitment in savings banks. Furthermore, his findings provide useful and practical information regarding the questions 'how to assess organisational commitment' and 'how to influence organisational commitment in German savings bank'. Nevertheless, accompanying limitations resulting from the research aim and the chosen research method need to be considered, when implementing his findings in the context of derivative sales for a specific savings bank.

Selected Literature on Sales

My research provides an improved understanding and a conceptualisation of derivatives sales in German savings banks. Thereby, a focus was laid on the aspects of critical success factors and business-level strategies. However, my research/framework can also be seen from a ‘sales theory’ perspective which was implicitly covered, but not explicitly addressed. Therefore, a brief review on ‘sales literature’ (and commitment) is given in the following to provide an introductory orientation to this area.

Reviewing literature regarding “Sales, selling and the sales process” in general, Viio (2011, p. 41 with reference to Sheth and Sharma (2008, p. 261)) concludes that even though the area plays an important role in modern world “sales remains a relatively unexplored area in scientific research” as most research “concentrates on selection, motivation, compensation, and to some extent, sales organisations”.

Acknowledging that terms are often used interchangeably within literature, Viio (2011, p. 44) defines ‘sales’ as “the overall *activity* of selling” and selling as the concrete action of doing so. Derived from this view, the corresponding ‘process of sales’ has planning and strategic elements (e.g. discussed at “managerial level”), while ‘selling process’ summarises concrete, tactical steps of sales work (e.g. conducted at “salesperson level”) (Viio (2011, p. 44 et seqq. with reference to Dubinsky (1980/1981) as well as Moncrief and Marshall (2005)).

Regarding sales/selling, literature inter alia differentiates between personal and non-personal selling concepts as well as between transactional selling and relationship selling models (cf. Figure 57). The question of which concept/model with its corresponding sub-concepts to use, depends on a variety of internal and external factors (e.g. type of business, customer group and resources) and can be “*either/or, or both*” (Viio, 2011, p. 49).

Transactional selling model		Relationship selling model
• Emphasis on sales skills	→	• Emphasis on general management skills
• Responsiveness to customer needs	→	• Proactive innovation/opportunity identification and offers
• Good products, price, and service	→	• Value-based offers/organisational enablers
• Narrow customer focus	→	• Broadened to customer's customer
• Differentiation through products	→	• Differentiation through people
• Sales/revenue focus	→	• Profit management focus/share of customers
• Traditional customer relationship	→	• Trusted business advisor and partner

Figure 57: Differences between transactional and relationship selling model (Cron & DeCarlo, 2006, p. 7)

Reviewing literature regarding ‘sales processes’, Viio (2011) refers to Dubinsky’s (1980/1981) ‘Seven-step Sales Process Model’, Marshall and Moncrief’s (2005) ‘Evolved Selling Process’ and a ‘Value Based Selling Approach’, which he bases on Rackham and DeVincentics’ (1998) work. While Dubinsky’s model is characterised to be a “formalised and quite rigid personal selling process model”, Marshall and Moncrief’s approach provides more flexibility and thus more customer orientation (Viio, 2011, p. 61). Table 20 provides an overview of Dubinsky’s ‘traditional seven steps of selling’, the transformative factors and Marshall and Moncrief’s ‘evolved selling process’.

Traditional seven steps of selling	Transformative factors	Evolved selling process
(1) Prospecting	Telemarketing Internet selling Organizational prospecting	(1) Customer retention and deletion
(2) Preapproach	Laptop account data Support Staff	(2) Database and knowledge management
(3) Approach	Build a foundation	(3) Nurturing the relationship (relationship selling)

(4) Presentation	PowerPoint/multimedia listening Listening Team Selling Multiple calls Value-added Buying centres	(4) Marketing the product
(5) Overcoming objections	Predetermining needs	(5) Problem solving
(6) Close	Identifying mutual goals	(6) Adding value/ satisfying needs
(7) Follow-up	Increased effectiveness of communication through technology	(7) Customer relationship maintenance

Table 20: Evolution of the seven steps of selling (Moncrief & Marshall, 2006, p. 16)

These aspects are also included in Rackham and DeVincetis' approach (1998), who focus on value creation by adaptation. They differentiate between "three emerging sales modes" (Viio, 2011, p. 58), whereby the first two modes ('transactional selling' and 'consultative selling') are described by a five-step model with value-adding phases. The third mode ('enterprise selling') refers to a co-operation process assuming that the involved parties are equal and have a strategic dialogue (Rackham & DeVincetis, 1998) and can rather be seen as a "conceptual framework" of sales (Viio, 2011, p. 60) instead of a process model. Reviewing these three approaches, Viio (2011) concludes that even though the sales processes in business-to-business relationship has become more 'customer-orientated', literature still primarily focuses on the perspective of one salesperson and therefore not include a real relationship orientation.

Besides these procedural aspects, sales literature inter alia also refers to critical success factors in the concrete selling process (e.g. Jaramillo & Marshall, 2004) as well as the influence of sales skills and commitment regarding the sales performance (e.g. Ahmad, Basir, & Kitchen, 2010). An introductory literature review regarding the former one is, for example, provided by Leonidou and Kaufmann (2011) against the background of inter-cultural competence in Cyprus' banking industry.

Orientating my own findings to previous reviews of sales literature, it can be concluded that savings banks clearly stick to a personal selling concept, when providing derivative solutions to their clients. By applying a generalist plus specialist sales concept as well as offering an integrated advisory approach ('Savings Banks Finance Concept'), the

underlying savings banks aim for a kind of relationship selling model in their corporate banking section. This is underlined by specific aspects mentioned by the participants as, for example, ‘value-based offers’, ‘differentiation through people’ and ‘trusted business advisor and partner’. However, as a focus was laid on a specific strategic business unit, the necessity, formulation and implementation of the relationship concept in sales was not assessed. Comparing the identified specific sales process for derivatives sales in savings banks (cf. Chapter 6.2.5) to the generic aforementioned process models, it becomes apparent that the process of selling derivatives mainly corresponds to Moncrief and Marshall’s evolution of seven steps of selling, which adapts the required flexibility regarding the elements and its sequence as well as the fact that in derivative sales a variety of employees are involved.

By reflecting on already covered literature as well as orientating my findings to further literature, the present chapter provides an initial outlook regarding the theoretical areas which relate to my research. The next chapter provides a summary of the research, illustrates its contribution to theory and practice and describes its limitations as well as implications for future research.

7. Summary and Conclusion

7.1. Summary of Main Findings

7.1.1. Contextualisation

During the last years several German savings banks have started to position themselves in the business segment of selling derivatives to their clients which enable those clients to hedge their interest rate exposure arising from taken liabilities. These savings banks use various strategies to enter, stay in and leave the competitive market. While smaller institutions mostly do not actively engage in this business segment, several medium and large savings banks are present in this business field. Savings banks who are active in this business field thereby often make use of different forms of co-operation, either horizontally with other savings banks (e.g. within SPVs like the ‘S-International’ companies) or vertically with their central institutions – the landesbanks. Furthermore, the set-up of integrated business units with own product-specialists, own responsibilities and independent market strategies can be observed in some savings banks.

The research aims to contribute to a better understanding of the derivative sales business units in German savings banks by providing an initial conceptual framework for answering the following main research question:

What are the critical success factors for implementing a sustainable business strategy for the derivative sales business unit within German savings banks against the background of the global financial and economic crisis?

To answer the research question and meet the defined research objectives, theoretical background information on the research area has been initially provided. This consists of information regarding the service area and product background as well as two subsequent literature reviews. Derived from the research question and the process of data gathering and analysis, the literature reviews refer to the critical success factor approach and business strategy models for derivative sales. The main findings of these literature reviews are:

Critical Success Factor Approach

Historical research on critical success factors has been mainly done in the fields of producing industry, IT-business as well as on the consumer retail market. In contrast to the quantity and variety in other areas, research on success factors in the banking industry seems to be quite limited. Focusing particularly on ‘derivatives and (critical) success factors’, it appears that so far no quantitative nor qualitative research has been conducted (cf. Chapter 3.3.5.1).

Literature reviews on banking meta-level factors were carried out by Riekeberg (2003) and Strauss (2005). Their reviews as well as my own conducted systematic literature review illustrated that the development of critical success factors regarding the banking industry has mostly taken place in German-speaking areas in recent history. In the past five years no newer work on critical success factors could be identified and until now no generally accepted framework of critical success factors for the banking industry seems to exist. Nevertheless, the literature review offers an overview of critical success factors that might exist in the banking industry in general and clearly illustrates the research gap regarding derivative sales in savings banks (cf. Chapter 3.2.6).

Business Strategy Models

For creating a further theoretical background for my own research project and in order to become familiar with strategic management and business-level strategies, another literature review was conducted. On the one hand, this review focused on background information on strategy, strategic management and a basic model for strategic management (cf. Chapter 3.3.1 and Chapter 3.3.2) and on the other hand on a systematic review of empirically derived business strategy models for derivative sales from the banking industry’s perspective (cf. Chapter 3.3.3). Besides information and theoretical knowledge for my own process of data gathering and analysis, the second systematic literature review additionally underlines that until now no theoretical discussion regarding the specific area of derivative sales in (savings) banks has taken place.

To sum up, the conducted literature reviews offer useful background information for my own research project, highlight the research gap my study aims to close and underline the initial suggestion that my present research offers new insights for theory and practice.

7.1.2. Strategy of Inquiry

Taking the position of a constructivist, my strategy of inquiry was informed by the grounded theory approach, which has the intention to describe phenomena and “generate or discover a theory” (Creswell, 2007, p. 63). This was seen to be suitable given the lack of information identified in the literature reviews. This choice was further justified by the theory’s appropriateness given its focus on research objectives (Boehm, 1994), to analyse data systematically and to offer concrete support for the identification of interrelationships (Goldkuhl & Cronholm, 2010). Instead of setting up an initial theoretical framework that will then be proven by a deductive approach, grounded theory has the general aim to develop or ground theory “by a series of observations” (Saunders, Lewis, & Thornhill, 2009, p. 149). These observations lead to predictions, which are validated by further observations. The permanent comparison of data with emerging categories, as well as the “theoretical sampling of different groups to maximize the similarities and the differences of information” (Creswell, 2009, p. 13) are two primary characteristics of all varieties of grounded theory and have proven to be appropriate tools for my own research. The whole study was inspired by Strauss and Corbin’s (1996) and Corbin & Strauss’ (1990, 2008) interpretation of grounded theory (cf. Chapter 4).

Interviews as data gathering technique were seen to be appropriate for the following reasons: interviewing i) offers the ability to gain information about phenomena that cannot be observed directly, ii) allows treating complex interrelationships, which might only be answered with complex answers (Shuy, 2003) and iii) offers the possibility to gain pieces of information in a rather short period of time (Marshall & Rossman, 1999). The form of semi-structured interviews was selected as it allows addressing predetermined topics and gives the choice to vary or augment them with emerging thoughts (Saunders, Lewis, & Thornhill, 2009). The accompanying form of open-ended questions offered the participants the chance to answer freely in their own words and to illustrate their views (Jackson, 1995; Sarantakos, 1998) (cf. Chapter 5.2).

Applying this research design, 18 participants were chosen to take part in the interviews. The exact number of participants had initially been unspecified as this research followed Patton’s approach (2002, p. 244) about sample size who makes clear that “there are no rules for sample size”, because the sample size depends on the purpose of inquiry as well as the quality of data. When the results were seen to be saturated, data collection was stopped. Applying purposive and snowball sampling, interviewees were selected from my professional network as well as through selected references and recommendations.

All participants had to be experts within the research field of interest rate derivative sales in savings banks and the focus was laid on groups of different hierarchies as well as different institutional backgrounds in order to obtain holistic and differentiated perspectives (e.g. employees/managers from savings banks, landesbanks and consultants). The chosen emphasis on three different savings banks in relation to size, location and business strategy from NRW in Germany offered a solid base to answer the research question as generalisability was not the research aim. Anonymity and confidentiality was granted and ensured throughout the whole research process.

The underlying grounded theory approach offered systematic steps for analysing the gathered data (Corbin & Strauss, 1990, 2008 and Strauss & Corbin, 1996) as well as the possibility to make adjustments throughout the whole process. Instead of waiting until the last interview was conducted, the analysis started immediately after each interview. Each audio-taped interview was transcribed and analysis took place using the software NVivo supporting the process of memoing as well as open, axial and selective coding in order to form categories and relationships. Within the whole process, the constant comparative method was used, meaning that the information gained was ‘compared’ with the categories that had emerged. The process of data gathering and data analysis took place between May 2012 and April 2013 and ended with the achievement of theoretical saturation (cf. Chapter 5.3).

7.1.3. Findings

For systematically approaching the research aim the initial research question has been transformed into five research objectives. The findings regarding these research objectives have been described in detail in Chapter 6. To avoid redundancies these findings are only briefly summarised here.

RO1: To explore the nature of current business strategies and activities for derivative sales within selected German savings banks.

Present research explores business strategies and activities for derivative sales in three savings banks. Thereby, nine criteria have been identified in Chapter 6.2 illustrating commonalities and differences in portraying the institutes’ courses of actions as well as the participants’ perceptions and impressions. The nine criteria are: i) organisational structure and form of execution, ii) target clients for derivative sales, iii) offered products

and services, iv) sales process, v) sales targets and incentives, vi) cooperation with internal and external units, vii) sales education and training, viii) competition as well as ix) relevance and outlook of the business field. Table 21 briefly summarises the observations provided within Chapter 6.2.

Aspects	Main Findings
Organisational Structure and Form of Execution	<ul style="list-style-type: none"> • Three different organisational forms for sale of interest rate derivatives in savings banks: i) use of network partner for advisory services (landesbanks), ii) outsourcing to SPV (s-international entities), iii) establishing of in-house product specialists • Three types of subsequent product execution (depending on organisational form): intermediation business, brokerage business and direct business
Target clients for derivative sales	<ul style="list-style-type: none"> • Client Groups: (larger) corporate clients, municipal clients and exceptionally retail clients (only Institute 3) • Rating: good credit quality and minor failure risk • Minimum size of underlying transaction: 250-300 TEUR initial notional (Institute 1 + 3); 500 TEUR initial notional (Institute 2)
Offered product and services	<ul style="list-style-type: none"> • Underlying: Basic requirement for sale of derivatives is the granting of underlying financing transactions; different conditions for granting floating rate loans across the institutes with respect to maturity, liquidity and margin commitments • Products: Focus on plain vanilla derivatives with hedging purpose; top-selling product is payer swap; FX-related rates strategies are subject to explicit customer requests • Services: Conduction of analysis of the loan and derivative portfolio as accompanying service to achieve competitive advantages • Sales Directive: Derivatives have to offer a certain added value compared to traditional financing strategies for client/bank (no substitution strategy) in Institute 1 + 2, no explicit sales directive in Institute 3.
Sales process	<ul style="list-style-type: none"> • Advisory standards for sales process are generally orientated on legal standards for retail clients (MiFID category) • Identification of potential customers: RM • Consultation: either external product specialist/consultant (Institute 1), internal specialist (Institute 2) or SPV's product specialist (Institute 3)

	<ul style="list-style-type: none"> • Legally required risk explanation: internal product specialists (Institute 1 and 2) or SPV's product specialist (Institute 3) • Trade Execution: internal product specialists (Institute 1 and 2) or SPV's product specialist (Institute 3) • Post Execution: In Institute 1 and 3 the trade/fixing confirmations are sent from brokerage partner via the Institute's back office to the clients (Brokerage Business); in Institute 2 the trade/fixing confirmations are sent directly from the back office to the clients (Direct Business) • Disclosure of Margins: Margin is disclosed in all institutes; Institute 1 makes use of a two-step disclosure approach
Sales targets and Incentives	<ul style="list-style-type: none"> • Varying approach of the usage of sales targets and incentives • Positive correlation between quantitative sales targets (leading to variable, monetary remuneration) and sales activities • Limitations for practical implementation of quantitative sales targets due to (new) legal requirements as well as approach for sustainable business • Implementation of qualitative sales targets as mitigation technique, but implementation is just at the beginning
Cooperation with internal and external units	<ul style="list-style-type: none"> • Controlling: checking/determination of necessary margin contribution (e.g. liquidity and credit costs) • Treasury: asset-liability management of the bank with focus on granted floating loans, conceptual expertise for implementation of derivative sales business unit if derivatives are already used for banks' own purposes • Regional and central associations: currently no conceptual framework for setting up business-level strategies, but information provider regarding new regulatory matters (e.g. provision of regulatory templates as a consultation protocol-template) • Tax consultant/auditor: high influence on clients' decisions, strong need to convince the clients' tax consultant/advisor about the offered products and solutions (e.g. through education or early inclusion within meetings)
Sales Education and Training	<ul style="list-style-type: none"> • Product specialists: specific and up-to-date advanced training is absolutely essential, but finding suitable advanced trainings is difficult • RMs: need basic knowledge which can be conveyed by in-company product specialists • Back office employees: need basic knowledge which can be conveyed by in-company product specialists

Competition	<ul style="list-style-type: none"> • Financing: Generally strong competition regarding underlying financing transaction • Derivatives: In the case of smaller or medium-sized financing transactions, the derivatives frequently compete with traditional financing strategies, but not with derivative solutions offered by competitors. Sometimes cap-loan of Apo-Banks as competing solutions (only concerning self-employed clients). But, competition in larger derivative transactions, where private banks appear as competitors (e.g. Commerzbank AG).
Relevance and Outlook	<ul style="list-style-type: none"> • Relevance of the business field is highly rated; reasons are the commissions which can be generated as well as the economic necessity of clients to hedge arising interest rate exposures • Times of high earnings for banks are gone and increasing costs for regulatory aspects question existing business models – nevertheless still high margins compared to other products and unique selling proposition to offer such products for smaller or medium-sized loans • Future business field's relevance for savings banks strongly depends on banks' credit risk strategy, development of interest rate levels, regulatory and legal requirements and competitors' behaviour.

Table 21: Current Business Strategies and Activities for Derivative Sales

RO2: To understand external influences – with focus on the financial crisis - on the business field of derivative sales.

In order to understand the effects of the crisis, my research particularly focuses on changes and influences concerning i) the attitude of clients, ii) the organisational structure and form of execution, iii) the target clients for derivative sales, iv) offered products and services, v) sales process, vi) sales targets and incentives and vii) sales education and training. Due to their importance regulatory and legal consequences and (up-coming) changes are addressed separately in detail (cf. Appendix 2). Table 22 briefly summarises the observations provided within Chapter 6.3.

Aspects	Main Findings
Attitude of clients	<ul style="list-style-type: none"> • Generally negative perception of the financial sector • Differentiated trust/mistrust in the bank as an institute, but still high level of trust in regional RM • Increased need for consultation regarding derivatives
Organisational structure and form of execution	<ul style="list-style-type: none"> • No changes regarding organisational structures in participating institutes (e.g. regarding basic formation of department/division) • Selected operational structure was reviewed in all institutes • One institute has changed and added a brokerage partner for derivative transactions
Target clients for derivative sales	<ul style="list-style-type: none"> • Narrowing focus on corporate clients • Mainly exclusion of retail clients within savings banks due to new regulatory and legal requirements
Offered product and services	<ul style="list-style-type: none"> • Mainly plain vanilla derivatives have been concluded since the crisis • Only (plain vanilla) derivatives with hedging character are actively offered to clients • Low degree of innovation regarding new product solutions
Sales process	<ul style="list-style-type: none"> • Sales process has become more extensive (more elements and higher demand for individuality) and cautious (treating each client as retail client regarding MiFID) • New regulatory and legal requirements tend to overtax the client and do not meet their needs
Sales targets and incentives	<ul style="list-style-type: none"> • Stronger awareness that quantitative income targets might lead to wrong impulses in client consultation

	<ul style="list-style-type: none"> • Legal requirements questions use of quantitative targets and incentives • Stronger consideration of qualitative sales targets, but enduring discussion how to arrange stimulating sales targets and incentives for sales employees
Sales education and training	<ul style="list-style-type: none"> • No direct changes, but confirmation that training is essential • High dynamic with subsequent necessity to familiarise oneself with changes in the external environment

Table 22: Observations regarding Influences and Changes

RO3: To determine what success and sustainability mean within this business environment.

By using the technique of open coding, determinations have been derived in Chapter 6.4 on the basis of various expressions stated by the participant group regarding the subject of success and sustainability in sales of interest derivatives. Hereby, the participants express that the relevant defining terms have changed due to the financial crisis and in particular the relevance of sustainability has increased in the bankers' awareness. It has become likewise clear that the terms are difficult to keep apart and that the one term sometimes determines the other. The derived characterisations are the following.

Success: The successful sales of interest rate derivatives describes a condition in which in-company and inter-divisionally the field of business enjoys a high level of awareness, acceptance and a distinct understanding and offers the client need-oriented solutions in a comprehensible way which will (i) provide him with added value, ii) increase his level of satisfaction and iii) his loyalty to the institute as well as allowing the institute to i) generate sustainable, higher profit margins, ii) enhance its own competence assumption and iii) improve its competitive situation.

Sustainability: Sustainability regarding the sales of interest derivatives characterises the requirements that the newly offered and existing products and services provide the client and the bank a long-term, mutual and understandable added value and meet the respective profile.

RO4: To examine the critical success factors differentiating successful from less successful business units.

Five main categories have been elaborated, which differentiate successful from less successful strategic business units and which are the basis for implementing a successful and sustainable business-level strategy for derivative sales in German savings banks. For each main category a partial model has been developed abstractly explaining interdependencies and causalities (cf. Chapter 6.5 for details). The five main success factor categories, illustrating the necessity of a differentiated process of strategic planning, are:

- conscious development of a business-level strategy,
- consistent sales organisation,
- cooperating, dedicated and competent staff,
- sustainable and committing client relationships and
- appropriate responses to environmental changes.

RO5: To present a framework for derivative sales in German savings banks.

After elaborating five main categories, a core category named 'commitment' has been identified summarising the five success factors in an abstract way. 'Commitment' is generally defined to be the "state or quality of being dedicated to a cause, activity, etc." ("Commitment", 2013). With respect to the underlying business area, commitment (of the involved parties) is additionally characterised by a holistic, pro-active and personal work attitude, which emphasises spirit and willingness to carry out derivative services and sales - independent of the business unit and the job function of the involved parties. Furthermore a state, where the organisation's operating model is intentionally calibrated to support the strategic business field of derivative sales, can also be subsumed under the term commitment. The related effects, documented in five sub models have been visually illustrated in an initial conceptual framework (cf. Figure 54). Figure 58 provides an overview of this developed conceptual framework and the underlying five partial models.

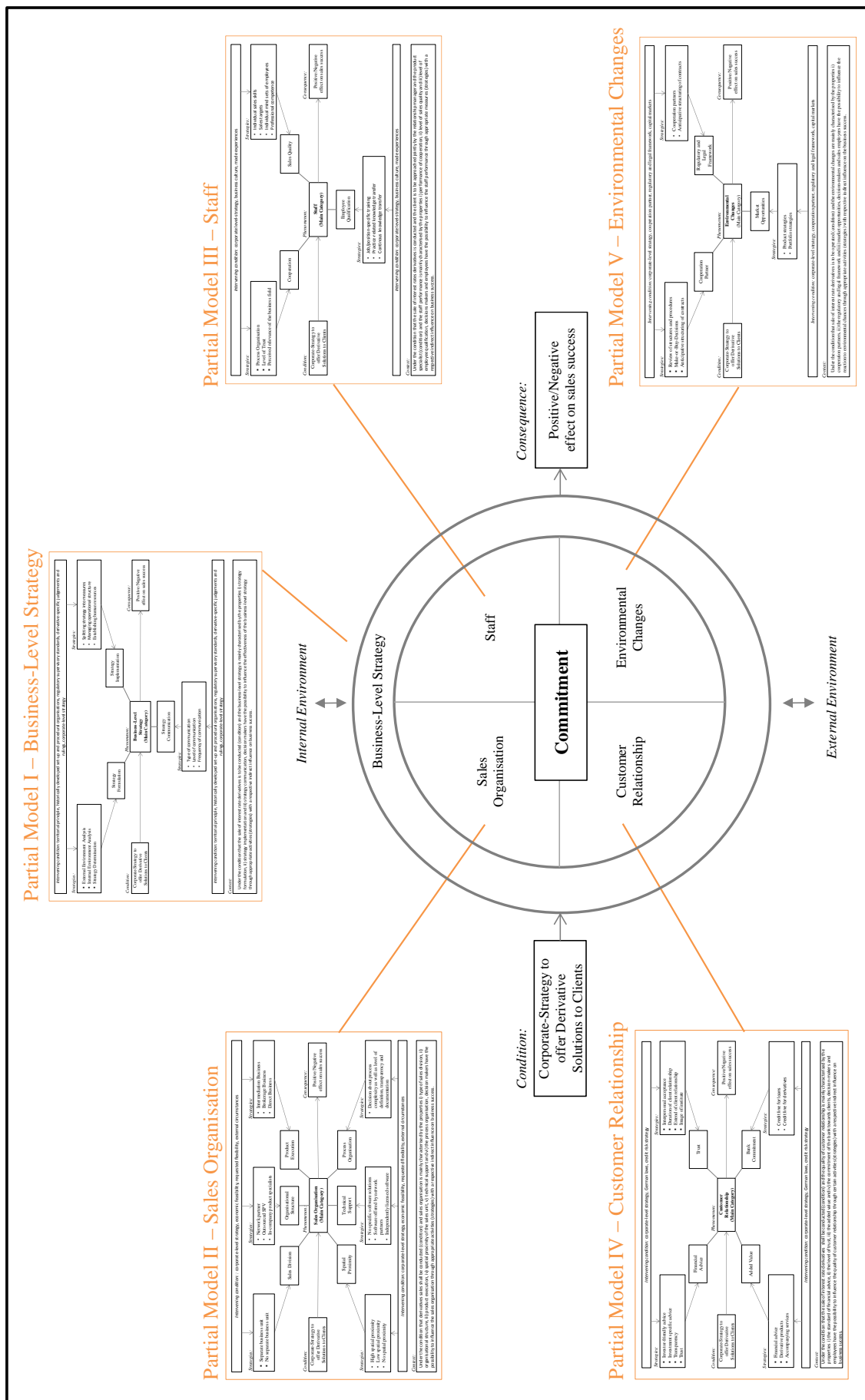


Figure 58: Overview of Conceptual Framework and underlying partial models (own creation)

7.2. Contribution to Practice

Considering the identified research gap, this thesis makes a major contribution to professional practice in providing detailed descriptions about current business strategies and activities of derivative sales (cf. Chapter 6.2), illustrating external influences of the financial crisis (cf. Chapter 6.3) and defining success and sustainability in this area (cf. Chapter 6.4). Furthermore, the identification of critical success factors and the initial conceptual framework for derivative sales and its corresponding five sub-models provide a theoretical foundation for practitioners engaged/interested in derivative sales activities in German savings banking industry (cf. Chapter 6.5 and Chapter 6.6). The developed framework explains those few factors differentiating successful from less successful business units and conveys a solid informational background for managers as well as employees.

Due to the abstractedness, the work also delivers (important) insights for practitioners engaged in derivative sales activities outside the savings banks sector. These are for example practitioners from other banks/competitors, who might consider rolling out derivative sales in their subsidiaries or (management) consultants as well as functionaries of associations.

To strengthen the framework's practical relevance and applicability in strategic management activities in savings banks, a variety of examples and quotations has been employed in previous chapters. These illustrate precisely the activities taken by decision makers as well as employees of the savings banks to cope with their daily challenges and to increase sustainability and success in the area of derivative sales.

In addition to these findings, the necessary activities and process steps are summarised and presented in a checklist-format in the following. This checklist concretises the identified topics which need to be considered in the savings banks to ensure that critical factors are addressed appropriately and that sustainable success can evolve. The checklist is derived from the insights provided by the analysis of literature as well as information provided by the participant group (including my professional experience). It completes the practical applicability and relevance of my work for the process of strategic planning in German savings banks against the background of their specific culture.

Part 1: Conscious Development of a Business-Level Strategy		
Strategy Formulation	<ul style="list-style-type: none"> • Ensure an appropriate period of time for analysing the i) external environment, ii) internal environment and iii) determination of an individual business-level strategy for the savings bank. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that key persons from all business units are engaged within the process of analysis and implementation straight from the beginning. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • External environment analysis should focus at least on i) the offered services of third parties which can support the savings bank in the process of setting up the business and/or the later daily business, ii) the regulatory and legal frameworks and iii) the current economic environment. <ul style="list-style-type: none"> ▪ By analysing the services of third parties (e.g. landesbanks), decisions can be drawn on which parts of the later day-to-day business in the savings bank might be outsourced to cooperation partners or set up internally ('make-or-buy decisions'). Support of external parties might be especially helpful for smaller-sized savings banks as they tend to have fewer resources available in-house. ▪ The analysis of the regulatory and legal framework enables the savings bank to evaluate economic consequences for the (target) operating model and to illustrate chances and risk of the business field. Regional as well as group associations might provide valuable information. ▪ The analysis of the economic environment helps to identify products and services corresponding to current market opportunities. Information may be provided by the in-house research department or affiliated landesbanks. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • The internal analysis should focus on a least three parts: i) the present customer groups and their business potentials, ii) the current operating and business model and iii) the defined corporate-level and risk strategy. <ul style="list-style-type: none"> ▪ The derivatives' sale potential is strongly based on the present and up-coming loan structure of the institute. By analysing the current loan portfolio, potential customer groups can be identified. The identified group of potential clients needs to be at least evaluated regarding their categorisation (corporate clients, real estate clients, project finance, etc.), the concentration of outstanding principals (few large loans vs. high number of small loans) as well as the loans' characteristics (currency, amortisation 	<input type="checkbox"/>

	<p>structure, fix vs. variable rates, average notional, duration, etc.). To include potential development of the loan portfolio the institute's risk strategy needs to be considered (cf. Appendix 8a). Besides this, the public purpose of the savings bank, that asks for the provision of banking services to SMEs needs to be taken into consideration when elaborating potential future customer structures.</p> <ul style="list-style-type: none"> ▪ In case the savings bank has been previously been active in the business field, former derivative sales successes can also be analysed regarding received margins (average margin per customer group/derivative type), variety of products (plain vanilla or exotic derivatives) as well as the bandwidth of sale activities (e.g. few large trades vs. high number of small trades) (cf. Appendix 8b). ▪ By comparing the results of the loans and derivatives- analysis with peer group data of comparable savings banks, estimates can be made what sale potential might be realised in a given period of time. These peer group data (e.g. lending book potential according to customer categorisation and credit exposures) can be provided by external consulting companies or might be raised by the institutes itself through cooperating institutes or regional savings banks associations (cf. Appendix 8c). ▪ Parallel to this quantitative part of the internal analysis, interviews with key persons need to take place in order to gather relevant information about the current operating and business model and to align these key persons. These interviews need to focus on i) the 'sales organisation', ii) 'staff' and iii) 'customer relationships'. 	
	<ul style="list-style-type: none"> • The three parts of the internal analysis need to be challenged with each other and their 'fit' to each other needs to be evaluated. It needs to be ensured that all involved business areas are supportive and each concern that might be raised should be addressed. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that a precise strategy determination takes place considering all results/aspects of the internal and external analysis. Special attention should be paid to the fact that the savings bank has a public service obligation and does not exclusively focus on financial objectives. 	<input type="checkbox"/>
Strategy Implementation	<ul style="list-style-type: none"> • Ensure that the determined business-level strategy for derivative sales is split into individual actions by defining task for individual business units or persons. 	<input type="checkbox"/>

	<ul style="list-style-type: none"> • Ensure an institute-wide agreement on operational procedures for the strategy implementation by defining temporal sequences of the project steps as well horizontal and vertical coordination process between the involved departments/business units for the project of implementation. Ensure that identified key employees and managers are engaged in the implementation process. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Early identification and addressing of potential conflicts during the implementation phase (e.g. differentiating interests of key managers regarding budget and resources). Arising conflicts might be mitigated through regular dialogues with senior management and key persons, continuous strategy evaluations and/or engagements of external consultants. 	<input type="checkbox"/>
Strategy Communication	<ul style="list-style-type: none"> • Ensure that management board and managers strengthen the relevance of the (new) business-level strategy by continuous communication and dialogue with directly/indirectly affected employees (e.g. initial kick-off event, performance reviews and employee discussions). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that not only economic aspects are communicated but also sustainability guidelines are clearly communicated in order to maintain employee loyalty to the savings bank. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Maintain the perceived relevance of the business-level strategy through regularly scheduled inter-divisional meetings. Speak to key personal frequently to make sure that potential tensions are noticed as early as possible. Ensure that especially the RMs of the savings bank as the key contact and 'person of trust' for the client are supportive of the (new) business-level strategy. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure communication of the strategy at customer and multiplier events as well as through regional press. Use regional and national savings banks associations' events and communication channels as well. Ensure that the standards for sale as well as their reasons are communicated. 	<input type="checkbox"/>
Part 2: Consistent Sales Organisation		
Sales Division	<ul style="list-style-type: none"> • Implementation of a separate and distinct business unit for derivative sales which operates in a precisely defined market with defined derivative products and corresponding services. The employees of the business unit take over the role of the product specialist for interest rate management, which cooperate with the generalists/RMs. 	<input type="checkbox"/>

	<ul style="list-style-type: none"> • Agreement on qualitative and quantitative targets for the business unit, which are aligned to savings banks' culture. 	<input type="checkbox"/>
Organisational Structure	<ul style="list-style-type: none"> • Ensure an appropriate organisational structure, which corresponds to the institute's needs and potential identified through the external and internal analysis. Possible organisational structures are i) inclusion of network partners, ii) outsourcing to SPV or iii) establishment of own product specialist (cf. Figure 47). 	<input type="checkbox"/>
Product Execution	<ul style="list-style-type: none"> • Ensure an appropriate structure for product execution (intermediate business, brokerage business and direct business), which corresponds to the organisational structure as well as the results of the internal/external analysis (cf. Figure 48). 	<input type="checkbox"/>
Spatial Placement	<ul style="list-style-type: none"> • Ensure a close spatial proximity between products specialists and RMs, which offers the ability to have continuous communication and cooperation. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Agreement on regular local presences of the product specialists if spatial proximity is not possible. 	<input type="checkbox"/>
Technical Support	<ul style="list-style-type: none"> • Ensure a low level of legal risks and operational mistakes through a high level of technical standardisation by considering the cost-benefit relationship regarding the acquisition of software solutions (e.g. use of software for pricing, standardised document generation and derivatives settlement). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Examine which software services are provided by cooperation partners and what are their conditions for providing this (software) service. Identification which software should be licensed independently. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that not only derivatives are handled properly, but also that underlying transactions (e.g. floating loans) are arranged and booked correctly (e.g. regarding type of amortisation, day count and business day conventions). This is crucial for customer satisfaction and thus supports the long-term client relationship. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that sales documents are standardised, legally approved and are secure for revision (e.g. by using document generation software). Nevertheless always make sure that, while maintaining the legally requested standards, the individual knowledge-level of each client is addressed properly. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Definition of a precise, applicable and transparent sales process which clearly states the duties and tasks of the 	<input type="checkbox"/>

<p>Process Organisation</p>	<p>involved business units (front as well as back office) and allocates responsibilities.</p> <ul style="list-style-type: none"> ▪ Identification and origination of client cases by RMs; support for these activities by product specialists (e.g. by trainings, newsletters, identification checklists, economic market updates, product updates, etc.). The RM is and has to stay the main contact for the client, as this is the proven relationship between the client and the savings bank. ▪ Identification of customer requirement, structuring of (product) solution and creation of advisory and sales documents by product specialists (e.g. sales presentation, consultation protocol and key investor information document); product specialists can make use of third parties to receive support (e.g. outsourcing pricing/structuring/document creation activities to cooperation partners/landesbanks), but always acts as central coordinating and contact party for derivative solutions and services. ▪ RMs coordinate issues relevant to credit process (e.g. credit approval process for loan/credit line and back offices process). ▪ Internal pre-meeting between product specialist and RM to ensure a common understanding about the underlying case and to agree on a joint sales and advisory strategy (e.g. through coordination of each role/part within the meeting/process). ▪ Joint meetings with client; in case of a long-lasting and frequent customer relationship in terms of derivative business also meetings without the RM are possible. Given an absence of one of the involved persons the other one needs to keep the other in the loop about the results of the appointment. ▪ After sales activities (e.g. alignment of regular mark-to-market valuations and answering of customer questions) as well as detection of new derivative sales opportunities (e.g. restructuring of existing positions) are coordinated by the product specialist. Besides the coordination of the general customer relationship, the RM is especially in charge for the adequate treatment of the underlying transactions and the corresponding credit line. Both parties make use of their back office colleagues to fulfil their responsibilities (e.g. mailing of confirmations). ▪ Sales process should be understood as a continuous process. 	
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	<ul style="list-style-type: none"> Establish a defined and clear ‘new product approval process’, which regards regulatory requirements. 	<input type="checkbox"/>
Part 3: Cooperating, dedicated and competent staff		
Cooperation	<ul style="list-style-type: none"> Ensure a relationship of trust between the persons involved (e.g. through arranging information meetings, team events and an enjoyable working atmosphere). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Ensure an early involvement of product specialists within the sales process (e.g. through efficient process organisation). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Ensure that product specialists possess a service mentality regarding RMs and clients. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Build heterogeneous sales and advisory teams (RMs as well as product specialist teams) to ensure that all clients are addressed properly. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Continuous highlighting of the relevance of the derivative sales business unit for all business divisions by (senior) management. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Increase ‘we-feeling’ by inviting products specialist to team-events/team-meetings of RMs. 	<input type="checkbox"/>
Sales Quality	<ul style="list-style-type: none"> Ensure that product specialists as well as RMs maintain sales skills and sales attitude. This can be for example ensured by focused staffing, trainings (on-the-job), heterogeneous team set-ups (different sales characters, mixture of more junior/senior colleagues) as well as constructive feedback by superiors. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Agreement on sales targets for both product specialists as well as RMs. These should be a mixture of quantitative aspects (e.g. number of customer meetings, number of trades, amount of sales credit, etc.) as well as qualitative aspects (e.g. service aspects, questions-and-answer sessions and process optimisation tasks) and are preferable connected with monetary incentives. Qualitative aspects need to ensure that no wrong incentives are set and that sales activities are conform to the set sustainability guidelines and savings banks public purpose. Applicability and sustainability should be regularly monitored (e.g. through customer-/employee feedback meetings conducted by a neutral persons or the check of advisory quality by test clients). 	<input type="checkbox"/>

Employee Qualification	<ul style="list-style-type: none"> • Ensure appropriate qualification regarding derivatives for involved participants with respect to their responsibilities. <ul style="list-style-type: none"> ▪ Ensure that product specialists have a deep knowledge of capital markets activities and derivative solutions (e.g. through appropriate staffing, external trainings, learning from colleagues and coaching) and are able to keep themselves up-to-date regarding new issues. ▪ Ensure that RMs are able to identify possible sales opportunities and have a basic knowledge about products and possibilities (e.g. through internal trainings held by product specialists, coaching and internal newsletters). ▪ Ensure that selected back office employees are able to understand derivatives products, the corresponding administrative tasks and the corresponding risk profile in order to address credit issues properly. ▪ Ensure that especially front office employees have necessary soft skills (e.g. ‘great deal of tact’) and a service mentality towards each other (e.g. through individual and external soft skill trainings). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that involved persons understand responsibilities and tasks of others in the sales process to avoid irritations and support efficient cooperation (e.g. front office understanding of back office’s tasks and vice versa) by providing a friendly working atmosphere between business units. This allows the opportunity to have a continuous dialogue and to address technical questions to each other. 	<input type="checkbox"/>

Part 4: Sustainable and Committing Customer Relationships		
Financial Advice	<ul style="list-style-type: none"> • Ensure application of regulatory and legal requirements throughout the whole sales process (e.g. through involvement of legal department and internal audit). With regard to sales activities, especially ensure that advisory takes place investment-specific and investor-friendly (e.g. by high employee qualification, which should ensure professional experience and awareness of legal requirements as well as a continuous dialogue between product specialist and RM, who should know the customer best). Clear, easy but comprehensive sales presentations and checklists ensure that all necessary aspects are addressed. • Use regional and national savings banks associations for alignment with regard to regulatory disclosures. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Increase and establish transparency towards clients by mentioning the margin for the bank(s) and hence avoid legal uncertainty. In case of irritation about margin and negative feedback by the customer, ensure that the staff is able to explain the costs and efforts margins need to cover (e.g. hedging costs, risk costs, sales costs and costs for servicing activities throughout the whole product life cycle). 	<input type="checkbox"/>
Trust	<ul style="list-style-type: none"> • Build trust and interpersonal acceptance by enabling positive experiences between client and bank employees. <ul style="list-style-type: none"> ▪ Ensure and maintain low staff fluctuation to enable long-lasting customer relationships. ▪ Provide central contact persons for the customer and communicate deputy regulations. ▪ Make communication and sales process transparent to the customer (e.g. by explaining the corresponding time schedule, by stating which documents are sent after transaction has taken place and by mentioning the added value of the chosen procedure/solution). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> • Ensure that daily doing and business-level strategy meet the image of the savings banks (e.g. through strict differentiation and communication what (not) to do, corporate governance and a corresponding marketing strategy). 	<input type="checkbox"/>
Added Value	<ul style="list-style-type: none"> • Financial advisory needs to be investment-specific and investor-friendly. The customer has to be enabled to decide properly and to understand the necessary added value of the derivative solution. Provide as much 	<input type="checkbox"/>

	information as necessary to the client so that he is able to make an informed decision.	
	<ul style="list-style-type: none"> Ensure that derivative products are only sold if they provide an added value to the customer with respect to other funding solutions. The added value might be for example the separation of the liquidity and interest rate management, long hedging maturities, forward starting solutions based on current market opportunities, structuring of interest rate cash flows, inclusion of other business-related aspects and risk parameters. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Provide further services for target customers to differentiate from competitors. These might be for example presentation of economic research, conduction of holistic portfolio analysis for customer's liability activities, offering meetings with audit and tax advisors as well as specified after sales services (e.g. providing scenario analysis of traded products and answering of other capital market questions). 	<input type="checkbox"/>
Bank Commitment	<ul style="list-style-type: none"> Ensure that bank is willing to grant loans and credit lines to target customers at appropriate market conditions. 	<input type="checkbox"/>
Part 5: Appropriate Responses to Environmental Changes		
Cooperation Partner	<ul style="list-style-type: none"> Evaluate organisational and process structure against services offered by third parties and define services which might be fulfilled by (external) cooperation partners. 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Selection of appropriate cooperation partners and anticipative creation of cooperation contracts. 	<input type="checkbox"/>
Regulatory and Legal Framework	<ul style="list-style-type: none"> Participation of product specialists in cross-institutional working and information sharing groups to get notice of regulatory and legal changes (e.g. working groups organised by associations). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Ensure that product specialist detect and evaluate legal changes on their own and discuss possible implications with management and other relevant business units (e.g. legal division and sales management). 	<input type="checkbox"/>
	<ul style="list-style-type: none"> Ensure that regulatory and legal changes are evaluated and addressed in time. 	<input type="checkbox"/>
Market Opportunities	<ul style="list-style-type: none"> Take advantage of market opportunities to structure products. Optionally include other asset classes to satisfy customer needs. 	<input type="checkbox"/>

Table 23: Implementing CSFs into Practice

The aforementioned checklist helps decision makers to implement the identified critical success factors into practice. Inter alia, it also focuses on aspects ensuring that the sale of derivatives is sustainable and that only products are sold that meets customers' needs fairly (e.g. with practical reference regarding employee qualification, financial advice, trust, added value and bank commitment). However, against the background of the balancing act between savings banks' financial and non-financial objectives, the associated social responsibilities as well as negative incidents in recent banking history, the question 'how can German savings banks ensure the sale of appropriate derivative products that meets customers' needs fairly?' shall be particularly addressed in the following by providing eight key elements for practice.

Ensuring the sale of appropriate derivative products that meet customers' needs fairly		
Clients' needs	<ul style="list-style-type: none"> Ensure that savings banks' employees are able to identify clients' needs; e.g. by providing corresponding trainings for product specialists. 	<input type="checkbox"/>
Product Range	<ul style="list-style-type: none"> Define an appropriate product range for the savings banks institute; e.g. by only offering hedging strategies with a clear worst case rate. 	<input type="checkbox"/>
Sales Targets	<ul style="list-style-type: none"> Ensure that product specialists' and RMs' sales targets are not misleading; e.g. by counterbalancing them with qualitative aspects following Haasis' (2009a, p. 163) maxime that "A satisfied customer shall be as important for each savings banks as a financial figure". 	<input type="checkbox"/>
Advisory	<ul style="list-style-type: none"> Ensure that investor-friendly and investment specific advice is always provided; e.g. by separating the client consultation into an initial informative talk and a consultation as well as offering product specialists a structured checklist to ensure that all documents/pieces of information are disclosed to the customer. 	<input type="checkbox"/>
Cross-Check	<ul style="list-style-type: none"> Only allow execution after cross-checking that the client i) has received the relevant information, ii) fully understands the product and iii) is able to make his own decision; e.g. by receiving customers' acknowledgements (e.g. ratification of minutes) and employing approvals by the relationship manager (e.g. signing of transaction specific checklists). 	<input type="checkbox"/>

Documentation	<ul style="list-style-type: none"> • Document and store the aforementioned information to provide evidence about the sales process and the discussion. 	<input type="checkbox"/>
Sales Policy	<ul style="list-style-type: none"> • State and explain the aforementioned key elements in a distinct ‘Sales Policy for Derivatives Sales’ for the affected savings bank. Employ practical examples as well as references to increase the level of understanding and ensure relevance for the daily business. • Ask product specialists, legal as well as senior management to sign off the policy. 	<input type="checkbox"/>
Audit	<ul style="list-style-type: none"> • Fulfil random audits to ensure that the ‘Sales Policy for Derivative Sales’ is put into practice; e.g. by asking a neutral business unit to check the documentation; findings shall have negative impacts regarding the remuneration of the responsible employee and his business head 	<input type="checkbox"/>

Table 24: Implementing ‘fair’ Sales Standards

7.3. Contribution to Theory

Systematic literature reviews on critical success factors for derivative sales as well as business strategy models for derivative sales have led to the finding that until now no academic discussion of derivative sales in German savings banks has taken place (cf. Chapter 3.2.6 and 3.4).

On the one hand the identified scientific gap strengthens the relevance to provide further insights into this business field, but on the other hand makes it impossible to question or re-contextualise an existing theory or model against the background of recent developments. Therefore, my research directly addresses the identified scientific gap by providing new theoretical knowledge in an explorative research design. This is done by using an empirically-based, qualitative strategy of inquiry informed by the grounded theory approach.

Besides the aforementioned practical contribution of my work, the research findings provide theoretical knowledge gain in the specific area regarding the three aspects of i) explanation, ii) examination and iii) framework development.

Explanation

Firstly, the present research provides thick and rich descriptions about the business area of derivative sales within three different institutes. With regard to recent developments, the influences of the global financial and economic crisis on the participating institutes are illustrated. Based on the gathered information, definitions are derived which characterise sustainability and success within this specific business environment against the background of the financial crisis. These knowledge contribution meets the aforementioned research goal stated by Corbin and Strauss (2008, p. ix) to provide “Thick and rich description” as “valid reason for doing research”.

Examination

Secondly, the thesis provides information about the identification and examination of critical success factors for derivative sales which differentiate successful from less successful business units. Analysis is based on empirical, primary data raised from a purposively selected group of experts. The whole process of data gathering and analysis, which is informed by the grounded theory approach, has been made transparent and

comprehensible in this thesis. The scientific discussion has led to an elaboration of critical success factors, which are contextualised within five partial models, which theoretically explain interdependencies and illustrate the necessity of a differentiated process of strategic planning for the specific area of derivative sales in savings banks.

Framework Development

Thirdly, the five partial models are consolidated within an initial conceptual framework for derivative sales within German savings banks. This framework summarises the conceptual idea of the five critical success factors and is a first attempt to Corbin and Strauss' definition about a full theory as a "set of well-developed categories [...] that are systematically interrelated through statements of relationship to form a theoretical framework that explains some phenomenon" (2008, p. 55, with reference to Hage (1972)). Due to its abstractedness, the framework offers the ability to provide information for a variety of involved groups (cf. Chapter 7.2) and supports the process of individual and differentiated strategic planning.

Against the background of the previously identified scientific gap within literature, this i) explanation, ii) identification and examination of critical success factors and iii) development of an initial conceptual framework provide significant knowledge contribution to theory. The applied grounded theory approach for identifying, elaborating and combining critical success factors for the strategic planning process might also have relevance for other research projects from the methodological point of view.

7.4. Limitations

The present thesis focuses on critical success factors necessary for implementing a sustainable business-level strategy for derivative sales in German savings banks and the development of a corresponding initial conceptual framework. Despite its knowledge contribution to theory and practice and as every other research, the present work is subject to limitations regarding the chosen research design. These limitations have been explicitly addressed and justified in the corresponding passages and mitigations techniques have been applied if possible. No detailed presentation of these limitations is provided in the following to avoid redundancies and readers are asked to refer to Chapter 4.5 ('Aspects of Trustworthiness') and Chapter 5.4 ('Limitations').

In addition, those limitations need to be mentioned which result from the defined and focused research aim, the underlying participant group and the rules governing their actions. These are especially the following aspects:

- The qualitative research design focuses on three institutes from NRW which differ regarding structure, set-up and size. Consecutively, the cases are characterised by heterogeneity and are subject to specifications of the 'savings banks industry' and the institutes. Other underlying cases (e.g. other bank group, other states, other clients groups) might lead to different results.
- Data gathering and analysis is based on semi-structured interviews with experts as well as the professional background of the researcher. The experts have different professional perspectives regarding their position (e.g. RM, product specialist) and hierarchy (manager vs. employee). The underlying participant group and cases are therefore somehow specific and findings might be limited regarding generalisability.
- Data has been gathered between December 2012 and April 2013 and thus research does not cover empirical data of a longer period of time. The resulting limitations have been mitigated by explicitly focusing on participants with long-standing professional careers, who are able to provide evidence over a longer period of time.
- Against the background of the financial crisis and the respective consequences decision makers are challenged with, research explicitly focuses on interest rate derivatives for hedging/optimising interest rate exposure resulting from financing activities as this is seen to be closely related to the traditional lending business

activities of the savings banks. Other derivative categories and asset classes have been excluded by definition. Institutes focusing on a broader sale of derivative instruments out of the same business unit (e.g. offering derivatives for investment purposes) might need further empirical investigation.

- Even though qualitative and relative descriptions are provided, data gathered exclude concrete details about earnings and costs resulting from derivative sales activities as well as precise mentioning of customer names due to confidentiality agreements and banking secrecy. The missing monetary component limits the relative significance of the identified critical success factors to each other. For example, research findings determine the relevance of identified success factors, but do not determine in what way one critical success factor is more significant than the other.

In summary it can be emphasised that limitations mainly affect the level of broad representativeness as well as generalisability; two criteria that have not been the primary focus of my study which aims at the particularities of derivative sales in the savings banks.

7.5. Implications for further Research

Conducted systematic literature reviews illustrate the research gap in theory, underline the necessity for discussions and show that there is plenty of room for further research. By initially addressing this scientific gap with the present empirical study, the thesis makes a major contribution to theory by providing i) detailed explanation about the business area, ii) an examination of critical success factors for derivative sales and iii) the development of an initial conceptual framework. Furthermore, the gained insights help affected professional practitioners i) to understand the business area, ii) to cope with arising challenges and iii) to implement a business-level strategy. A checklist completes the practical ability and relevance of my work for professional business.

It must be noticed, however, that the present research can only be seen as the beginning of a theoretical discussion and that further research is useful and necessary. The following modifications and extensions regarding research design and/or areas might be conceivable regarding further research:

- Observance of the on-going development over a longer period of time with particular focus on changes and long-term effects which are not covered in the present research.
- Quantitative verification of the present thesis' findings and explanation of their significance for the underlying basic population (e.g. the whole savings banks group).
- Evaluation to which extend the gathered findings are significant to similar banking groups (e.g. smaller private banks which focus on regional corporate clients).
- Consideration of other asset classes might provide deeper knowledge and further insights for strategic purposes; especially against the background that a variety of institutes might also consider services and sales of currency and commodity derivatives (out of the same department).
- Continuation of research from a varying research perspectives; e.g. as indicated by the reflection on literature from a perspective not covered before ('commitment literature' and 'sales literature').

In conclusion it is important to note, that due to the multi-dimensional dynamics affecting the underlying business area (e.g. regulatory variations, changes in customer behaviour, new sales management approaches or up-coming legal frameworks), a variety of extensions and modifications regarding the present research design and area seem to be possible. This requires a constant interaction of theory and practice in order to successfully and sustainably address the challenges of the present and future.

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Appendix

Appendix 1: Interest Rate Management with Liability Derivatives

The available derivatives for hedging interest rate risk or/and optimising the interest rate payment structure differ with regard to their complexity as well as the corresponding reward and risk structure. Standard products are often called ‘plain vanilla derivatives’, while non-standard derivatives with an unusual and specific payment structure are classified as ‘exotic derivatives’ (Deutsche Boerse AG, 2008; Hull, 2005). The selected products described later in this chapter are a ‘Payer Swap’, an ‘Interest Rate Cap’ and a ‘CMS Spread Ladder Swap’. These products have been chosen to illustrate on the one hand two plain vanilla derivatives traded most commonly (‘Swap and Cap’) as well as on the other hand to present an example of an exotic product (‘CMS Spread Ladder Swap’), which has been in the press due to legal disputes (e.g. judgement of the German Federal Court dated 22 March 2011). In all examples the mechanics as well as the rewards and risks are described. For simplification, exemplary interest rates are used which do not claim to illustrate or meet markets conditions.

The basis for the following examples shall be the situation that a customer covers its finance requirement (ten mio EUR for ten years) with a floating-loan based on the 3-month Euribor²³ plus the individual funding spread (‘underlying transaction’). The floating rate of the underlying transaction is fixed at the beginning of each interest rate period (‘interest determination dates’) to the then current 3-month Euribor, with the actual interest rate payment taking place in arrears at the end of each interest rate period. Final repayment of the loan shall occur in one sum at final maturity in ten years (‘bullet repayment’).

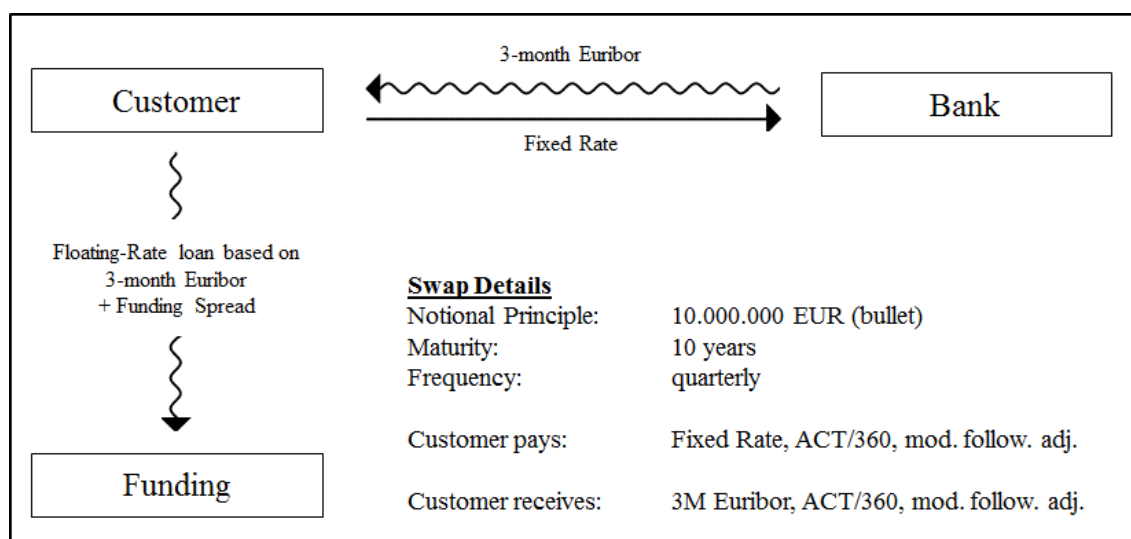
Payer Swap

For entering into a payer swap agreement the customer has to have the goal to secure a fixed interest rate for a defined period of time to avoid exposure to rising interest rates over the lifetime of his financing and to have a precise calculation basis for his interest rate payments without paying any premium for this. Besides taking out the floating rate

²³ Euribor is the abbreviation for the Euro Interbank Offered Rate, which is a daily fixed interest rate for interbank lending activities (Grill & Perczynski, 2003).

loan, the customer thus enters into a payer swap agreement with a bank, which does not need to be the bank providing the loan.

Under this swap agreement the customer receives the respective 3-month Euribor from the bank and pays the agreed fixed rate in return with both rates being calculated on a defined notional (in this case 10 mio EUR, bullet), term (ten years) and frequency (quarterly). By entering into this agreement, the customer's financing structure contains three interest rate cash flows each interest rate period: i) the customer pays the 3-month Euribor and his individual funding spread for the loan, ii) the customer pays the fixed rate under the swap agreement and iii) the customer receives the 3-month Euribor under the swap agreement in return. Hence, net payments can be summarised to be the agreed fixed rate of the swap agreement and the individual funding spread. Because of the independent interest rate swap agreement, the customer remains flexible concerning the borrowing of the required liquidity (e.g. no prepayment penalty in case the customer wants to redeem the loan) (Alizadeh & Nomikos, 2009; Heidorn, 2006; Hull, 2005; Pfeifer, 2006; Pilbeam, 1998). A simplified overview and graphical illustration of the payer swap as well as the underlying transaction is provided in the following figure.



Mechanics of a Payer Swap (own creation)

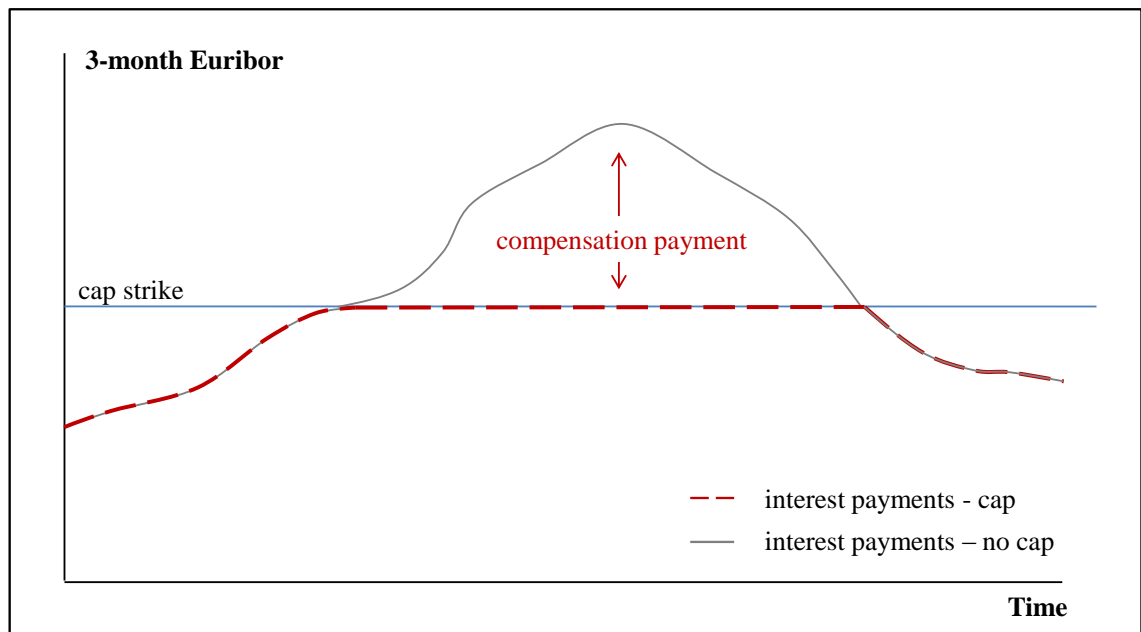
The payer swap can be unwound during the term of the product based on the then current market conditions, which may either cause additional costs (negative market value for the customer) or lead to a profit (positive market value in favour of the customer), both depending on market developments of the pricing parameters. By entering into the payer

swap the customer faces the risks that he cannot participate in falling interest rates any more and that a decrease in interest rate levels could lead to a decline in the market value of the payer swap (possible additional costs in case of early unwind). On the other hand the customer has secured a fixed rate and benefits from a precise calculations basis as well as a protection against rising interest rates. For this protection the customer does not need to pay an up-front premium. Additionally an increase in the interest rate level can lead to an increase in the market value of the payer swap (possible profit in case of early unwind) (Alizadeh & Nomikos, 2009; Bickers, 2012; Pfeifer, 2006).

Interest Rate Cap

In case the customer has the expectation of decreasing/lower (forward) interest rates from which he wants to profit but still wants to be hedged in case of rising interest rates, the customer may purchase an 'Interest Rate Cap' agreement with a determined cap strike (e.g. 3.00% p.a.), whose details correspond to the underlying transaction (e.g. regarding notional, frequency, interest rate basis). By entering into such agreement the client ensures that he does not have an unsecured interest rate position of the financing (e.g. due to the organisation's risk strategy or internal regulations). If the 3-month Euribor is fixed above the agreed cap strike on the interest determination dates, the difference between the fixed 3-month Euribor and the cap strike will be transferred to the customer at the end of the interest rate period.

Hence, the customer is hedged against rising floating interest rates above the agreed cap strike. An illustration is provided in the following figure. For purchasing an 'Interest Rate Cap', a premium needs to be paid by the customer (up-front). The height of the premium depends on the notional, the term, and the selected cap strike as well as the underlying market parameters (e.g. forward rates and market volatility) (Alizadeh & Nomikos, 2009; Bickers, 2012; Heidorn, 2006; Perridon & Steiner, 2004; Pfeifer, 2006).



Mechanics of an Interest Rate Cap (based on Bickers, 2012)

By entering into the cap the customer faces the risk that the floating interest rate might rise up to the cap strike, so that the final payment consists of the cap strike (e.g. 3.00% p.a.) and the funding spread. Furthermore the initial premium needs to be taken into account for calculating the total payments. In contrast to this the customer has the opportunity to participate in falling interest rates during the whole term of the product. Nevertheless the customer has the guarantee not to pay more than the maximum interest rate load, being the cap strike rate plus the respective funding spread. In addition to this the interest rate management takes place independently of the underlying transaction which leads to the previously mentioned advantages (Bickers, 2012).

The 'Interest Rate Cap' can be unwound during the term of the product. The early unwind may lead to proceeds, which may be below the previously paid premium, depending on the development of the pricing parameters.

CMS Spread Ladder Swap

Especially against the background of a German court decision (judgement of the German Federal Court dated 20 March 2011) the CMS²⁴ Spread Ladder Swap has received some attention by the press (Jahn, 2011; "Kommunen drohen Deutscher Bank", 2011; Paul, 2011). Hence, the generic mechanics of this product shall be briefly explained in the

²⁴ 'CMS' is an abbreviation for Constant Maturity Swap.

following. As several different forms exist, the description shall only provide a general understanding of this product.

When entering into this product the customer expects an increase in the difference between long-term interest rates (e.g. 10-year EUR CMS rate) and short-term interest rates (e.g. 2-year EUR CMS rate), meaning a steepening of the interest rate yield curve.

In the illustrated ‘CMS Spread Ladder Swap’ the customer receives the 3-month Euribor during the term of the product. In return, the customer pays a ‘memory spread interest rate’, which consists of a fixed rate in the first year (e.g. 0.50% p.a.) and an additional memory component in the following periods. The memory component is determined by the fixing of the spread between the long-term (10-year EUR CMS rates) and short-term rates (2-year EUR CMS rates). Additionally a certain factor is applied to this spread (e.g. 1.25). Furthermore each period’s payment depends on the level paid in the previous period (‘memory effect’) as the current component is added to the interest rate component paid in the previous period. The customer’s rate is capped at a maximum interest rate (e.g. 15.00% p.a.) and floored at a minimum rate (e.g. 0.50% p.a.). In this structure often unilateral rights of early cancellation in favour of the bank are agreed (Luenemann, 2012; Paul, 2011). The following figure provides a simplified overview of exemplary trade terms.

Maturity:	10 years
Notional Amount:	10.000.000 EUR, bullet
Customer receives:	3-month Euribor, ACT/360.
Customer pays:	Year 1: 0.5000% p.a.; ACT/360 Year 2-10: Previous Coupon + 1.25 * (0.25% - (10Y CMS – 2Y CMS)) min. 0.50% p.a.; max. 15.00% p.a.; ACT/360
Right of cancellation:	Bank has yearly the unilateral right to cancel the swap without a compensation payment, beginning after the first year.

Exemplary Trade Terms of a CMS Spread Ladder Swap

In case the interest rate spread is constantly fixed below 0.25% p.a., the customer’s interest rate increases gradually from the first year onwards, as the memory effect also influences the following periods. This effect is increased by the factor of 1.25 in this

example, resulting in potential exponential increases in the rate to be paid by the client. Given that, for example, the spread is fixed at 0.00% for the fifth quarterly payment period (the fourth quarterly period has a fixed customer rate of 0.50% p.a., which functions as ‘previous coupon’ for determining the rate of the fifth period), customers interest rate would be 0.81% p.a. $[0.50\% + 1.25 * (0.25\% - 0.00\%)]$. For illustration the following figure provides an overview of possible interest load of the customer, which disregards the possibility of a cancellation due to the banks unilateral right.

Period	Scenario 1; Fixing of Spread	Customer Rate; Scenario 1	Scenario 2; Fixing of Spread	Customer Rate; Scenario 2	Scenario 3; Fixing of Spread	Customer Rate; Scenario 3
1	1.2000%	0.5000%	1.2000%	0.5000%	1.2000%	0.5000%
2	1.2000%	0.5000%	1.1600%	0.5000%	1.1300%	0.5000%
3	1.2000%	0.5000%	1.1200%	0.5000%	1.0600%	0.5000%
4	1.2000%	0.5000%	1.0800%	0.5000%	0.9900%	0.5000%
5	1.2000%	0.5000%	1.0400%	0.5000%	0.9200%	0.5000%
6	1.2000%	0.5000%	1.0000%	0.5000%	0.8500%	0.5000%
7	1.2000%	0.5000%	0.9600%	0.5000%	0.7800%	0.5000%
8	1.2000%	0.5000%	0.9200%	0.5000%	0.7100%	0.5000%
9	1.2000%	0.5000%	0.8800%	0.5000%	0.6400%	0.5000%
10	1.2000%	0.5000%	0.8400%	0.5000%	0.5700%	0.5000%
11	1.2000%	0.5000%	0.8000%	0.5000%	0.5000%	0.5000%
12	1.2000%	0.5000%	0.7600%	0.5000%	0.4300%	0.5000%
13	1.2000%	0.5000%	0.7200%	0.5000%	0.3600%	0.5000%
14	1.2000%	0.5000%	0.6800%	0.5000%	0.2900%	0.5000%
15	1.2000%	0.5000%	0.6400%	0.5000%	0.2200%	0.5375%
16	1.2000%	0.5000%	0.6000%	0.5000%	0.1500%	0.6625%
17	1.2000%	0.5000%	0.5600%	0.5000%	0.0800%	0.8750%
18	1.2000%	0.5000%	0.5200%	0.5000%	0.0100%	1.1750%
19	1.2000%	0.5000%	0.4800%	0.5000%	-0.0600%	1.5625%
20	1.2000%	0.5000%	0.4400%	0.5000%	-0.1300%	2.0375%
21	1.2000%	0.5000%	0.4000%	0.5000%	-0.2000%	2.6000%
22	1.2000%	0.5000%	0.3600%	0.5000%	-0.2700%	3.2500%
23	1.2000%	0.5000%	0.3200%	0.5000%	-0.3400%	3.9875%
24	1.2000%	0.5000%	0.2800%	0.5000%	-0.4100%	4.8125%
25	1.2000%	0.5000%	0.2400%	0.5125%	-0.4800%	5.7250%
26	1.2000%	0.5000%	0.2000%	0.5750%	-0.5500%	6.7250%
27	1.2000%	0.5000%	0.1600%	0.6875%	-0.6200%	7.8125%
28	1.2000%	0.5000%	0.1200%	0.8500%	-0.6900%	8.9875%
29	1.2000%	0.5000%	0.0800%	1.0625%	-0.7600%	10.2500%
30	1.2000%	0.5000%	0.0400%	1.3250%	-0.8300%	11.6000%
31	1.2000%	0.5000%	0.0000%	1.6375%	-0.9000%	13.0375%
32	1.2000%	0.5000%	-0.0400%	2.0000%	-0.9700%	14.5625%
33	1.2000%	0.5000%	-0.0800%	2.4125%	-1.0400%	15.0000%
34	1.2000%	0.5000%	-0.1200%	2.8750%	-1.1100%	15.0000%
35	1.2000%	0.5000%	-0.1600%	3.3875%	-1.1800%	15.0000%
36	1.2000%	0.5000%	-0.2000%	3.9500%	-1.2500%	15.0000%
37	1.2000%	0.5000%	-0.2400%	4.5625%	-1.3200%	15.0000%
38	1.2000%	0.5000%	-0.2800%	5.2250%	-1.3900%	15.0000%
39	1.2000%	0.5000%	-0.3200%	5.9375%	-1.4600%	15.0000%
40	1.2000%	0.5000%	-0.3600%	6.7000%	-1.5300%	15.0000%

Exemplary Payment Profile of CMS Spread Ladder Swap

By entering into a CMS Spread Ladder Swap a customer faces the risk that the factor leads to a disproportionate increase in the interest rates payable after the first year. This effect is increased by the memory component, which causes the interest rate load to depend on the previous periods. In addition to this the bank has the right to cancel the swap in case the market value is in favour of the customer (Luenemann, 2012).

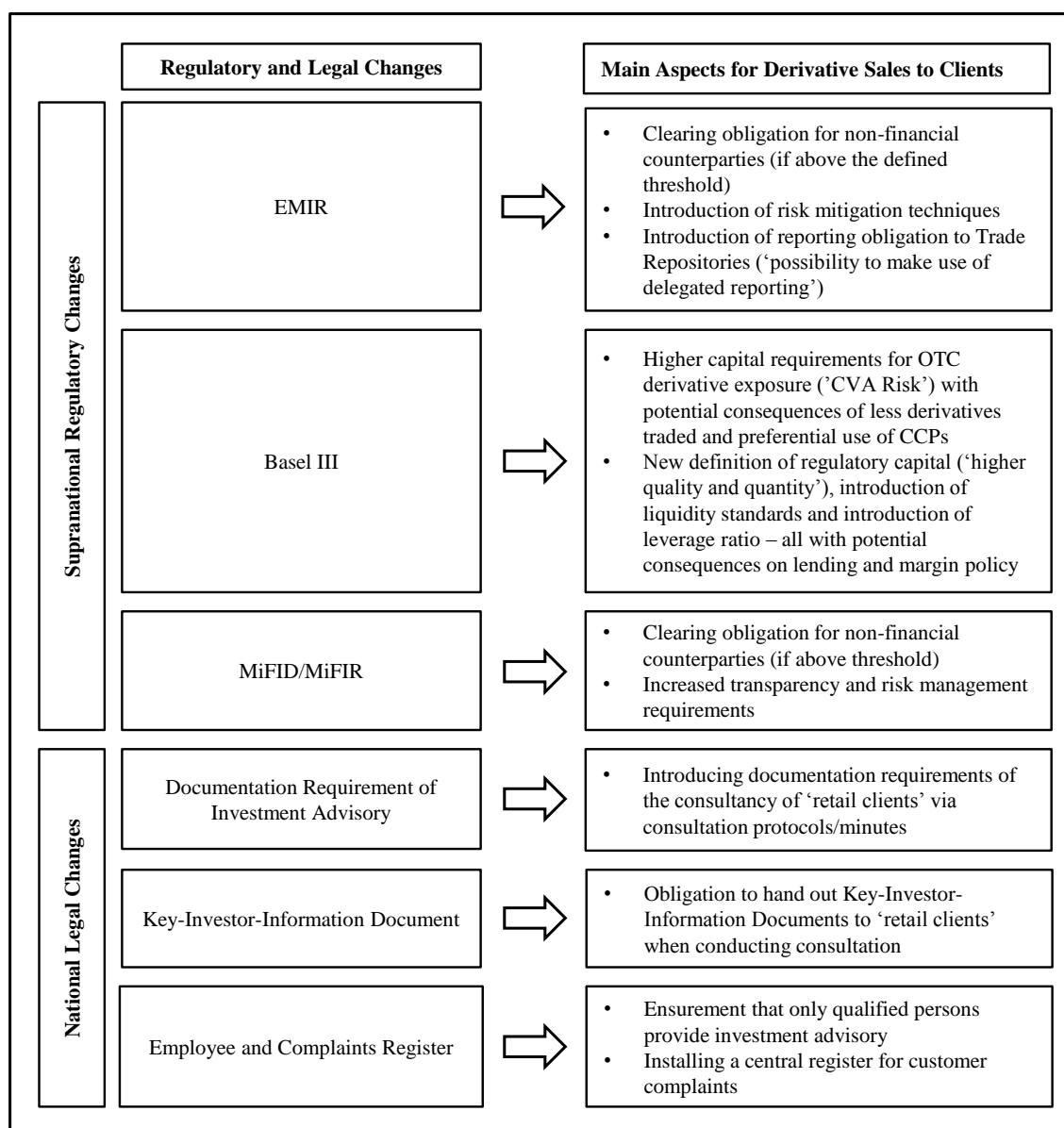
Appendix 2: Selected Regulatory Impacts of the Crisis

As a consequence of the crisis several regulatory changes have been initiated and existing regulations modified with direct and indirect relevance to the OTC derivatives sector (Fey, 2012; Wiesner, Christmann, & Milke, 2013).

These are for example the European Market Infrastructure Regulation (EMIR), Basel III with its corresponding regulation (Capital Requirement Regulation, CRR) and directive (Capital Requirement Directive, CRD) for implementation within the European Union as well as the revisited Markets in Financial Instruments Directive/Regulation (MiFID/MiFIR).

Besides these supranational regulatory changes, selected legal changes within German law framework have taken place. These are the new requirements for generating protocols for advisory services, the requirement of handing out Key-Investor–Information–Documents (KIDs) to retail clients as well as the launch of an employee and complaints register. These legal frameworks mainly apply to those clients which are treated as ‘retail clients’ according to MiFID. However, independent of the client’s ‘real’ background, the set advisory standards for this client category are applied to all clients by the savings banks which participated in my research (‘underlying savings banks’) with respect to the sale of derivatives (cf. Chapter 6.2.3).

The following figure provides an overview of the aforementioned regulatory changes with respect to the relationship between clients and banks and therefore illustrates their high relevance on the research area (e.g. effects regarding processes, services offered as well as profitability). Fey (2012, p. 3, translated by the author), for example, comments on the supranational changes, that “banks are forced to review their business models due to regulatory changes” and that “hedging risks via OTC derivatives becomes significantly more expansive and challenging for corporates” with subsequent negative consequences on the real economy (e.g. in case companies stop hedging due to liquidity and cost reasons).



Impacts of selected regulatory and legal Changes on Derivative Sales (own creation)

In the following the aforementioned selected regulatory impacts of the crisis are briefly reviewed (Note: The review on regulatory changes was finished on 20. February 2013 and no further pieces of information have been included afterwards).

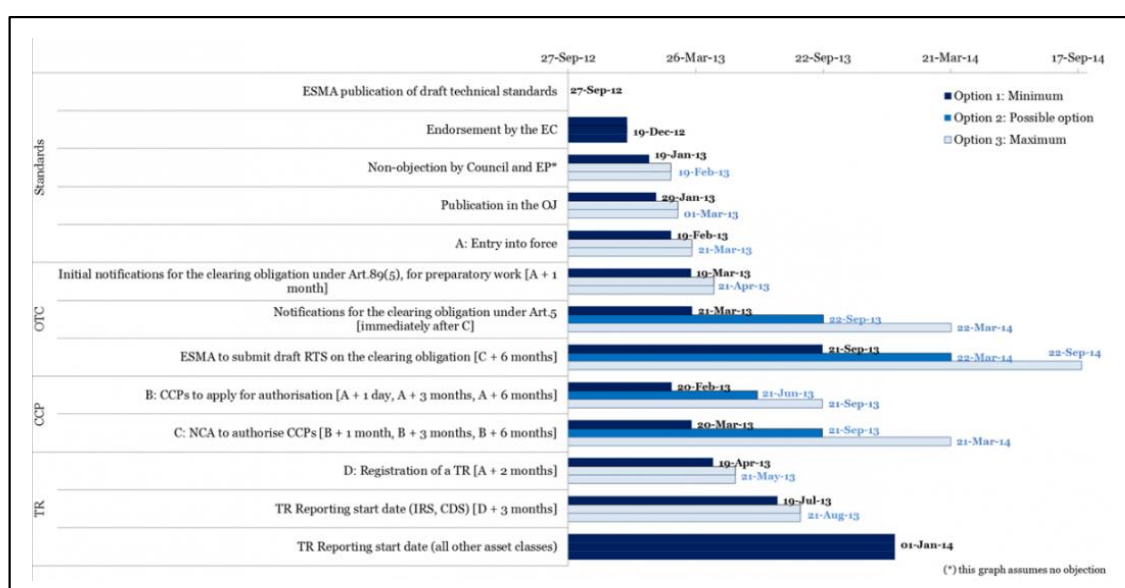
A. EMIR

“All standardised OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We ask the FSB and its relevant members to assess regularly implementation and whether it is

sufficient to improve transparency in the derivatives markets, mitigate systemic risk, and protect against market abuse.”

(G20-leader in Pittsburgh (FSB, 2011, Foreword))

Due to the negative experiences with OTC derivatives during the financial crisis the leaders of industrial states decided to make OTC-trading more transparent and less risky during their G20-Meeting in 2011. Furthermore they agreed that standardised OTC derivatives shall be cleared through central counterparties (CCP) and trading shall be made transparent through listing trades in a central Trade Repositories (TRs) (BMF, 2012a). Major elements of these G20-decisions were implemented within the European Union with regulation no. 648/2012. This regulation is mainly referred to as EMIR and entered into force on 16. August 2012 (European Commission, 2013). Mandate for (technical) application and implementation was given to the European Security and Markets Authority (ESMA) as part of the European System of Financial Supervision (ESFS), which submitted its draft rules to the European Commission (EC) on 27. September 2012. The full implementation, which requires technical standards to be developed, is expected to be finished at the end of 2013, respectively beginning of 2014 (Barclays, 2012; ESMA, 2013; Wiesner, Christmann & Milke, 2013). The following figure provides an overview of the current time schedule considering three different scenarios for full implementation and illustrates the interdependencies (status as of February 2013).



EMIR Timeline – Status as of February 2013 (ESMA, 2013)

EMIR applies to “any entity established in the EU who has entered into a derivatives contract, and applies indirectly to non-EUR counterparties trading with EU parties” (Barclays, 2012, p. 1). Public entities are not affected. The three major elements of EMIR are i) clearing obligation, ii) risk mitigation techniques and iii) reporting obligations.

Clearing Obligation

All financial institutions are asked to clear their OTC derivatives, which are subject to mandatory clearing, through CCPs in case they are supervised within the EU. A CCP is defined to be a legal entity within the EU, which interposes between a buyer and a seller of a derivative and therefore reduces credit risk by requiring collateral from its contract partners. In addition to this, the CCP needs to own an appropriate amount of equity and has to arrange burden-sharing procedures in case of defaults (Deutsche Boerse AG, 2008; Wiesner, Christman & Milke, 2013).

Non-financial institutions (e.g. corporates) are also subject to the clearing obligation if their derivatives activities do not have a hedging purpose and exceed a certain threshold. In contrast to this, derivatives of non-financial institutions with hedging purpose are generally excluded from the clearing obligation (Barclays, 2012; BMF, 2012a). A hedging purpose is given, if the OTC derivatives reduce risks “of a potential change in the value of an item directly related to the business” (Barclays, 2012, p. 2) or of a potential change in an item due to “fluctuation of interest rates, inflation or foreign exchange rates” as well as credit risk or if the derivative is qualified as a hedging contract according to the International Financial Reporting Standards (IFRS) (ESMA, 2012a, p. 15 et seqq.). In case the derivatives do not meet the hedging criteria, they are subject to clearing if they exceed one of the following clearing thresholds, which are measured by the gross notional amount of the rolling average of 30 working days:

- Credit derivative contracts: EUR 1 bn,
- Equity derivative contracts: EUR 1 bn,
- Interest rate derivative contracts: EUR 3 bn,
- Foreign exchange derivatives contracts: EUR 3 bn and
- Commodity derivative contracts and others: EUR 3 bn (ESMA, 2012b).

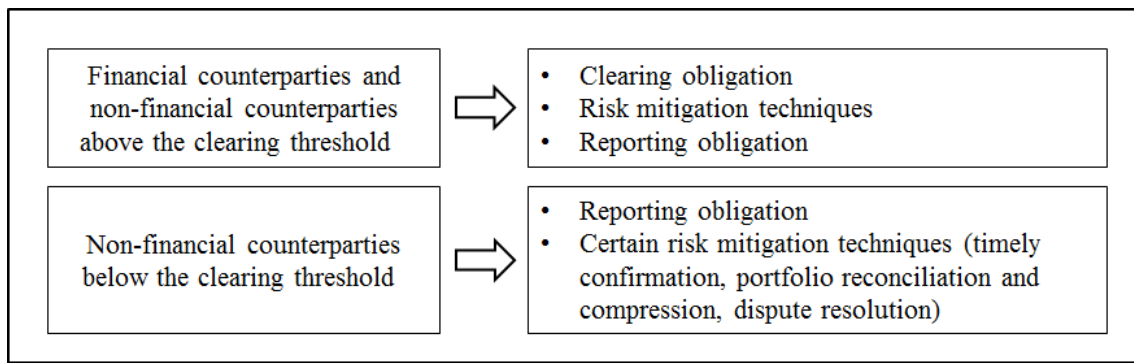
Intra-group transactions within financial as well as non-financial counterparties are excluded from the clearing obligation as are pension funds, which are exempted temporary until 05. August 2015 (ESMA, 2013).

Risk mitigations techniques

OTC derivatives, which are not suitable for central clearing are subject to special risk mitigation techniques, which for example include “timely confirmation, portfolio reconciliation and compression, dispute resolution, marking-to-market and marking-to-model, the exchange of collateral and adequate capital to cover the exposures arising from OTC derivatives not cleared by a CCP” (ESMA, 2013). These risk mitigation techniques are subject to continuous change and will be exceeded by techniques formulated by the three European Supervisory Authorities (ESA) named ESMA, European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) (ESMA, 2012a).

Reporting obligations

According to EU-regulation no. 648/2012 (43) all derivative activities need to be reported to a TR, which is defined to be a legal entity located in the EU. The TR needs be registered by the ESMA. Mandatory contents of the reporting are “the parties to the contract, beneficiary of the rights and obligations arising from it, and the main details of the contract including the type, underlying, maturity, notional value, price and settlement date” (ESMA, 2012a, p. 56). Responsible for the reporting to the TR are the counterparties and the CCP, which have the right to delegate the duty of reporting to a third party (EU-regulation no. 648/2012 (45)). The following figure provides a simplified overview of the provisions with effect on financial and non-financial entities.



EMIR-Provisions for financial/ non-financial Institutions (ESMA, 2013)

Besides these three elements EMIR regulates the necessary requirement for CCPs as well as for TRs (e.g. duty of data providence to authorities) (ESMA, 2013).

B. Basel III

As the crisis has demonstrated several weaknesses within regulatory frameworks as well as instability in the global banking sector, the group of Central Bank governors and the heads of banking supervisors (Basel Committee on Banking Supervision (BCBS)) published new recommendations for strengthening global capital and liquidity rules for the banking sector in December 2010. These new recommendations are often referred to as ‘Basel III’ (Accenture, 2012; BMF, 2012b; Deutsche Bundesbank, 2011). The reform measures aim to

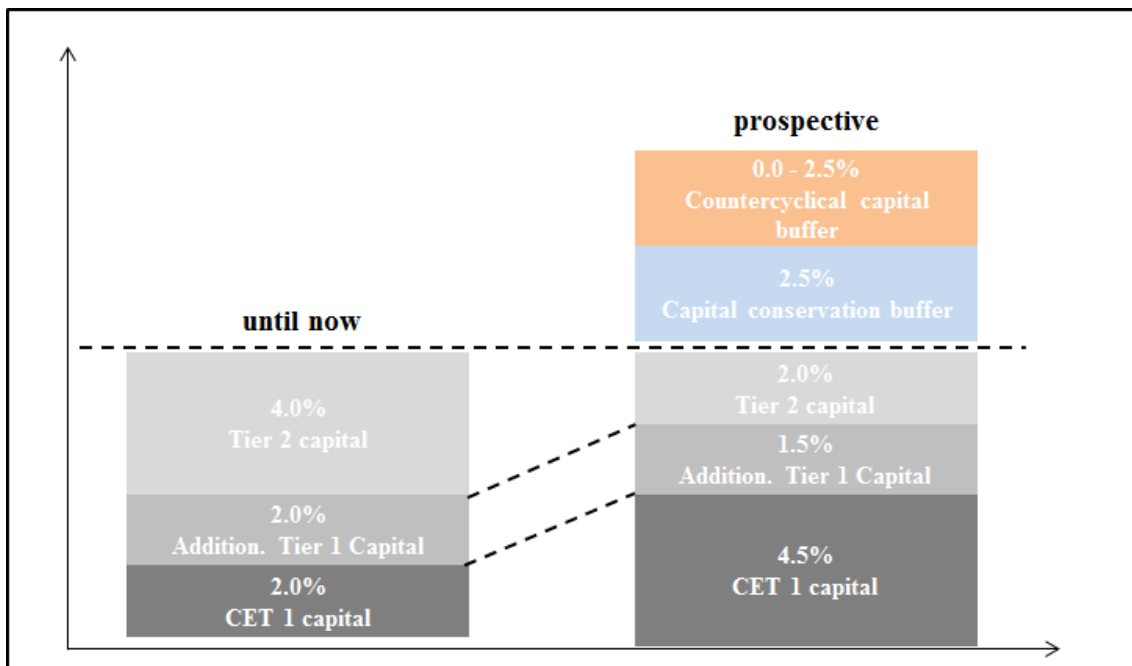
- “improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- improve risk management and governance
- strengthen banks' transparency and disclosures” (BCBS, 2013b).

Basel III measures are applied within the EU with the Capital Requirement Directive IV (CRD IV) and the Capital Requirement Regulation (CRR). While CRD IV addresses the member states, CRR is primary consigned to the supervisory authorities (BMF, 2012b). Hereby the aim is to create equal terms between the member states (‘Single Rule Book’), even though certain flexibility continues to exist in specific areas. The main elements to be implemented of Basel III are (Accenture, 2012; Beyer, Gendrisch, & Mertens, 2011):

- New definition of capital,
- Capital Conservation and Countercyclical Buffer,
- Risk Coverage/ Counterparty Credit Risk,
- Leverage Ratio,
- Global Liquidity Standards,
- Risk Management,
- Requirements for systematically important institutes as well as further miscellaneous topics.

New definition of capital

Basel III aims to strengthen the capital basis with regard to quality, consistency, transparency as well as quantity with new definitions of capital in order to ensure that (internationally acting) banks are able to cover/sustain losses. In addition to this, Basel III asks for higher capital ratios (Accenture, 2012). Eliminating the existing Tier 3 capital, Basel III distinguishes between Tier 1 or Tier 2 capital as own fund requirements, which are defined as percentage of risk-weighted assets (RWAs) (which for example result from granted loans). Hereby Tier 1 capital, which becomes the predominant form of equity, can be further differentiated between Common Equity Tier 1 (CET1 capital) and Additional Tier 1. Though the own funds requirements will still remain at 8.0% of the RWAs (as is already the case under the previous Basel rules), it will consist of CET 1 capital (4.5%; up from 2.0%), Additional Tier 1 Capital (1.5%; down from 2.0%) and Tier 2 Capital (2.0%; down from 4.0%).



Capital Requirements according to Basel III (BMF, 2010)

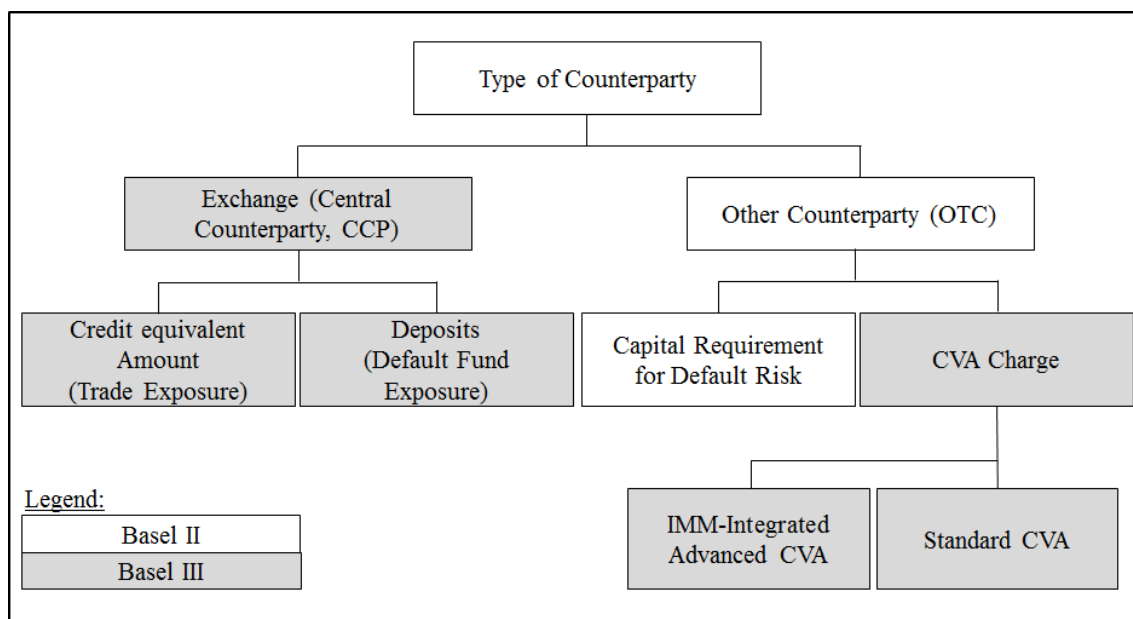
Capital Conservation and Countercyclical Buffer

In addition to this, a capital conservation buffer of 2.5% and a countercyclical buffer of 0-2.5%, which will be set up depending on the macroeconomic environment, are introduced. For both buffers an extra cushion of CET1 is needed, so that the CET1-ratio might rise up to 9.5%. It is discussed that global systematically important banks (G-SIBs) are asked to hold an additional capital surcharge (CET1 capital) between 1.0% and 2.5%. Full changes will be applied after a differentiated transition period from 2019 onwards (Accenture 2012; BMF, 2012b). The previous figure ‘Capital Requirements according to Basel III’ provides an overview of the new capital requirements and buffers.

Risk Coverage/Counterparty Credit Risk

In 2009 BCBS has already made amendments to Basel II through CRD III with focus on risk coverage, which are carried on with Basel III with the following five aspects: “calculation of the capital requirement for counterparty credit risk (CCR) based on stressed inputs; introduction of a capital charge for potential market-to-market losses (i.e., credit valuation risk); strengthening standards for collateral management and initial margining; higher capital requirements for OTC derivatives exposure; raising CCR management standards” (Accenture, 2012, p. 8). The following figure provides an

overview of the implications and changes with direct focus on OTC derivative transactions. The changes illustrate the general aim of Basel III to reduce risk caused by derivatives and to strengthen the capital requirements for OTC derivatives transactions (Hofmann, 2011). Therefore, the two aspects, the introduction of the capital charge for market-to-market losses as well as the further incentive to clear derivatives through CCP shall be explained in further detail.



Extensions under Basel III (translated from Hofmann, 2011, p. 2).

The financial crisis has made present that risks in OTC derivatives do not only occur from defaults, but also from the deterioration of counterparty's creditworthiness. For absorbing this kind of risk, Basel III introduces an additional capital charge (Credit Value Adjustment (CVA)), the calculation of which can be either done by applying an Advanced CVA-Approach (Integrated approach within Internal Model Method) or a Standard-CVA-Approach (bond-equivalent approach), depending on the model the bank uses for determining CCR risk. Within both approaches the Exposure at Default (EAD) is determined considering netting and collateral agreements in place (Accenture, 2012; Hofmann, 2011).

By generally setting lower own fund requirements in relation to OTC transactions when traded via a CCP instead of traded bilaterally between the counterparties, the use of CCPs shall be made more attractive. However, Basel III also increases the own fund

requirements for derivative trades with CCPs (in contrast to Basel II) in order to generally reduce the OTC transaction volumes in the market.

The own fund requirements for OTC transactions via CCP-trades are generally differentiated between those requirements with regard Trade Exposure (exposure resulting from open positions and provided collateral) and those for Default Fund Exposure (exposure occurring from the clearing members' obligation to contribute to a default fund in order to reduce CCP's default). The risk weight which is applied towards the Trade Exposure for determining the own fund requirements is increased from 0.0% under Basel II to 2.0% under Basel III. The risk weight for determining the own fund requirement for the Default Fund Exposure is determined on the basis of the financial resources of the CCP and the contributions to the default fund. This leads to risk weights from 20.0% till 1,500.0%. Therefore, also for OTC transactions via CCP higher own fund requirements are necessary according to Basel III (Accenture, 2012; Hofmann, 2011).

Leverage Ratio

Basel III introduces a leverage ratio to avoid highly leveraged banks (Accenture, 2012). This leverage ratio is a non-risk-based measure, which is calculated by the arithmetic mean of the monthly ratios of the institutions Tier 1 capital divided by their total exposure (exposure of on- and off-balance positions not deducted from Tier 1 capital) over a quarter. Due to current considerations the ratio shall equal at least 3.0% (Accenture, 2012). The following figure illustrates the formula for determining the leverage ratio.

$$\text{Leverage Ratio} = \frac{\text{Tier 1 capital}}{\text{Total Exposure}} \geq 3.0\%$$

Leverage Ratio according to Basel III (Accenture, 2012, p. 32)

Global Liquidity Standards

Basel III introduces two complementary global liquidity standards in order to improve the short- and the long-term resilience of banks' liquidity positions by setting corresponding incentives. In addition to this banks are asked to meet the recommended 'Principles for Sound Liquidity Risk Management and Supervision' (BCBS, 2008).

The Liquidity Coverage Ratio (LCR) illustrates the institutions ability to have enough high quality liquid assets (HQLA; e.g. cash, bonds) to cover liquidity outflows in a stress scenario over a period of thirty days ('short-term resilience') (BCBS, 2013a). Banks are required to have a LCR ratio of at least 100% on an ongoing basis after a period of transition from 2019 onwards in normal times. The LCR will be introduced in January 2015, starting with a required ratio of 60%, which increases by 10% each year till reaching 100% in the year 2019 (BCBS, 2013a). The following figure provides an overview of the calculation of the LCR.

$$\text{LCR} = \frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

Basel III – Liquidity Coverage Ratio (Accenture, 2012, p. 37)

In contrast to this, the Net Stable Fund Ratio (NSFR) focuses on the bank's resilience over the longer term by illustrating the ability to entirely refund assets over a period of one year under a specific stress scenario. Furthermore the term structure of funding must match the funded assets and contingent obligations up to a certain degree. While the numerator of the NSFR includes the available stable source of funding, the denominator includes the required stable funding.

$$\text{NSFR} = \frac{\text{Available amount of stable funding}}{\text{Required amount of stable funding}} > 100\%$$

Basel III – Net Stable Fund Ratio (BCBS, 2010a, p. 25)

Besides the introduction of both ratios, BCBS asks the EBA to develop draft technical standards for supervising the liquidity profile of institutions through monitoring tools/ metrics. These are the monitoring of "contractual maturity mismatch", "concentration of funding", "available unencumbered assets", "LCR by significant currency" and "market-related monitoring tools" (BCBS, 2010a, p. 31 et seqq.).

Risk Management

As deficits in risk management have facilitated the development and catalysing of the financial crisis, BCBS has made amendments to the risk management and capital planning processes within banks (BCBS, 2009). The main elements of these amendments are i) the demand for a group-wide risk management approach with an active involvement of higher management, ii) enhanced requirements for specified risk types (e.g. off balance-sheet positions) and iii) improved frameworks for stress scenarios as well as compensation practices (Deutsche Bundesbank, 2011).

Requirements for systematically important institutes

As part of the G20-meeting in 2009 the government heads also decided to especially pay special supervisory attention to systematically important financial institutions (SIFIs) by developing and introducing a new regulatory framework. Coordination for the process of development was taken by the Financial Stability Board (FSB) in cooperation with the BCBS, the International Monetary Fund (IMF), the International Association of Insurance Supervisors (IAIS) as well as the International Organization of Securities Commissions (IOSCO) (Accenture, 2012; Deutsche Bundesbank, 2011). Still being under discussion, the new framework aims to reduce the probability of failure of G-SIBs. For determining which banks are treated as G-SIBs, an indicator-based measurement approach is proposed. After a phase-in period G-SIBs shall hold a capital surcharge of between 1.0% and 2.5% (CET1 capital) on their RWAs from January 2019 onwards (Accenture, 2012).

Miscellaneous topics

Besides these main aspects of Basel III which are pertinent to my study, several other amendments have been introduced such as enhanced corporate governance arrangements (in order to avoid excessive risk taking) as well as an adjustment and harmonisation of the national sanctions for violations of the CRD (Accenture, 2012). The following figure provides a summarising overview of the previous mentioned main elements and their gradual implementation.

(shading indicates transition periods - all dates are as of 1 January)									
	2011	2012	2013	2014	2015	2016	2017	2018	As of 1 January 2019
Leverage Ratio	Supervisory monitoring		Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015					Migration to Pillar 1	
Minimum Common Equity Capital Ratio			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation Buffer						0.625%	1.25%	1.875%	2.50%
Minimum common equity plus capital conservation buffer			3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and financials)				20%	40%	60%	80%	100%	100%
Minimum Tier 1 Capital			4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total Capital plus conservation buffer			8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital			Phased out over 10 year horizon beginning 2013						
Liquidity coverage ratio	Observation period begins				Introduce minimum standard				
Net stable funding ratio	Observation period begins							Introduce minimum standard	

Basel III - Phase-in Arrangements (BCBS, 2010b, p. 69)

C. MiFID II and MiFIR Proposals

As of effective date of 01. November 2007, the Markets and Financial Instruments Directive 2004/39/EC (known as ‘MiFID I’) tries to harmonise regulations for investments services of the EU-members and aims to increase transparency, competition as well as consumer protection in investment services (EU, 2011a; EU, 2011b). Application in Germany is made through the Finanzmarktrichtlinien-Umsetzungsgesetz (‘German MiFID Implementation Act’), which regulates the relevant changes in the concerned capital market laws (Kaltoven & Snippe, 2007). These are mainly the WpHG (‘German Securities Trading Act’) and the Wertpapierdienstleistungs-Verhaltens- und Organisationsverordnung (‘Investment Services Conduct of Business and Organisation Regulation’). Especially regarding best execution-transactions, managing opposing and conflicting interests, pre- and post-trade transparency and reporting obligations MiFID I has led to a lot of challenges for the affected financial institutions (Baran, 2011).

In addition to this financial institutions need to categorise their clients into three categories (retail clients, professional clients and eligible counterparties) with different (protection) requirements regarding the process, documentation and deepness of financial advisory. Hereby, retail clients receive a higher protection than professional customers

(Kaltofen & Snippe, 2007).²⁵ Additionally, eligible counterparties are subject to lower requirements.

Even though MiFID I achieved some of its set objectives it “could not keep pace with rapid developments in markets and trading systems”, leading to market fragmentation, lack of transparency and weak regulations (Taylor Wessing LLP, 2012, p. 1). From 2010 onwards, a review of MiFID 2004/39/EC took place, leading to new formal proposals, which are mainly referred to as ‘MiFID II’ (CMS Hasche Sigle, 2012). The set proposals are passed to the European Parliament and the Council for negotiation and adaption is expected to take place at the end of 2013 (EU, 2011b; “Mifid II kommt nicht vor Herbst”, 2013). Generally, MiFID II affects and covers a wider range of firms as well as products than MiFID I (Arthur Cox, 2012) and KPMG (2012, p. 4) concludes that the “OTC derivative market will feel particular heat from the Commission’s proposal under MiFID and EMIR” leading to less flexibility, “greater standardisation and higher aggregate collateralisation and risk management requirements”. The following table provides a rough overview of the revision’s main elements.

Element	Brief Description
“More robust and efficient market structures” (EU, 2011a)	<p>Besides the Multilateral Trading Facilities (MTF) and Regulated Markets already covered in MiFID I, the new proposal also includes Organised Trading Facilities (OTF) and therefore tries to ensure that all venues are subject to identical transparency rules and that conflicts of interests are minimised (CEP, 2012; EU, 2011b; Saric & Rein, 2012).</p> <p>In addition to this, MiFID II introduces specific quality labels for platforms aiming to meet SMEs’ needs and therefore increase SMEs’ abilities to gain access to capital markets. Technically these SME trading platform shall operate as MTF (EU, 2011b; CMS Hasche Sigle, 2012).</p>
“Taking account of technological innovations” (EU, 2011a)	<p>As algorithmic and high frequency trading have increased the possibility of systematic risks, MiFID II proposes new safeguards including regulation requirements as well as liquidity requirements in order to reduce attractiveness of the fast entering and leaving of positions, which might lead to an increase in market volatility (EU, 2011b).</p> <p>In addition to this the conditions for essential post-trade services are improved to ensure equal conditions between the trading venues (EU, 2011b).</p>

²⁵ For a summarising overview on MiFID I please refer to Kaltofen and Snippe (2007).

“Increased transparency” (EU, 2011a)	The new proposals improve the trading activity transparency regarding equity markets and ‘dark pools’ by defining and setting up the OTF category. Additionally, investors have an overview of all EU trading activities with the chance to broaden their base of information for their own trading decision, as all market data need to be stored in one database (EU, 2011a; EU, 2011b).
“Reinforced supervisory powers and a stricter framework for commodity derivatives market” (EU, 2011a)	Power of regulators is increased as they are now “able to ban specific products, services or practices in case of threats to investor protection, financial stability or the orderly functioning of markets” in coordination with ESMA (EU, 2011b). Besides this the regulatory framework for commodity derivatives markets is strengthened and clarified (EU, 2011b).
“Stronger investor protection” (EU, 2011a)	For enhancing investor protection, the new proposals increase the set of requirements for “portfolio management, investment advice and the offer of complex financial products” and prohibit third-party payments and financial incentives for independent advisors and portfolio managers (EU, 2011b; Saric & Rein, 2012). In addition to this, investment enterprises are subject to new corporate governance frameworks (EU, 2011b).

Key Elements of MiFID II Proposal (based on EU, 2011a; EU, 2011b)

Besides MiFID II, the EC accepted another (directly legally binding) regulation focusing on markets for financial instruments, OTC derivatives, CCPs and TRs named MiFIR (Markets in Financial Instruments Regulation) on 20. October 2011. MiFIR mainly puts the transparency requirements set by MiFID II into practice and increases pre- and post-trading transparency for specified financial instruments (CMS Hasche Sigle, 2012).

D. Documentation Requirement of Investment Advisory

By putting the ‘Gesetz zur Neuregelung der Rechtsverhältnisse bei Schuldverschreibungen aus Gesamtemissionen und zur verbesserten Durchsetzbarkeit von Ansprüchen von Anlegern aus Falschberatung‘ (‘The Act Revising the Legal Relationship under Tranches of Debt Issues and Improvement of Enforceability of Investor Claims in the event of False Advice’) into effect in August 2009, the German legislator initiated new documentation requirements for investment advisory/consultation of retail clients. These requirements contain an obligatory documentation of each consultation in a protocol/minute (referred to as consultation protocol in this thesis), which needs to contain the intention and duration of the investment advisory, the personal situation of the client as well as the client’s main motivations. In addition to this, it needs to be individually stated which recommendation is given as well as the corresponding justification for this recommendation. The consultation protocol needs to be handed out to the customer. This new documentation requirements aim to enhance the quality of investment advisory and to identify misunderstandings between investment advisor and client as early as possible (BaFin, 2010; BMELV, 2012). OTC derivatives are subject to the WpHG and the previously mentioned requirements.

E. Key-Investor-Information Document

Banks are asked to hand out to their retail clients (‘MiFID-categorisation’) a Key-Investor-Information Document (KID) when conducting a consultation. Even though the German Federal Ministry of Food, Agriculture and Consumer Protection initially asked banks to use standardised KIDs on a voluntary basis in the year 2009, the relevant laws were changed through the Anlegerschutz- und Funktionsverbesserungsgesetz (Investor Protection and Capital Markets Improvement Act, hereafter referred to as ‘AnsFuG’) on 05. April 2011 and investment services enterprises are forced to offer their clients a brief information document, which shall be easy to understand. The consultation of professional and eligible clients is, however, excluded from this requirement (BaFin, 2011a; BaFin, 2011b; BaFin, 2011c).

The new laws have the intention to increase the retail client’s ability to understand and compare different financial products. The AnsFuG sets a general description of the aspects the information documents should include (BaFin, 2011b). For applying these

aspects into practice, the Deutsche Kreditwirtschaft (2011) developed a scheme which suggests the following eight sections to be contained in each KID:

1. Description of product and functioning
2. Product data (e.g. currency, trading date)
3. Risks (e.g. credit risk and interest rate risk)
4. Availability (e.g. tradability)
5. Chances and possible scenarios (e.g. current income and exchange gains)
6. Costs and sales commission (e.g. acquisition costs)
7. Taxation
8. Miscellaneous notes

The BaFin is asked to control and supervise the implementation and to provide interpretation of the law (BaFin, 2011b).

F. Employee and Complaints Register

By launching the AnsFuG the legislator intends to create further “investor protection from negligent advice” (BaFin, 2012a). The act asks investment services enterprises to ensure that only qualified employee groups are active within specific business areas and to report these groups of employees to a central register. Entering into force in November 2012, the new employee and complaints register is managed by the BaFin. Customer complaints concerning individual investment advisors need to be passed through by the bank to the authority within six weeks. The BaFin is authorised to execute regulatory measures (e.g. warnings, fines as well as well as the forbidding to employ certain employees in investment advisory) in case the provision is violated (BaFin, 2012a; BaFin, 2012b).

Appendix 3: Overview of Success Factors according to Strauss' Literature Review²⁶

No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
1	Martin	1967	USA	Private Clients	quantitative, confirmative	<u>Bank:</u> relation 'spendings for marketing' to 'dividends on deposits', accommodativeness of the location	<u>Sociodemographic Factors:</u> population within business area, yearly population growth, share of inhabitants aged over 65, share of minority households, share of houses for rent, share of households with migration background, job <u>Economic Factors:</u> average income / house value, retail space within business area <u>Competitive Situation:</u> relation population/bank institute, number of institutes within (business) area, market penetration
2	Clawson	1974	USA	Private Clients	quantitative, explorative	<u>Branch Characteristics:</u> attractiveness of interior and exterior, age of the office, distance to a shopping center, parking adequacy, promotion activities	<u>Sociodemographic Factors:</u> share of persons aged 45 to 64 or older, income per capita within business area, share of renters next to the branch <u>Economic Factors:</u> median value of owner-occupied homes, retail sales per year within one-half mile radius, savings per capita <u>Competitive Situation:</u> population per saving and loan facility (S&L), amount of competing S&L-facilities, total assets of competing S&L facilities, average net saving gains of competitors
3	Heggestad	1977	USA	Private Clients	quantitative, confirmative	-	<u>Economic Factors:</u> average total deposits, ratio of time and savings deposits to total deposits, growth of retail sales, income per capita <u>Market Structure:</u> market concentration <u>Risk:</u> (moderating factor)

²⁶ Excerpt taken and translated from Strauss (2005, p. 64 et seqq.).

No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
4	Doyle et al.	1979	Great Britain	Private & Business Clients	quantitative, explorative	<u>Branch Characteristics:</u> age of the office, existence of night safe	<u>Market Potential of Business Area:</u> age distribution, distribution of occupational groups, characteristics of local environment of branch: number of retail sellers, number of other branches of the same bank within environment <u>Competitive Situation:</u> relation of 'amount of non-financial institutes' and 'amount of competitive branches'
5	Fenwick	1979	Great Britain	Private Clients	quantitative, explorative	age of the office	age distribution within business area, categorization of the population to social-economic groups, houses under constructions, competitive situation (amount of competitors)
6	Olsen & Lord	1979	USA	Private Clients	quantitative, confirmative	-	<u>Variables of Demand:</u> average income per household, placement of retail area, purchasing power of households, amount of employees, inhabitants of rented apartments (in percent) <u>Variables of Supply:</u> external and internal competition (amount of competitors from other/own institutes within business area)
7	Hansen & Weinberg	1979	USA	Private Clients	quantitative, confirmative	<u>Bank Name</u> <u>Customer Focus:</u> distance from shopping-area's central point, existence of walk-up window <u>Level of Awareness:</u> newness of office	-
8	Leitz	1980	USA	-	quantitative, confirmative	<u>Organization Structure:</u> president's span of control, division manager's average span of control, number of media used for advertisement	<u>Environment:</u> offices ratio, soci-economic development, mortgage loan rate <u>Strategy:</u> liquid assets, mix of financial services

No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
9	Lyngé & Shin	1981	USA	-	quantitative, explorative	amount of financial services	concentration of competitive environment, distance from bank office to (inner) city, greatness of institute (relative comparison of total assets), amount of inhabitants within area
10	Zimmermann	1988	Switzerland	-	quantitative/ qualitative, explorative	<u>Business Policy:</u> diversification, specialization, clarity and consistency, no political influence on management, profit orientation, focus on foreign countries <u>Leadership and Workforce:</u> front-end orientation, quality of management, pioneering spirit, briefing of workforce, business culture, qualification, experience from industry <u>Sale of Services:</u> efficient allocation of resources, activity within growing markets, profiling within the market <u>Business Operation (Organization):</u> tight and sales-orientated structural organization, continuous willingness for improvement regarding the organization's structure, IT <u>Miscellaneous:</u> size of enterprise, historical success	-
11	Cool et al	1989	USA	-	quantitative/ qualitative, confirmative	<u>Operational Efficiency:</u> deposits per employee, loans per employee <u>Input Factor Payments:</u> salaries per employee, overhead per employee <u>Organizational Fit:</u> decision decentralization, degree to which departments have influence on strategic decisions <u>Product-market Investments:</u> marketing intensity, emphasis on sales force, product differentiation (all in relation to competitors)	<u>Market Share:</u> market share of total deposits / loans within the country of operation <u>Rivalry:</u> concentration of total deposits / loans



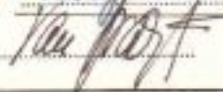
No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
12	Davis	1989	International	Private Clients & Corporate Clients	qualitative, explorative	open business culture, shared core values, goal and profit orientation, customer focus, willingness to invest in new products, consistent/continuous management, willingness to hire best employees, investment in staff qualification and human resource development, management-information-system (matrix-approach), sustainable and balanced lending process	
13	Priewasser	1992	Germany	-	qualitative, explorative	<p><u>Active Management:</u> creating instead of administrating management</p> <p><u>Concentration on Core Business:</u> abandonment of proprietary trading, focus on credit business</p> <p><u>Sales Orientation:</u> performance-related payments, sales unit have nothing to do with back office processes and control, engagement of management board within the sales process, sales orientated structural and process organization</p> <p><u>Centralization of high-quality Business:</u> differentiation between generalists and specialists, abandonment of administration departments as far as possible, communicating business culture to improve performance of quality</p> <p><u>Human Resources:</u> not explicitly mentioned, but often spoken about qualified and motivated employees</p>	-

No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
14	Krueger et al.	1992	Germany	-	quantitative, confirmative	<u>Strategy:</u> profit orientation, focus on costs, adaptability/flexibility, focus on innovation, product/market-concepts <u>Responsible Body:</u> qualification/person of management <u>Culture/Philosophy:</u> existence/consistence/acceptance of overall concepts <u>Structure:</u> organization of management, building of sub-systems, coordination <u>System:</u> management information system, planning/controlling-software, risk management systems, accounting and information systems <u>Potential of Realization:</u> potential of financing, human capital, marketing/sales/market research ('success categories' as well as 'success factors')	-
15	European Banking	1993	Europe	Business Clients & Corporates Clients	qualitative, explorative	(1) size of requirement for value adjustments (2) extent of interest margin (4) cost of operation-level (5) share of provision gains (6) share of loan volume (7) cross-selling results (9) use of information/communication-technologies (10) abandonment of gainless services	(3) expansion rate of European Union (8) volatility of interest rates
16	Priewasser	1994	Germany	-	qualitative, explorative	market orientation, controlling, quality of service/customer support, quality of management, quality of employees, price, capital structure, information technology, organization, universal financial services, capability to be innovative, business culture, level of self-service support, specialization	-

No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
17	Avkiram	1995	Australia	Private & Business Clients	quantitative/ qualitative, explorative	tangible convenience, staff number (full-time equivalent), customer service quality, managerial competence of the branch manager, use of decision support system	<u>Socio-Economic Factors:</u> number of persons aged 15 years or more, population growth rate, average age of persons aged 15 years or more, average annual family income, proportion of private dwellings rented <u>Factors of Market and Environment:</u> number of small business establishments, presence of competitors
18	Mercer Management Consulting	2002	International	Private Clients & Corporate Clients	quantitative/ qualitative, explorative	corporate management, human resources management, risk management, marketing, earnings orientated management, cost management, products, sales organization ('success factors' in the meaning of 'value drivers' within the survey)	-
19	Krauss	2003	Germany	Corporate Clients	quantitative, explorative	<u>Competence of Business Relations:</u> competence of customer advisory service, competence of problem solving, strong links to the region/knowledge of regional market, organization of customer advisory service, customer satisfaction, professional trainings <u>Competence of Customer Care:</u> relationship management, trust/openness, personal meetings, customer loyalty, personal engagement/social skills/motivation of employees, acceptance of the corporate banking officers by the clients <u>Sales Competence:</u> risk focus, sales organization, modern financial services, conditions, modern distribution network <u>Competence of Change Management:</u> speed, flexibility, quality, image, advertisement/public relations, information, added value	

No.	Author(s)	Date of Publication	Country	Target Group	Research Method	Internal Success Factors	External Success Factors
20	Riekeberg	2003	Germany	Private & Business Clients (Saving Banks)	quantitative, confirmative	<p><u>Customer Focus:</u> business culture for customer focus, knowledge of customers' needs and expectations, concrete implementation, customer focus within the company</p> <p><u>Organization:</u> organizational structure and process organization, improvement and flexibility of organization/structure</p> <p><u>Management:</u> institutional and functional management, business management</p> <p><u>Qualification and Motivation of Employees:</u> qualification and motivation of employees</p> <p><u>Overall:</u> governance, dimension of system, dimension of processes ('success categories')</p>	potential demand, competitive position, attractiveness of location ('success categories')

Appendix 4: Supervisory Record Sheet

Research Student Supervision Record Sheet		 UNIVERSITY OF GLOUCESTERSHIRE <small>AN AFFILIATED COLLEGE OF THE UNIVERSITY OF BRISTOL</small>
Name of student (please print): Jan van Bracht		(Student number: s0914567.....)
Name of supervisor/s present (please print): Dr. Hans Ruediger Kaufmann (1 st supervisor)		
<hr/>		
1. Agenda for meeting (to be initially set by student in advance of the meeting but supervisor/s can also add to it):		
<ul style="list-style-type: none">- Current Status of Work- Discussion Scope of Work / Table of Contents- Next Steps regarding Data Gathering through Interviewing		
2. Progress since last meeting:		
<ul style="list-style-type: none">- Acceptance of RD1 by FRDC and URDC- Development of initial questionnaire- Determination of possible interview participants		
3. Agreed action plan for next meeting: (including an agreed date to meet)		
<ul style="list-style-type: none">- Update on Literature Review- Explanation of made choices within methodological procedure by referencing (e.g. use of narrative as well as systematic literature review, methodological choices)- Discussion of questionnaire and procedure regarding data gathering through semi-structured interviews- Validation if participant observation might be possible		
<hr/>		
Date of meeting: 02.11.2012		
Supervisor/s or Panel Convenor's signature (electronic signatures are permitted with permission of FRD/RDT/DoS (Research Degrees):		
		
Student's signature: 		
<hr/>		
A copy of the signed sheet should be retained by all members of the team.		
Note: It is the responsibility of the first supervisor/panel convenor to send a copy of this document to your Faculty Research Administrator once signatures are complete.		

Appendix 5: Interview Information Document

Sehr geehrte/geehrter *Frau/Herr Mustermann*,

Ich schreibe zurzeit nebenberuflich zu meiner Beratertätigkeit bei der Firma ‘Consulting Company1’ an meiner Doktorarbeit mit der Forschungsfrage:

Was sind die Erfolgsfaktoren für die Implementierung einer nachhaltigen Geschäftsfeldstrategie für das Derivategeschäft in Sparkassen?

Das Ziel meiner Dissertation ist es ‘die kritischen Faktoren’ zu identifizieren, zu beschreiben und zu analysieren, die unabdingbar für eine erfolgreiche Umsetzung sind. Der Fokus meiner Arbeit soll dabei auf der Umsetzung/Anwendung in der Praxis liegen.

Aus diesem Grund werde ich mich dieser Thematik mithilfe von Experteninterviews aus den unterschiedlichsten Abteilungen nähern. Ich würde mich daher sehr freuen, wenn ich mit Ihnen ein Gespräch/Interview führen könnte und Sie mir aus Ihrer täglichen Praxis und dem Berührungspunkten zum Derivatevertrieb berichten könnten.

Die Daten aus dem Gespräch werden selbstverständlich anonymisiert und alle Informationen, die einen Rückschluss auf Personen oder Organisationen zulassen würden, werden gelöscht. Die transkribierte Version des Interviews kann ich Ihnen gerne zur Freigabe zur Verfügung stellen. Kernthemen für das persönliche Gespräch werden u.a. sein:

- Wie wird das Geschäftsfeld von Ihnen/in Ihrem Hause bzw. von anderen Sparkassen betrieben?
- Wie kann aus Ihrer Sicht ‘Erfolg’ und ‘Nachhaltigkeit’ im Zins- und Währungsmanagement beschrieben/definiert werden (aktuelle Entwicklungen)?
- Wenn Zins- und Währungsmanagement betrieben werden, was sind dann Faktoren welche das Geschäftsfeld erfolgreich zu machen?
 - a) in Form einer Geschäftsfeldstrategie
 - b) in Form eines erfolgreichen Vertriebskreislaufes
- Welcher Relevanz messen Sie dem Geschäftsfeld aktuell und zukünftig bei?

Dabei variieren die Schwerpunkte des Gesprächs je nach Aufgabenfeld. Ich denke der Zeitrahmen für das Gespräch wird ca. 60 Minuten betragen und eine Vorbereitung ist nicht notwendig.

Ich danke Ihnen im Voraus und verbleibe

mit freundlichen Grüßen

Jan van Bracht

Appendix 6: Interview Guideline – Set of Questions

Self-Description of Participant
<ol style="list-style-type: none"> 1) Please describe your position and your job specification in your institute. 2) What are your primary and secondary activities/responsibilities?
Nature of current business strategies and activities within selected German savings banks (RO1)
<ol style="list-style-type: none"> 3) Can you give a brief overview about the organisational set-up of your institute? 4) How is the “derivative sales business” incorporated within this set-up/structure? (e.g. separate business unit, no business unit, organisational structure, etc.) 5) How is the business field operated within your institution? 6) Do you know how other comparable institutions operate and how do they operate? (Differences, reasons, etc.) 7) Are you involved in derivative sales within your responsibilities and how are you involved? 8) Which level of importance does this business field have for you and your business unit? How can this level be described and what are the experiences/impressions you are basing your assessment on? 9) How does the strategic business unit differ to other business units and what are these differences? (perspectives: institute, employer and customer) 10) How is the internal compensation for selling derivative solutions organised? 11) What is the difference to the selling strategy/customer advisory compared to other products/services provided? 12) What are the main products your institute offers and which are substitutive, competitive or complementary products/services to derivative solutions for interest rate management? 13) Does the sales and advising strategy differ between client groups (e.g. corporate clients, public clients, retail clients)? How does the strategy differ? Are there client groups excluded from the sales strategy? Are there any other characterizations leading to different sales strategies within the business unit? What are the reasons for differentiated sales approaches? 14) How do you prepare client meetings? What are the regular tasks after such a meeting? 15) What is the relevant information you need for an adequate preparation as well as a practical follow up? How do you get relevant information about the current situation of the client as well as financial market? 16) Do you make use of cooperation partners for providing the services/products? What are the reasons for employing them? How can the cooperation be characterised? What are the chances/risks of the cooperation? 17) Which internal cooperation partners/business units/functional units are involved within the process? What are their tasks and responsibilities?

18) What are the main differences between savings banks of various sizes with regard to the strategy for providing interest rate solutions to clients? How should small/medium/large savings banks address this topic in your opinion?
External influences – with focus on the financial crisis – on the business field (RO2)
19) If I were to plan a new business strategy for derivative sales within your institute, which internal restrictions and settings would need to be considered? 20) Who are the central/main persons/functions, I would need to involve in such planning process? 21) If you were to implement the business strategy in a new institute which would be the first steps you do? 22) Besides the internal influences, are there any external influences with a high impact on the business strategy model? (Association, news, jurisdiction, etc.) 23) How did the financial crisis influence the business area and the business strategy models? What has changed? (different perspectives) What have been the main changes? How do you evaluate the changes?
Determining success and sustainability (RO3)
24) How would you define success against the background of providing and selling derivatives solution? 25) How would you define sustainability against the background of providing and selling derivatives solution? 26) When do you think a savings banks/institute can characterise itself to be successful and sustainable? 27) Does the definition of success and sustainability differ according to the perspective? (perspective of bank, employee, customer) 28) Have the definitions of success and sustainability evolved over time and why? 29) Are these criteria relevant and important? How do you think both criteria can be achieved?
Critical success factors within derivative sales (RO4)
30) What are (in your view) the critical success factors of derivative sales and consulting? 31) What are the critical success factors with regard to the business-level strategy and the set-up of the business unit? 32) How critical is the commitment of the management? Why is it (not) critical? 33) How critical is an internal guideline in this business field? Why is it (not) critical? 34) How relevant are clear sales goals and incentives? Is a certain level of sales pressure useful/contradictory? 35) Who are, if any, other critical (external) parties and what are the elementary processes/ ways of collaboration?

- 36) What are the success factors in the internal set-up/collaboration with other departments?
- 37) What are the main and critical information sources of your work (e.g. Reuters, Bloomberg, Internet, Newsletter, etc.)? Which of these are indispensable? Which of those do you rate best?
- 38) How important and critical are the documents which you prepare for your clients beside all regulatory information you have to hand out? Why are they (not) critical)?
- 39) How important is the direct contact to your customer? Is this contact more important than in other products/ services?
- 40) How important is the variety of products you can offer (either stand alone or with your cooperation partner)?
- 41) How important is the education and staff training within the business area of derivative sales (compared to other areas)? Which form of education do you rate as most efficient?
- 42) Does the business area need to be done/ staffed with a high number of employees or what would be an efficient approach? (e.g. only one specialist) How far is the number and quality of employees relevant to the critical success of the business area?
- 43) How important is it to be regionally close to the customer? How relevant is it to be the 'Hausbank' ('main relationship bank') of the client?
- 44) How important is the customer group and structure for becoming successful? (rating, risk appetite)
- 45) What are the main regulatory and legal issues which have influence the business area, either positively or negatively?
- 46) How important are (regular) sales initiatives/impulses (provided by your cooperation partner, third parties, etc.)?
- 47) Now we have discussed a variety of critical success factors as well as phenomenon. If you were to choose the 'top-five' critical success factors, which ones would this be? What are the reasons for your choice?

Outlook

- 48) What would you change in order to be (even more) successful in selling and providing derivatives solutions for interest rate management? How would you implement these changes? How would you describe 'best practice' in selling derivatives?
- 49) At what level of relevance do you rank derivative sales currently and going forward? (different perspectives)
- 50) What other areas/ topics are crucial for the business field of derivative sales and advisory which were not covered in this interview?

Appendix 7: Interview transcription and translation example

German	English
<p>I: Was mich zu Beginn interessiert ist, was genau Ihre Tätigkeit hier im Hause ist, welche Kunden sie betreuten und wo genau die Schnittstelle zum ZWM, respektive Zinsderivatebereich, ist?</p>	<p>I: At the beginning of our interview, I would like to know what are your primary activities in the institute, which client group are you supervising and what are your interfaces to IR and FX management solutions? Especially regarding the area of interest rate derivatives.</p>
<p>Participant C: Ok, also ich bin Firmenkundenbetreuer hier im Hause. Und betreue eigentlich sämtliche Firmenkunden mit einer eigenen Umsatzgröße von 10 Mio. EUR im produktiven Bereich und 20 Mio. EUR im Dienstleistungsbereich.</p> <p>Wir haben das einfach nach Umsatzgrößen sortiert unsere Kunden, weil wir einfach festgestellt haben ‘an der Umsatzgröße kann man mehr oder weniger überall festmachen, welche Bedürfnisse ein Kunde hat‘.</p> <p>Wenn ich jetzt mal die Pommesbude mit einem Großkunden vergleiche, das sind ja ganz andere Anforderungen und die machen oder lassen sich relativ gut an der Umsatzgröße festmachen. Weil irgendwann haben sie halt die Sprünge wo sie sagen ‘ich brauche eine ganz andere EDV-Landschaft’, ‘ich brauche ein ganz anderes Umfeld’ und ‘ich beschäftige mich dann auch mit Themen wie</p>	<p>Participant C: Ok, I am a relationship manager for corporate clients in this institute. And actually I advise all kind of corporate clients with revenues over 10 mio EUR in case they are producing goods and 20 mio EUR if they are active in the field of providing services.</p> <p>We have allocated and organised our clients according to their revenues, because we recognised ‘that revenues are a good parameter to determine the client’s needs’.</p> <p>If I exemplarily compare a chip&fish shop with a large client – there are totally different requirements and these correspond relatively well to the revenues of the client. Because at a certain point in time you have ‘jumps’ at which you need to say ‘I need a different EDP-structure’, ‘I need a different environment’ and ‘I have to deal with issues like interest rate management or</p>

<p>Zinsmanagement oder Derivaten'. Das werden Sie bei einem Kleinkunden kaum platzieren können, weil das einmal zu abstrakt ist und sicherlich sich auch in vielen Fällen nicht rechnet dann.</p>	<p>derivatives'. You can hardly sell this to a small client, because it is generally too abstract and therefore does not turn out to be profitable in several cases, for sure.</p>
<p>I: Die kleinen Kunden heißen dann bei Ihnen Gewerbekunden und werden dezentral betreut oder wie kann man sich das vorstellen?</p>	<p>I: Small clients mean the group of commercial clients? They are decentrally covered or what does it mean?</p>
<p>Participant C: Wir haben einmal Geschäftskunden, die werden in der Filiale betreut. Ab – jetzt muss ich lügen – die Größenordnung kann ich jetzt noch nicht mal genau sagen. Irgendwann geht es dann zu den Gewerbekunden hier, dann geht es zu den Firmenkunden. Und das größte Segment sind halt die Unternehmenskunden – die sind ab 10 bis 20 Mio. EUR und die Firmenkunden fangen bei 2,5 Mio. EUR Umsatz an.</p> <p>Ab 10 bzw. 20 Mio. EUR und ab 20 Mio. EUR ist der ganze Dienstleistungsbereich und bei uns läuft das alles unter der Überschrift Firmenkunden – das werden Sie auch meiner Karte entnehmen, da steht Firmenkundenbetreuer – aber intern haben wir es dann noch mal unterteilt in Firmen- und Unternehmenskunden.</p> <p>Nach oben gibt es dann auch keine Grenze – da wird aber auch das Feld relativ dünn im Sparkassenfeld. So viele Großkunden,</p>	<p>Participant C: On the one hand we have got business clients, which are covered in our branches. These have – I probably would lie – I do not know their sizes at the moment. At a certain point, they become commercial clients, than 'corporate clients'. And the largest client segment are 'large corporate clients' – starting from 10 till 20 mio EUR and the corporate clients start at 2.5 mio EUR in terms of revenues.</p> <p>From 10, respectively 20 mio EUR onwards and 20 mio EUR for service providing corporates this is externally headlined as corporate clients – and you also see this taking a look at my business card 'relationship manager corporate clients' – but internally we differentiate between corporate clients and large corporate clients.</p> <p>There are no upper limits, but actually up there, there are not so much clients in the</p>

die dann irgendwie 100 Mio. EUR Umsatz machen, haben Sie auch im Sparkassenbereich nicht. Und wir sind hier – die Unternehmenskunden haben, das muss man immer gucken, sind wir vier Kundenbetreuer.	savings banks area. You do not cover so many large clients in the savings banks area, which have revenues of 100 mio EUR and above. And we are – with focus on large corporate clients – and you have to consider that – we are four relationship manager.
I: Wenn ich das richtig der Homepage entnommen habe, gibt es bei Ihnen einmal Firmenkunden I und Firmenkunden II. Ist da irgendwie ein Differenzierung nach Kundengröße oder sind das zwei parallele ...	I: If I have informed myself properly using your homepage, you have got two teams, ‘Corporate Clients I’ and ‘Corporate Clients II’. Do they differ regarding client size or are these two parallel ...
Participant C: Das sind einfach zwei parallele Referate, die auch die gleiche Mischung haben. In jedem Referat gibt es zwei Unternehmenskundenbetreuer und auch zwei Firmenkundenbetreuer. Ein separater Bereich ist dann wirklich der Bereich Gewerbekunden, das dürften Sie auf der Homepage gesehen haben unter einem anderen Referatsleiter. Ein relativ junges Team auch von den Mitarbeitern her.	Participant C: These are just two parallel departments, which consist of the same mixture. Each department has two relationship managers for large corporate clients and two relationship manager for corporate clients. A really separate department is the division commercial customers. You might have seen this on the homepage as they have a different head. The team is relatively young, also in terms of the employees.
I: Ist das Zinsmanagement in allen Bereichen vertreten oder fängt das erst an ab Firmenkunden?	I: Do you provide interest rate management services for all client groups or do they have to be at least corporate clients?

<p>Participant C: Wir haben es über alle Bereiche vertreten, also jeder der Kundenbetreuer bietet das an – also auch im Gewerbekundenbereich. Da ist es natürlich ein ganz anderes Feld – wesentlich kleiner und auch glaube ich schwieriger zu platzieren. Vor allem weil wir uns natürlich auch als Haus gesagt haben ‘wir machen es (Anmerkung: Derivate) nur bei den Top Bonitäten‘ auf Grund letztendlich auch der Garantie die wir da übernehmen dürfen gegenüber der ‘Landesbank3’. Von daher schränkt sich daher das Feld auch ein. Wenn man jetzt an Laufzeiten denkt von 15 oder 20 Jahren, guckt man sich natürlich auch genau an, mit wem möchte man das machen.</p>	<p>Participant C: It is represented in all divisions, every relationship manager offers this service – also for commercial clients.</p> <p>But this is a totally different play ground – significantly smaller and to my mind it is also harder to sell. Especially, because we told ourselves as an institute ‘we just make it (note: derivatives) in case of top creditworthiness’. Especially because of the guarantee towards ‘Landesbank3’ we have to take at the end. Therefore, the field of clients is restricted, as well. If you consider trade-maturities of 15 or 20 years, you have to evaluate in all detail with which party you want to settle it.</p>
<p>I: Rating heißt – sie haben ein DSGVO-Rating bis Ratingklasse 16. Bis neun ist es bei Mitbewerbern, wie ist es bei Ihnen?</p>	<p>I: Rating means – you refer to the DSGVO rating scale, which ends with rating class 16. Competitors offer services including rating class 9, how does your institute handle it?</p>
<p>Participant C: Wir würden darüber nachdenken. Derivate bis Rating 8. Da ist eigentlich die Grenze. Bei 8 oder 9 müsste man dann wirklich gucken und eine Begründung haben, warum man es denn machen möchte.</p>	<p>Participant C: We would consider it. Derivatives till a rating class of 8. This is actually the limit. If you have an 8 or 9 you need to have a closer look and you need to justify why you want to do it.</p>

I: Und Ihre persönlichen Schnittstellen zu Zins- und Währungsderivaten? Oder sind eigentlich nur Zinsderivate ein Thema für Sie?	I: And your personal interfaces to interest rate and fx derivatives? Or are only interest rate derivatives relevant for you?
<p>Participant C: Also Währungsderivate – ich habe eines mal mit ‘Consultant1‘ gemacht. Das war aber auch nur, weil der Kunde bei einer anderen Bank einen Yen-Kredit hatte und mit der Bank nicht mehr zufrieden war und dann haben wir den abgelöst und haben in dem Zusammenhang auch ein Derivat mit FX-Bezug mit dargestellt. Ansonsten haben wir das bisher noch nicht gemacht. Wären wir auch nicht aktiv angegangen für einen Kunden. Es sei denn er hätte es wirklich gesagt ‘ich will das auf jeden Fall‘.</p> <p>Weil wir da eigentlich die Währungsrisiken als zu relevant erachten als das wir da wirklich eine gute Empfehlung abgeben könnten ‘so mach das‘. Und wenn es dann daneben geht, sind wir ja ohnehin diejenigen welche dann? Also insofern ist es eigentlich - und das glaube ich ist es auch auf der ganzen Sparkassenebene – ist es auch zu 100% Zinsderivate.</p>	<p>Participant C: Well, fx derivatives – I closed one together with ‘Consultant1‘. But this was only, because the client had a yen-loan with another bank and he was unsatisfied and then we took over the loan and for this reason we also offered a fx-linked derivative. Otherwise we have not done this yet. We also would not offer such solutions actively. Except the case he would state ‘I explicitly want to do it’. Because we consider the fx risks as too relevant to provide a substantial recommendation ‘do it’. And if it goes wrong, we are the persons which have to ... Regarding these issues – and I think it is valid for the whole savings bank – we talk about 100% interest rate derivatives.</p>
I: Und aus Ihrer Sicht – zum Ziel-Produktspektrum – also ich kenne es von einigen Sparkassen - die haben irgendwie drei Ziele, vielleicht Aktiv, Passiv und ein Sonderziel. Sind Zinsderivate hier ein	I: And as far as you are concerned with focus on sales targets for products. I know some savings banks, which have somehow three sales targets: maybe asset-related targets, liability-related

Thema, was auch gelebt wird und wo Sie sich wohler fühlen?	targets and a special sales targets. Are interest rates a certain issue, which is of high relevance and which you feel comfortable with?
Participant C: Also es ist ein Zielfeld Derivate, aber genauso sind Versicherungen ein Zielfeld.	Participant C: Well, there is a sales target derivatives, but this is a sales target like insurances.
I: Und das ist alles quasi gleichgewichtet?	I: And all are equally weighted?
Participant C: Ja, ich sage mal da gibt es Versicherungen, sogar Personen- und Sachversicherungen als Extra Zielfelder, es gibt Derivate, Provisionserlöse aus dem Giroverkehr, Auslandszahlungsverkehr. Also da gibt es eine Vielzahl von Zielen. Insofern – man kann natürlich sagen – da wird auch jeder anders getaktet sein – ich fühle mich mit dem Themenfeld wohler als mit anderen, aber am Ende müssen sie alle Themenfelder bespielen. Und irgendwo dann da auch ihre Ziele irgendwo erreichen. Wir hatten ja ein sehr erfolgreiches letztes Jahr im Derivatebereich. Dieses Jahr ist es glaube ich nicht ganz so gut, aber ... wir kommen auch von einem sehr, sehr hohen Niveau, wenn ich mich recht erinnere.	Participant C: Yes, let me say it like that: There are insurances, even personal and property insurances as additional sales targets, there are derivatives, commission income from giro transactions, international payment transactions. Well, there are numerous targets, one might say ‘I feel better with some topics than with others’ but in the end you have to play around with all of them. And at some time or other you have to reach the targets in some way or other. We had a very successful year regarding derivatives last year. This year does not work as well I think, but ... we have to consider that last year was on top of the hills as I remember.
I: Ich hätte immer gedacht, dass so ein Zinsderivategeschäft näher am originären	I: I always thought, that interest rate derivatives are more closely related to the

<p>Geschäft eines Firmenkundenberaters dran ist. Weil es um die Zinssicherung für ein Darlehen geht und vielleicht näher dran ist als eine Versicherung zu verkaufen bspw.</p>	<p>traditional business of a relationship manager for corporate clients. Because it is about hedging liability's interest rate exposure, which seems to be more close than selling for example insurances.</p>
<p>Participant C: Von der Grundüberlegung gebe ich Ihnen Recht. Es lässt sich – die Zinslandschaft tut natürlich einiges auch dazu – lässt es sich natürlich sehr gut mit anbieten, dass man sagt, ‘So, neben der klassischen 10-Jahres Festzinssatz-Kondition, die wir früher hatten, heute bei einer Objektfinanzierung die Zinssicherung gleich über die gesamte Laufzeit anzubieten’. Das fällt relativ leicht, das eben in einem Angebot mit zu verpacken. Und zu zeigen ‘Du hast über das Themenfeld nachgedacht’. Versicherung ist dann – in Anführungszeichen – doch eher so ein Abfallprodukt ‘muss man noch mal dran denken’ – so diese Parallelschiene zu fahren und zu sagen ‘klar, wir haben natürlich auch ein Interesse, die Immobilie vielleicht auch zu versichern’.</p> <p>Aber natürlich von der ganzen fachlichen Ebene ist das Thema Versicherung weiter weg als Zinsderivate. Wenn man es einmal für sich verstanden hat und umgesetzt hat. Also ich kann mich so an meine ersten ein, zwei Geschäfte erinnern – die waren ja auch nicht ganz einfach.</p>	<p>Participant C: Basically, I agree with your opinion. It is quite easy to offer at the moment because of the current interest rate environment. You say ‘beside the traditionally offered classic ten-year fixed rate terms, we offer you a fixed rate for the entire term for your financing transaction’. That’s quite easy to include in an offer. It underlines that ‘you have thought about this issue’. In contrast to this – using quotation marks – insurances are a kind of “waste product” you have to think about additionally. It is offered parallel by thinking ‘yes, we are also interested to insure your real estate’. But it has a matter of course that – referring to the technical side – the area of insurances is not as close to our area as interest rate derivatives are. If you have understood the area and you have made some trades. If I just remember my first and second trade – that was not easy for me.</p>

I: Das war welche Art von Geschäften?	I: What kind of trades are you referring to?
<p>Participant C: Das waren klassische Zinsderivate – aber einfach beim Kunden zu sitzen und zu sagen – also nicht einfach nur mal eben die drei Zahlen aufzumalen, sondern auch die Rückfragen zu erklären und wie funktioniert das eigentlich. Und das einmal selbst verstanden zu haben. Das ist schon eine Schwierigkeit, aber die Hürde haben wir aber alle hier mittlerweile genommen und heute ist das Standard bei jedem.</p> <p>Bei jedem Zinsangebot was wir rausschicken, bei jedem Finanzierungsangebot haben wir das Thema Derivate eigentlich mit verinnerlicht und mit auf dem Schirm.</p>	<p>Participant C: It concerned classical interest rate derivatives – sitting with the client and talking – not just writing down the three figures but answering queries and explaining how everything functions, but even understanding the matter yourself. That is quite a problem but all of us have overcome this hurdle in the meantime and today it is standard for everybody.</p> <p>Each rate, each loan we offer, we automatically think about derivatives and consider them.</p>
I: Wie ist das Feedback vom Kunden? Ist das Thema positiv behaftet oder hat man Probleme, wenn Sie sagen Sie schicken das mit raus und der Kunde liest als erstes Derivat?	I: What is the feedback you receive from your clients? Is it positive or is it problematic if they read the term ‘derivative’ receiving the offer you send them?
Participant C: Sie meinen so auf Grund von Lehman und was man alles so hörte? Man muss das schon erläutern – ich tue es automatisch immer.	Participant C: You refer to Lehman and the others things going through the press? You certainly have to explain it – I do it automatically.

<p>Also ich greife es von mir aus immer sehr positiv auf und sage ‘hör mal Derivate’ wenn sie (Anmerkung: die Kunden) es aus der Presse kennen, kennen sie es nur mit einem negativen Tenor und dann kommen eigentlich so diese Themen Kommunen etc. Aber das sind ja auch letztendlich echte Wetten gewesen ohne das entsprechende Grundgeschäft. Und dann ist meine Erfahrung, dann ist das Thema sehr schnell vom Tisch.</p> <p>Was viel eher ein Thema ist bzw. in der Vergangenheit war, ist das Thema ‘Wir übernehmen eine Garantie für den Kunden’ für die ganzen Zahlungsströme so und umgekehrt kommt dann häufig die Gegenfrage ‘ja, was ist denn mit der Bonität einer Bank – WestLB, Lehman?’ Das ist heute eigentlich ein viel relevanteres Thema, was passiert, wenn eine Bank Zahlungsschwierigkeiten bekommt und das Geschäft dann glattgestellt wird.</p>	<p>Well, I take it very positively and say ‘listen, have you heard anything about derivatives?’; If they (note: the clients) know about them from the press, then only with a negative image and then the topic of local authorities etc. crops up. But those were all cases of pure gambling without any relevant basis business. That’s my experience and then the topic is quickly forgotten.</p> <p>If anything is a topic, or was a topic in history, then the one of ‘we take on a guarantee for the client’ for all of the payment flows and so; and then vice versa comes the frequent question ‘alright, but what about the bank’s creditworthiness – WestLB, Lehman?’ Today, that is a much more relevant topic; what happens if a bank gets into payment difficulties and the trade is balanced up.</p>
I: Vor allem mit der WestLB – das ist ein interessanter Punkt.	I: Especially with regard to WestLB – that is an interesting point.
Participant C: Also das ist für mich so, wo man wirklich drüber spricht heute, weil wir erläutern es ja – wir übernehmen die Garantie und wenn im Falle der Insolvenz eines der beiden Partner wird das Geschäft glattgestellt mit allen Konsequenzen die da	Participant C: As far as I am concerned, this is a point to be discussed as we take over the guarantee. And if the trade needs to be balanced up in case of an insolvency of one of the contracting partners and if the rates level has decreased, it does not

<p>dranhängen und wenn das Zinsniveau gefallen ist, ist es für den Kunden egal, aber wenn das Zinsniveau gestiegen ist, wird er eine Zahlung erhalten aus einer Insolvenzmasse und er darf sich zum höheren Zinsniveau absichern. Die eigene Insolvenz sieht der Kunde für sich ja nicht.</p>	<p>matter for the client. But if the rate level has increased, he wants to have a compensation payment, which has to be paid out of insolvent assets. And he needs to make a new hedge on a higher interest rate level. The client does not consider the possibility of his own insolvency.</p>
<p>I: Die ist ja meistens historisch auch noch nicht vorgekommen. Würden Sie denn auch die Garantie übernehmen gegenüber dem Kunden von der Landesbank aus? Also wenn die ‘Landesbank1’ insolvent gehen würde, würde die ‘Savings Bank1’ dafür einspringen?</p>	<p>I: Yes, because mostly it has not happened yet. Would you take over a guarantee towards the clients for an insolvency of the landesbank? Meaning, that in case ‘Landesbank1’ goes bankrupt would ‘Savings Bank1’ take over the position?</p>
<p>Participant C: Nein, dann würde sie nicht einspringen, aber das Geschäft würde ja glattgestellt werden in dem Moment – wenn eine echte Insolvenz da wäre. Wenn es jetzt nicht so wie ein Übergang auf die ‘Landesbank3’ wäre. Aber nach Vertragsbindung würde das Geschäft ja glattgestellt werden und nach heutiger Sichtweise – steigendes Zinsniveau ist dann ja eher wahrscheinlich, würde der Kunde einen Nachteil haben nach heutigem Stand. Und das ist schon ein Thema worüber man auch mit manchen Unternehmenskunden dann auch intensiv drüber diskutiert. Da kann ich mich an manche Gespräche erinnern, wo auch ‘Consultant1’ mit dabei war, wo man mal</p>	<p>Participant C: No, it (note: ‘Savings Bank 1’)] would not take over, but the trade needs to be balanced up in case of an insolvency. Except the case that there is a transition as it happens to ‘Landesbank3’ now. But referring to the contract, the trades needs to be balanced up and considering the current point of view – a higher interest rate level has a higher probability – this means the client would have a disadvantage. And that is a subject which we have already intensively discussed with some of the corporate clients. I can remember several talks which I attended together with ‘Consultant1’ where probabilities were spoken of – and of how likely a real</p>

über Wahrscheinlichkeiten spricht – wie wahrscheinlich ist denn eine echte Insolvenz. Die hat es in Deutschland nie gegeben. Wir sagen immer – wir gehen nicht davon aus, aber gut, dass Beispiel Lehman ist eine echte Insolvenz gewesen.	insolvency was. We have never experienced it in Germany, though. We always say – we don't assume it could happen, but then, Lehman was a real case of insolvency.
I: Gibt es denn unterschiedliche Angänge, wenn Sie jetzt zum Kunden rausgehen und sagen ... oder ist das immer dasselbe Vorgehen bei jedem Kunden oder geht man da differenziert nach Kundengruppe vor?	I: Do you make use of different sales approaches if you contact clients ... or is it always the same sales approach for each client or do you differentiate regarding the client group?
Participant C: Es ist eigentlich immer dasselbe Vorgehen. Kunde hat einen Finanzierungswunsch oder die andere Alternative, die wir noch in der Vergangenheit hatten 'Ablösung von KfW-Darlehen' auf Grund des günstigen Zinsniveaus. Und in dem Zusammenhang dann auch die Ansprache des Themas Zinssicherung oberhalb von zehn Jahren. Oder auch unterhalb von zehn Jahren, wenn man es da noch attraktiv anders gestalten kann.	Participant C: Actually it is always the same approach. Either the clients wants to have a loan or – cases we also had in the past - the take-over of KfW-loans due to the low interest rate environment. And against this background also tackling the topic of interest rate hedging for a period of over ten years. Alternatively also maturities less than ten years in case we could make an attractive offer.
I: Wie würde denn eine Terminvereinbarung bzw. Terminvorbereitung hier im Hause stattfinden? Sie würden quasi den Bedarf erkennen, diesen dann jemanden melden...	I: How does the arrangement of such a client meeting as well as the meetings preparation take place in your institute? As far as I understand, you are the person identifying opportunities...

<p>Participant C: Ich spreche ‘Consultant1’ an, erst mal ruft der mir nur einen Zinssatz zu – in der Praxis – das sind ja so die drei Positionen, die mich ja interessieren: Zinssatz, Äquivalent, dass ich dafür brauche und Ertrag, den ich damit erziele. Das sind so die drei spannenden Themen. Und dann ginge es meistens erstmal in einem Telefonat, spreche ich das Thema erstmal an, und werfe den Zinssatz auch erstmal so in den Raum, und wenn dann Interesse da ist, und das kriegt man eigentlich schon hin, weil man auch sagt ‘das ist ein komplexes Thema – ich kann dir mal sagen, du kannst es dann zinsgünstig gut gestalten mit dem und dem Thema – einfach mal um eine Hausnummer zu nennen – aber wir müssen an einen Tisch – wir müssen das dir mal richtig darstellen’. Und den Termin kriegen wir dann immer auch gut hin.</p> <p>Da kommt ‘Consultant1’ dann immer auch mit in dem Termin. Meistens mit direkt. Dann machen wir schon auch immer eine Präsentation fertig und gehen anhand der Präsentation das Thema detailliert durch. Und dann ist es eigentlich auch akzeptiert schon auf Kundenseite. Also ich habe jetzt noch keinen Fall, wo wir draußen waren und es nicht zu Stande gekommen ist, weil der Kunde auf einmal sagte ‘ne, das ist Teufelszeug’ oder ‘ich habe da ein schlechtes Gefühl bei’. Dann gab es immer andere Argumente warum man es nicht</p>	<p>Participant C: I talk to ‘Consultant1’. First he gives me just an interest rate in practical doing. The three items which interest me are: interest rate, the equivalent I need and the commission income which I can generate from it. These are the three issues which have relevance for me. In most cases, the topic is initially touched with the client over the phone when I casually mention the matter of interest rates for the first time by giving the client an indication where the rate would be currently. If this gets a reaction – and I usually manage to awaken interest because the normal comment is ‘that’s a very complex matter. I can tell you. You can have a favourable rate doing it a certain way. Just by naming a number. But we must explain that to you properly round the table’. And then we always manage to arrange a physical meeting.</p> <p>Normally ‘Consultant1’ joints the meetings. Usually directly. We usually prepare and use a presentation for addressing the topic in all detail. And normally the client accepts it. I never had a situation, where we were on tour and we could not make the deal, because the client states ‘that’s toxic stuff’ or ‘I do not feel comfortable with it’. There have always been other arguments in case the client has rejected to close the derivative. One would explicitly like to have ten-</p>
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gemacht hat als Derivat. Das man wirklich dann z.B. eine 10-Jahres Zinsvereinbarung haben wollte oder wie auch immer. Aber jetzt keinen mit der Aussage 'ne Derivat, ich fühle mich da nicht wohl mit'.	year fixed loan or whatsoever. But there has never been a person who states 'derivatives, I do not feel comfortable with it'.
I: Jetzt ist bei Ihnen ja die Sondersituation, dass 'Consultant1' hier ist. wer würde das denn sonst machen, wenn der jetzt nicht da ist, gibt es da eine hausinterne Abteilung, die man da nehmen kann?	I: With focus on your institute, you have a special situation as you have 'Consultant1'. In case he would not be available, who would take care of these issues? Is there an internal business unit?
Participant C: Wir haben die Prozedur zweigeteilt. Also einmal geht 'Consultant1' zum ersten Teil zur Beratung eigentlich mit. Wenn es dann wirklich zum Geschäftsabschluss kommt, haben wir ja noch den ganzen Part der Risikoaufklärung und den macht dann – den haben wir auch zentralisiert – den macht dann 'Head of International Business' bei uns, der ist Leiter im Bereich Außenhandel. Da haben wir das eben angegliedert und der macht dann wirklich noch mal die Komplettpräsentation mit Risikoaufklärung	Participant C: We have split the procedure up into two parts. 'Consultant1' accompanies the first part of the consultation. If the matter really results in a business transaction then we have to cope with the issue of the legally required risk explanations which has been centralised in our company and managed by the 'Head of International Business' who is the head of the division 'International Business'. This part follows the initial part and he goes through the whole presentation again and provides the legally required risk explanations.
I: Das heißt es sind grundsätzlich zwei Termine bei Ihnen?	I: So there are generally two meetings?

<p>Participant C: Ja, ja. Mit Beratungsprotokoll und allem. Erst danach – und da kommen die ganzen Unterlagen ja wirklich erst zur Unterschrift rüber – geht auch nicht anders, weil sie müssen ja auch erstmal den Kreditbeschluss hinkriegen. Denn sie müssen ja zwischen der Entscheidung des Kunden ‘Ich will ein Derivat machen‘ und dem Handel – brauchen Sie ja einen Kreditbeschluss und dann können Sie erst rausgehen nochmal mit der Risikoaufklärung und den ganzen Verträgen. Ansonsten, hätten wir ‘Consultant1‘ nicht, würden wir es entweder selbst machen – also dann würde ich es wahrscheinlich selbst machen, also ich persönlich – oder eben wenn sich einer da nicht ganz sattelfest fühlt, würde er ‘Head of International Business‘ eben mitnehmen. Der käme dann halt zwei Mal. Einmal für die Beratung und hinterher auch noch mal für die Risikoaufklärung.</p>	<p>Participant C: Yes, yes. Including the consultation protocol and everything else. In the following – and hereafter the handing over of all documents for signing takes places – it would not work in another way, because you also have to ensure the approval of the corresponding credit lines. Because between the client’s decision ‘I want to close a derivative’ and closing, you need the approval for the granting of the loan and only at this point you can go to the clients for providing the legally required risk explanations and contracts. In case, we were not able to make use of ‘Consultant1’, we would do it on our own – I would do it on my own – or if you do not feel comfortable enough, you would ask ‘Head of International Business’ to join the meeting. Against this background, he meets the clients twice. Once for advisory purposes and once for providing the legally required risk explanation.</p>
<p>I: Aber jeder Firmenkundenberater dürfte, wenn er sich sicher fühlen würde, das selbst machen?</p>	<p>I: But, in case the relationship manager for corporate clients feels comfortable he is allowed to provide advice?</p>
<p>Participant C: Ja ja.</p>	<p>Participant C: Yes, yes.</p>
<p>I: Oder gibt es bei Ihnen so ‘Leuchttürme‘, das sie sagen, ‘ein Steckenpferd von mir ist</p>	<p>I: What’s about persons acting as ‘lighthouses‘, who say ‘derivatives are</p>

Derivate – der andere macht dafür Versicherungen und dann ...‘	my personal hobby – another person focuses on and sells insurances and ...’
<p>Participant C: Also es dürfte jeder selbst ansprechen und beraten. Weil am Ende – und darum haben wir es ja zentralisiert – kommt am Ende des Tages noch mal die Risikoaufklärung durch ‘Head of International Business’ und wir damit als Haus sichergestellt haben, das das Ganze – alle Informationen – noch mal nach einem vorgegebenen Standard noch mal an den Kunden kommt.</p> <p>Sodass kein Kunde hinterher sagen kann: ‚Ihr habt da was vergessen‘. Das geht dann wirklich noch mal nach einem bestimmten Verfahren. Davor dürfte es jeder selbst, soweit er sich wohl fühlt. Wenn er sich nicht wohlfühlt kann er entweder ‘Head of International Business’ mitnehmen oder wie Sie sagen – da ist ein Kollege der es besonders gut kann und man hat einen guten Draht dahin – dann nimmt der den mit.</p>	<p>Participant C: Everyone is allowed to offer and provide consultancy on it. Because in the end – and this is the reason for centralising things – ‘Head of International Business’ comes along and fulfils the legally required risk explanation. And having this procedure our institutes ensures that the whole thing – all information – is presented to the client according to the required standards.</p> <p>This means that no client is able to say afterwards: ‘you have forgotten something.’ This is a strict process. But before the process takes place, every relationship manager is allowed to do it on his own as far as he feels comfortable with it. And if he does not feel comfortable he could either make use of ‘Head of International Business’ or a colleague, who is familiar with the topic and who is personally well-known.</p>
I: Welche anderen Abteilungen würden danach involviert werden? Sie würden jetzt quasi das Geschäft machen, mit der Landesbank handeln, die Landesbank würde bestätigen – oder wie funktioniert das?	I: Which other departments are involved? You would close the trade with the landesbank, landesbank confirms the trade – or how does it take place?

<p>Participant C: Also die Bestätigung – also ‘Head of International Business’ macht auch das Geschäft hinterher – es ist alles im Außenhandel dann nachher zentralisiert. Das wird auch glaube ich sogar aufgezeichnet das Telefonat. Die Bestätigung kommt dann auch zu ‘Head of International Business’ und dann zu mir. Das ich noch mal die Eckdaten sehe. Und dann geht es eigentlich in die Marktfolge und wenn dann noch Zinsbestätigungen von der ‘Landesbank3’ kommen – das wird dann alles über ‘Head of International Business’ an die Marktfolge weitergeleitet und geht dann an den Kunden raus. Sobald das Geschäft einmal abgeschlossen ist, sehe ich es eigentlich aktiv nicht mit mehr.</p>	<p>Participant C: Well, confirmation; well, the ‘Head of International Business’ makes the deal afterwards - everything is centralised afterwards in the International Business department. I think they even audio-tape the trades when concluded over the phone. ‘Head of International Business’ gets the confirmation; then I get it so that I can see the trade data. Then it really goes on to the back office and if interest fixing confirmations come from ‘Landesbank3’ everything is passed on to the back office via the ‘Head of International Business’ and then it’s sent to the client. As soon as the transaction has been finalized, I don’t really actively see it anymore.</p>
<p>I: Wie würden Sie denn Erfolg und Nachhaltigkeit im Zinsderivategeschäft definieren?</p>	<p>I: How would you define success and sustainability against the background of providing interest rate solutions?</p>
<p>Participant C: Wann es nachhaltig ist?</p>	<p>Participant C: At what level it becomes sustainable?</p>
<p>I: Ja, weil ich habe auch so ein bisschen den Hintergrund in der Arbeit ‘Was hat sich durch die Finanzmarktkrise verändert? Was hat sich in der Kundenwahrnehmung verändert’.</p>	<p>I: Yes, because my thesis also focuses on information about ‘what has changed since the financial crisis?’ What has changed regarding client’s attitude?’.</p>

<p>Participant C: Also aus Kundensicht ist es dann nachhaltig, wenn die Vertrauensbasis zum Kundenbetreuer stimmt.</p> <p>Also ich glaube wenn Sie das nicht haben – also keinen guten Draht zum Kunden haben, dann kriegen Sie das Thema gar nicht platziert. Bzw. ist die Gefahr groß, dass genau das passiert, was wir eben schon geschildert haben – man nennt das Wort Derivate und es hat einen negativen Touch eigentlich und wenn sie den nicht wegstreichen und eine Vertrauensebene schaffen, dass sie (Anmerkung: die Kunden) sagen ‘so der Participant C erzählt mir keinen Blödsinn’. Dann haben sie ja keine Chance überhaupt diese Hürde zu nehmen, um das Thema Derivate mal ein bisschen zu entkräften.</p> <p>Von daher glaube ich, ist das erstmal der wichtigste Punkt erst mal. Einen guten Draht zwischen Kunde und Kundenbetreuer haben. Und den kriegen sie natürlich wenn sie eine dauerhafte Kundenbeziehung haben und nicht einen ständigen Wechsel haben und diese ganzen Themen.</p>	<p>Participant C: From the client’s perspective it becomes sustainability, if a relationship of trust to the RM exists.</p> <p>Well. I think if you don’t have that good connection to the client, then you can’t refer to the topic at all and there is a great danger that what I have already described happens - you use the word derivative, it has a negative touch and if you can’t get rid it and manage to create a basis for trust so that they (comment: the clients) are able to say ‘Participant C isn’t talking nonsense’ then you haven’t got a chance of getting over this hurdle. And to weaken the criticism about derivatives a little.</p> <p>I believe the most important issue is a good relationship between client and RM and you get it if it is a long-term one and the client doesn’t have to deal with different people all the time and this kind of stuff.</p>
<p>I: Gibt es Einschränkungen von den Produkten? Wo Sie sagen, damit könnte ich noch leben und ab diesem Produkt kann es nicht mehr nachhaltig sein?</p>	<p>I: Are there any limitations regarding the products? Where you can differentiate ‘these are ok and as far as the products are this way – they can’t be sustainable anymore?’</p>

<p>Participant C: Hmm, ja von der anderen Seiten betrachtet, also das ist solange nachhaltig wie ich an das Produkt glaube. Wie sagt man das am besten? Also es gibt Produkte zum Beispiel, die ich hier im Hause noch nie verkauft habe. Also ich bin persönlich kein Freund von Bausparverträgen – war ich noch nie. Ich glaube ich habe in meiner ganzen Karriere – und die ist jetzt mittlerweile 24 Jahre alt, glaube ich nicht einen Bausparvertrag verkauft. Sie müssen auch glaube ich auf Kundenbetreuerseite - glaube ich – das Produkt kennen und sie müssen auch dahinter stehen, sonst können Sie es auch nicht glaubwürdig verkaufen. Also ich täte mich schwer, Kunden das Wort Derivate näher zu bringen, wenn ich selbst denke ‘naja, also privat hätte ich da ganz große Bauchschmerzen mit’. Ich hoffe auch nicht, dass ich irgendwann mal in die Not komme, dass ich Dinge verkaufen muss, wo ich nicht hinter stehe. Das würde mir sehr, sehr schwer fallen. Aber zum Thema Nachhaltigkeit, wäre das eigentlich auch der wichtigste Punkt dann auch aus der Beziehung von der Bankseite aus. Und der Ertrag muss natürlich auch passen, weil der Aufwand der dahintersteckt, der ist ja nicht ganz unerheblich. Das Äquivalent für die Garantie was sie dann noch einbuchen dürfen belastet sie ja in ihrem eigenen</p>	<p>Participant C: Well, it’s sustainable as long as I believe in the product. How to put it best? Well, there are, for example, products which I have never sold in this institute. I am personally no friend of building society contracts, I never have been. I think in the whole of my career, 24 years now, I have never sold a building society contract. As a RM, you need to know the product I think, and must be committed to it otherwise you can’t creditably sell it. So, I would find it difficult to approach the client using the word ‘derivative’ if I myself thought ‘well, privately, that would give me stomach ache’. Neither do I hope that I would at some time or other be forced to sell things that I could not believe in myself. I would find that very, very difficult. But the issue of sustainability is really the most important factor in relationships with the bank. And the income must also fit because the time and effort behind it is not inconsiderable. The credit equivalent for the guarantee you have to allocate to the client reduces the possibilities with regard to what other products you can do with the client.</p> <p>If I have a big financing transaction and a credit equivalent of half a million ... Last year I concluded a financing transaction above ten mio EUR – I had to post a</p>
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<p>Spielraum, was sie mit dem Kunden noch machen können.</p> <p>Wenn ich jetzt an eine größere Finanzierung denke und ich habe eine halbe Millionen Äquivalent... Ich habe letztes Jahr eine Finanzierung über zehn Mio. EUR gemacht, da habe ich über eine halbe Millionen Äquivalent da drin. Das schleppen Sie natürlich auch eine ganze Zeit lang mit sich rum.</p>	<p>credit equivalent of about half a million. This lasts for quite a long time.</p>
<p>I: Wird dieses Kreditäquivalent für das Derivat im Zeitablauf abgebaut werden?</p>	<p>I: Do you reduce the credit equivalent for the derivative transaction during the life-time?</p>
<p>Participant C: Nein, das bleibt konstant für die Gesamtlaufzeit drin. Und das sind so die beiden Punkte. Der Ertrag muss natürlich auch dann – ich sage mal – am Ende Spaß machen.</p>	<p>Participant C: No, it remains constant over the whole life-time. And these are the both points. At the end, also the profit – how I would name it – needs to be fun.</p>
<p>I: Lohnt sich das denn mehr für Sie als ein normaler Festsatzkredit in der Vergütung – wenn Sie bspw. sagen, Sie nehmen denselben Zinssatz als Kreditmarge?</p>	<p>I: Does it generate more profit compared to a traditional fixed rate loan? For example, if you consider the identical credit spread?</p>
<p>Participant C: Ja, das Derivat ist ein Zusatzertrag. Auf jeden Fall. Wir haben eigentlich von der Sicht der Dinge: Wir wollen das Derivat nicht über den Preis an den Mann bringen, sondern es ist ja eine echte Serviceleistung – eine Dienstleistung</p>	<p>Participant C: Yes, the derivative indeed generates additional revenue. To our mind: We do not want to sell the derivatives due to low prices, but because it is truly a real service. A provision of service which makes us say ‘Well, you</p>

das wir sagen ‘So du kannst deinen Zinssatz – gerade jetzt in der heutigen Zeit – sichern für die gesamte Laufzeit und hast das Ding eigentlich durchfinanziert‘.	are able to hedge your interest rate – especially nowadays – for the entire life time and you actually fully financed the thing’.
I : Also Sie sagen, sie würden den 10-Jahres Festsatzkredit nicht teurer stellen als die Swapkonstruktion, sondern sagen ich mache ein Derivat eher für eine Laufzeit von fünfzehn oder zwanzig Jahren.	I: So, as far as I understand you correctly, you would not price the fixed rate loan worse than the swap-construction, but you tend to offer derivatives for transaction periods of fifteen or twenty years?
<p>Participant C: Ja, genau. Ein Derivat hat in der Regel Laufzeiten oberhalb von 10 Jahren, weil wir die ja hier nicht darstellen können (Anmerkung: mit Festzinskrediten) und nicht wollen auf Grund der gesetzlich bestehenden Sonderkündigungsrechte nach 10 Jahren für Kredite. Also über 10 Jahre machen wir nur ganz beschränkt im privaten Wohnbaufinanzierungsbereich. Da machen wir vereinzelt 15-Jahres-Tickets. Von daher – wenn wir aber ein Derivat verkaufen – ist es immer ein Zusatzertrag.</p> <p>Also wir gehen jetzt nicht hin und reduzieren unsere originäre Kreditmarge um damit das Derivat dann verpacken zu können um dann den Provisionsertrag – den wir ja dann sofort kriegen – in diesem Jahr dann auch noch vereinnahmen können. Auf der eigenen Erfolgsstatistik</p>	<p>Participant C: Yes, indeed. Derivatives have usually maturity terms above ten years, because we cannot offer these maturities otherwise (note: using fixed rate loans) – and we do not want to offer it, because of the legally stated right of extraordinary cancellation of loans after ten years. Transactions with more than ten years are only offered from time to time for financing private real estates where we occasionally offer 15-year-trades. Against this background derivatives generate additional revenues if we sell them.</p> <p>Well, what we don’t do is reducing our original credit spread to cover our derivative solution in order to receive a commission income – which we get immediately – in the current year. On the own target map (note: statistic about</p>

sieht es nett aus, aber am Ende ist es ja ‘sich selbst belügen’.	employee’s sales success) it looks nice, but it is ‘cheating yourself’, at the end.
I: Ich kenne es von einem anderen Haus – die machen es genau andersherum. Die sagen ‘wir begeben das Euribor-Darlehen‘ und nehmen dann eine höhere Kreditmarge als bspw. im Festsatzkredit, sondern geben dann niedrige Zinsen nicht 1:1 an den Kunden weiter, sondern bauen dann die Kreditmarge bspw. auf 1,20% aus. Und wenn man dann einen Swap darauf macht, wird es eigentlich teurer als im normalen Festsatzkredit.	I: I know some institutes, which do it the other way round. They are offering floating Euribor loans and require a higher credit spread than they would have done offering a fixed rate loan. They do not pass through the low interest rates one to one to the client, but rather increase their own credit spread, e.g. 1.20% p.a. And if you include the swap in this transaction, the total rate is actually higher than in a traditional fixed rate loan.
Participant C: Ach so? [...] Also die Derivatkonstruktion machen die in der Kreditmarge noch teurer? Und dann kommt die Derivatemarge auch noch drauf.	Participant C: Oh, they do it that way? [...] So they increase the credit spread within the derivative construction? And then you add the margin for the derivative.
I: Genau, wenn die jetzt einen Festsatzkredit rausgeben für 1% Einstand und Bonität sagt 1% Kreditmarge, macht 2%. Dann sagen die dem Kunden beim variablen Darlehen ist der Einstand 0,20% Euribor – machen dann aber bei der Kreditmarge 1,20%, sind wir bei 1,40% und dann würde man den Swap halt noch irgendwie machen. Im schlimmsten Fall. Die denken halt immer das variable	I: Indeed. They offer a fixed rate loan for mid-market price of 1% plus credit spread of 1% according to individual creditworthiness. This sums up to 2%. Concerning the floating loan: The mid-market price for the Euribor loan would be e.g. 0.20% and they would add a credit spread of 1.20%, totalling 1.40%. And then you need to add the swap rate. The worst case. They always consider the

<p>Darlehen kann der Kunde abwählen bzw. kündigen vorher. Und auf Grund dieses Kündigungsrechtes muss ich es etwas teurer machen als das Festsatzdarlehen. Und dann kommt das Derivat irgendwann vielleicht noch mal dazu oder vielleicht auch nicht.</p>	<p>client's right to cancel the floating loan earlier. And due to this granted right of cancellation, they charge a higher price than they have done for a fixed rate loan. And then they eventually include the swap or not.</p>
<p>Participant C: Ach so, ja gut. Also die berücksichtigen die Ablösemöglichkeit im variablen Bereich. Wobei die – also die ist da, er kann das machen – aber ich habe es bisher noch nicht erlebt, das ein Kunde das macht. Ich glaube – da wäre ich ja wieder bei dem Punkt ‘Verhältnis Kundenbetreuer Kunde’, wenn Sie eine vernünftige Beziehung haben, warum sollte der Kunde irgendwann hingehen und die Basisfinanzierung aufkündigen? Es sei denn, er hat wirklich Liquidität und will sondertilgen.</p> <p>Jetzt irgendwo woanders es billiger einzukaufen - wird er nicht tun, denke ich mir, weil es eine geschlossene Finanzierung am Ende doch ist. Wenn er am Ende natürlich doch ablösen möchte – klar, aber dann müsste er sich konsequenterweise das Derivat mit angucken. Und dann sind Sie beim klassischen Vorfalligkeitsentgelt irgendwann auch wieder bzw. vielleicht auch irgendwann Ertrag.</p>	<p>Participant C: Oh, I see! They consider the right of early redemption for floating loans. This right exists, he can do it, but I have never seen a client who has make use of it.</p> <p>To my mind – and again, this is the issue ‘relationship RM to client’. If you have a relationship of trust, why should a client come along and cancel the financing transaction? Except the case, he has liquidity and wants to make an extraordinary repayment.</p> <p>To my mind, he will not go to another institute, because it is cheaper, because is a closed transaction structure. But if he wants to replace the loan, then he logically has to take a look on the derivative position. And then you actually are talking about a compensation payment for an early repayment or maybe even a profit at a certain point of time.</p>

I: Wenn Sie nun zurückgucken und sagen das Haus ist sehr erfolgreich – was waren denn die Haupt-Erfolgsfaktoren bzw. warum ist das Haus so erfolgreich?	I: Considering that you have said that you institute is very successful. Looking in the past: What have been the main critical factors for your success or why have you been so successful?
Participant C: Die Truppe von ‘Consulting Company1’. Also das ist der Hauptfaktor ist, das die hier sitzen.	Participant C: The people of ‘Consulting Company1’. This is the main reason, therefore they are present.
I: Weil die mehr Zeit haben als eigene Produktspezialisten? Oder weil die extern sind und dadurch andere Vorteile haben?	I: Because they have more time compared your in-house product specialists? Or because they are externals and though have some advantages?
Participant C: Nein, ich kann mich erinnern: Als wir angefangen haben mit dem Thema, war die ‘Landesbank1’ mit ‘Sales3’ hier. Der kam dann extra zu den Kundenterminen hier hin. Da haben Sie aber am Ende - und ich will dem ‘Sales3’ nichts Böses – aber ich kannte den ja nicht. Dann kommt also zu diesen Gesprächen jemand dabei, den der Kunde gar nicht kennt, ich nur sehr begrenzt kenne von irgendwelchen Vorstellungsterminen mal und dann wird ein sehr abstraktes und erklärungsbedürftiges Produkt verkauft und wenn man dann dieses Vertrauensbasis nicht so 100% hat in diesem Trio. Dann lässt sich so etwas auch schwer verkaufen, weil am Ende – da fuhr einer	Participant C: No, as I remember: As we started with the sales of interest derivatives ‘Landesbank1’ came to visit us with ‘Sales 3’ who also participated in client meetings although I hardly knew him – and I do not want to criticise him personally. So you had a conversation with a person the client does not know at all, who I only knew from few other occasions with the aim to sell a very abstract product which needs quite some explanations. The level of trust in that trio never reached 100%, resulting in difficulties in the sales process. So the issue was hard to sell. At the end – the specialist went back to ‘Location3’ and was not present here, all further

<p>wieder am Ende nach 'Location3' hin und war dann weg und wenn eine Rückfrage war, musste man hinterher telefonieren und am Ende passierte alles nur noch telefonisch danach. So, und dadurch, dass der 'Consultant1' hier ist und eigentlich als Konstante. Der sitzt hier auf dem Gang – fünf Büros weiter – den sehe ich jeden Tag, man geht mit den Mittag machen, kennt sich privat ein Stück weit und für alle Fragen oder wenn man irgendwas erarbeitet haben möchte – man kann mal eben um die Ecke gehen und das mal eben besprechen.</p> <p>Wenn ich das jetzt telefonisch mache mit irgendeiner Zentrale in 'Location3', bin ich eine Nummer von vielen und dann wird das irgendwann abgearbeitet.</p>	<p>questions needed to be clarified via phone.</p> <p>Nowadays, 'Consultant1' is here all the time – which can be seen as a constant factor. He sits on the same office corridor. Five offices away from mine. I see him every day. We have lunch together, know each other personally on a certain level and for all question or things need to be done – I can walk to his office and have a discussion with him.</p> <p>And if I would try to do it with any headquarter [note: of a landesbank] in 'Location3', I am just one of amongst others, which needs are passed through someday.</p>
<p>I: Und natürlich gehen die von 'Location3' natürlich auch erst mal über die großen Tickets.</p>	<p>I: And usually the specialists from 'Location3' do cherry picking and try to identify large trades.</p>
<p>Participant C: Ja, ja – genau! Und letztendlich auch da – diese Vertrauensebene ist letztendlich die Basis dafür, dass man letztendlich überhaupt das Thema beim Kunden ansprechen kann oder möchte, selbst wenn man nicht fachlich so fit ist. Das man sagt 'ich habe da jemand mit im Hintergrund' und auch mit 'Consultant1' jemand, wo ich sage, der verkauft es nicht um des Verkaufens</p>	<p>Participant C: Yes, yes – indeed! And actually. This mutual trust is eventually the basis for being allowed to present the topic to client. Or being able to present it - as oneself might not being an expert within the area. That you are able to say 'I know someone who is an expert', and especially referring to 'Consultant1' an expert, who does not only push the sale for the sole purpose of selling but also</p>

willen, sondern weil das Produkt passend ist für den Kunden. Und da ist es dann der gleiche Punkt.	considers the respective client situation accordingly in order to find a product that really fits the client's needs.
I: Das könnte natürlich auch jemand vom Hause selbst machen, oder gibt es da Unterschiede?	Participant: But is it not possible, that this could also be done by a person from your institute? Or are there any differences?
Participant C: Ja, das könnte jemand vom Hause selbst sein. Aber wir haben uns damals bewusst dafür (Anmerkung: externe Unterstützung) entschieden, weil es ja damals auch für uns ein neues Produkt war, wo wir gar nicht wussten, wie funktioniert das eigentlich und wie erfolgreich ist man damit und dann das Know-how selbst aufzubauen, auch die EDV dafür zu implementieren, oder eben sich eines Dritten zu bedienen. Das ist glaube ich einfach eine kalkulatorische Frage am Ende gewesen.	Participant C: Yes, it could be someone from our own institute. But at that time we made a deliberate decision to use it (note: external support) because it was a new product group for us and we knew neither how it really functioned nor how successful one could be with it nor how to build up our own expertise and implement the EDP for it nor whether to pass everything on to an outsider. I think it was simply a matter of economic calculations in the end.
I: Gibt es Punkte, die dafür hier im Hause noch 'gerade gezogen' werden mussten, damit es erfolgreich wird? Neben den Produktspezialisten vielleicht im Hinblick auf Marktfolge, BackOffice, Vorstand ...	I: Have there been further parameters in your institute which needed to be fixed to become successful? Besides product specialists, e.g. with focus to credit analysis unit, back office, management board, ...
Participant C: Was schwierig war – klar auch – wir wurden geschult – wir hatten Vertrieb – wir hatten 'Consultant1' um die	Participant C: That was difficult – obviously – we were trained, we made sales - we had 'Consultant1' sitting round

<p>Ecke sitzen. Und es wurde auch in den Gespräche erklärt – in den Kundengespräche wurde es erklärt und dann kommt man mit neuen Produkten und bringt es in die Marktfolge – die haben es dann vorher mal gehört, aber die sind ja nicht vorher so geschult worden.</p> <p>Und dann kommen natürlich die ganzen praktischen Probleme hinterher in der Umsetzung, dass sie da unten jemand sitzen haben, der das Produkt gar nicht kennt und auch nicht so versteht auf Anhieb. Wo man dann einfach denkt ‘wir tauschen irgendwelche variablen Zinssätze und auf einmal verdienen wir irgendwie 50 TEUR Marge oben drauf und das kann doch ... wo wird denn das Geld gedruckt dafür?’</p> <p>Das ist schon am Anfang schwierig und da hat sich nun herauskristallisiert, da unten gibt es ein paar Spezialisten, die einfach, wenn ein Derivat kommt, dieses bevorzugt auf den Tisch kriegen, weil sie die Abläufe kennen. Weil dafür kommt es hier oben zu selten vor als das man sagen kann da unten sitzen 40 Sachbearbeiter und man gibt da jeden auf den Tisch und jeder weiß sofort was Sache ist. Dafür ist es dann ein Produkt ... wird ja auch nicht jeden Tag verkauft.</p>	<p>the corner. Things were explained in the bilateral talks, things were explained in client meetings and then you come along with a new product and bring it into the back office – they have all heard about it before but they have had no previous training.</p> <p>And then the problems crop up when implementing it and you have someone sitting down there (note: back office) who does not know the product and doesn’t understand it straight away. One might think ‘you just swap variable rates and you earn 50 thousand EUR on top ... this can’t be true ... where does the money come from?’.</p> <p>That is hard to cope with at the beginning and it becomes apparent, that there are some specialists down there (note: back office), which we prefer to work with as they know the procedure. We do not have as much business as that you can give it to each of the 40 back office employees and everybody knows what to do. Therefore it is a product, which is ...it is not closed each day.</p>
<p>I: Brauchen Sie denn irgendetwas als Firmenkundenberater vom Produktspezialisten? Also irgendetwas wie</p>	<p>I: What kind of support from the product specialist do you need in your role as relationship manager? Do you need</p>

eigene Informationsquellen, Software bräuchte ich selbst oder reicht hier der Telefonhörer und ein Ansprechpartner?	information tools, do you need own software or does it work out well to have a phone and a contact person?
Participant C: Mir reicht der Telefonhörer oder ich schicke 'Consultant1' eine Mail. Dann kriege ich die Eckdaten erstmal zurück, dann kriege ich eine Präsentation - als Entwurf zunächst. Und wenn ich dann meine, da müsste noch irgendwas rein, was noch nicht drin ist, dann besprechen wir das kurz. Aber – da muss ich auch sagen – im Regelfall ist es so, dass die Präsentation schon so gut ist, dass – so individuell auf den Kunden abgestimmt ist – dass man sagen kann 'das ist top'.	Participant C: I only need a phone or I send 'Consultant1' an e-mail. Then I receive the terms, then I receive a presentation – as a kind of first draft. And in case I have comments on it, we have a short chat. But – and this I need to say – normally it appears to be that the presentation is perfect, it is mostly tailor- made to the client's situation and you only have to comment 'that's perfect'.
I: Gibt es Inzentivierungsmaßnahmen? Also abgesehen vielleicht auch von den persönlichen Zielen?	I: Are there any measures for providing incentive? Besides the personal sales targets?
Participant C: Nein. (Anmerkung: Pause) Das wäre dann vermutlich auch schon wieder ein Punkt, wo es schwierig wäre. Denn Incentivierung muss ich jetzt 'jein' zu sagen. Nicht für das Thema Derivate – wir hatten hier mal so einen Wettbewerb hier, wo es nach Provisionserlösen geht. Das geht aber über das ganze Haus. Prozentuale Zielerfüllung im Verhältnis halt. Und da fällt natürlich das Derivatethema automatisch mit rein, weil	Participant C: No. (Note: pause). This would actually be an issue, which is hard to handle. I need to say both at the same time 'no' and 'yes'. We don't have it for especially for derivatives, but we had a sort of in-house competition for the generation of commission income. But this affects the whole institute. Proportional fulfilment of sales targets. And this includes also derivatives, as these generate commission income, but

<p>es eben Provisionserlöse sind - aber genauso gut könnte man das letztendlich mit anderen Themen machen. Wobei Sie natürlich nirgendwo so einen Hebel haben, wie im Derivatebereich.</p> <p>Aber es ist jetzt nicht so – dann hätte ich nämlich auch schon wieder Bauchschmerzen – wenn man sagen würde, wir machen jetzt nur für Derivate etwas, wo ich dann losgehe und nicht mehr berate. Sondern das Pferd genau von Hinten aufzäume und nicht mehr gucke was ist die beste Finanzierung für den Kunden – natürlich guckt man auch immer ein Stück weit auf die Marge – aber das ich dann sage ‘komm, ich mache jetzt ein acht Jahre Derivat obwohl öffentliche Mittel viel besser wären’. Das wäre ja dann die Gefahr, die da drin liegt, wenn der Kunde nicht ganz so informiert ist und wer er nichts merkt habe ich Glück und wenn er es nicht merkt, bin ich den Kunden los.</p>	<p>this is also valid for other topics. But you have to notice that there is nowhere such a leverage effect as you may have by selling derivatives.</p> <p>But it’s not like that – if it were, I would have stomach ache again if we were to say we are only going to do something for derivatives - where I just ‘go’ and don’t give any advice. But we put the cart before the horse and fail to see what the best way of financing is for the client. Of course, we have always got an eye on the margin but I would never say ‘come on, I’ll make an eight-year derivative although public funding would be better’. That would mean the risk that a client is not so fully informed and if he doesn’t notice this, that’s lucky for me and if he does notice it – then that’s my client gone.</p>
I: Gibt es ein Handbuch oder ähnliches, woran Sie sich halten müssen?	I: Do you have a handbook which is binding for you?
Participant C: Nein. Es gibt eine Dienstanweisung für die Abwicklung – also für ‘Head of International Business’s Bereich’ – für den Bereich der Risikoaufklärung, aber für mich gibt es jetzt kein Handbuch, wo ich das Thema	Participant C: No. There is specification for processing purpose – which affects the division of the ‘Head of International Business’ – especially for the legally required risk explanation, but there is no specification for me, which explains the

noch mal erklärt habe, wenn Sie das meinen. Also keine Schulungsunterlage.	area. If this is what you mean. No training material.
I: Gibt es eine Vorgabe für das Produktspektrum? Dass sie bspw. mindestens zehn Produkte benötigen?	I: Do you have any requirements regarding the product range? For example that you need at least ten products?
Participant C: Eigentlich reicht mir das klassische Produktspektrum, mit synthetischem Festzins. Also Umwandlung in einen Festzinssatz dadurch. Das ist das Produkt, das hier zu 99,9% hier läuft.	Participant C: Actually, I am satisfied with the classical product range, concretely having a synthetic fixed interest rate construction. Hence, a mechanism which converts a floating rate into a fixed rate. That is the product which works well in 99.9% of the cases.
I: Caps usw. kaufen die Kunden nicht?	I: What about caps etc.? Don't you sell these to the clients?
Participant C: Caps habe ich auch schon mal gehabt – ist jetzt momentan natürlich auch interessant für Kunden die sagen 'ok, das Zinsniveau bleibt niedrig'. Also 'Consultant1' und ich – wir hatten einen Kunden, das war auch ein großer Abschnitt, da haben wir vor 2 Jahren den Cap schon gemacht. Der Festzinsauslauf ist jetzt zum 30.12. und der Kunde sagte 'ich mache keinen Festzinssatz – das geht noch weiter runter und bleibt auch stabil niedrig'. Und muss man ja heute sagen in der Nachbetrachtung hat er Recht gehabt –	Participant C: I have already closed some caps – nowadays these are interesting for clients who say 'interest rate level remains at a low level'. 'Consultant1' and me – we had a client with a great transaction notional, for whom we traded a cap, two years ago. Period of fixed interest rate will end on 30.12. and the customer told us 'I will not make a fixed rate – rate will even become lower and will remain at a low level'. And from the current point of view you have to omit that he was right. Two years ago it would

vor zwei Jahren wäre es teurer gewesen für ihn. Der wird jetzt ab 01.01. Euribor + 1,00%, also wird 1,20% zahlen. Hat zwar immer noch 100 TEUR für einen Cap hingelegt und es wird sich trotzdem locker rechnen, wenn es so weitergeht.	have been much more expensive for him. Beginning with 01.01. he will pay Euribor plus 1.00%, totaling 1.20%. Even though he paid 100 TEUR for the cap the strategy will be profitable from the current point of view.
I: Ist das Euribor-Darlehen hier ein Problem für Sie in der Darstellung von der Softwareseite?	I: Do you have any technical problems to process Euribor-loans in your software?
Participant C: Hmm, ich muss mal eben überlegen. Es ist insofern Aufwand – es muss manuell erfasst werden. Also wir haben nicht die Software, dass wir sagen ‘sie tippen irgendwo 3-Monats Euribor ein plus Kreditmarge’ und dann zieht sich die Software den 3-Monats Euribor – das schafft sie nicht. Wir müssen also wirklich anpacken und erfassen.	Participant C: Well, I have to think about it. It is effort as is has to be done manually. We do not have a software one can say ‘you type in 3-month Euribor plus credit spread’ and the software automatically receives the fixing of the 3-months Euribor – that does not take place. We have to handle it individually and need to type in fixings manually.
I: Aber das machen nicht Sie, sondern?	I: But it is not you doing this, or?
Participant C: Das macht die Marktfolge.	Participant: This is done by the back office.
I: Gibt es hier eine interne Leistungsverrechnung? Also zum Beispiel eine ‘Savings Bank5’ hat das glaube ich – wenn sie einen Auftrag geben an die	I: Do you have commissioning rules for internal services? ‘Savings Bank5’, for example, has this. If they forward a task

Marktfolge, kriegt der Marktbereich einen Betrag belastet.	to the back office, the front office is charged for it.
Participant C: Gibt es noch nicht. Ich weiß nicht, ob Sie es mitgekriegt haben am Rande. Wir haben ja die SDZ gegründet. Sparkassen-Dienstleistungszentrale. Und da ist die Marktfolge ja in weiten Teilen ausgegliedert worden. Zumindest bestimmte Teile. Und da wird der Weg hingehen. Thema Leistungsverrechnung. Klar – irgendwann wird man da Leistungsscheine haben und dann wird mir die Analyse oder die Erstellung von Verträgen irgendwie in Rechnung gestellt werden kalkulatorisch. Bzw. nicht nur kalkulatorisch, sondern wirklich.	Participant: Currently, this is not specified. I do not know if you have heard about it. We have founded the SDZ. Sparkassen-Dienstleistungs-zentrale (note: service centre for savings banks). And we outsourced most of the back office to it. At least certain parts. And this is the future. Topic: commission for internal services. Indeed, you will have calculatory charges for the analysis as well as the drafting of contracts. Not only calculatory but also in real terms.
I: Wenn Sie jetzt sagen im Hinblick auf Ausbildung – der Marktbereich wurde geschult – die Marktfolge wurde geschult – wie müsste denn so eine Aus- und Weiterbildung aussehen für jemand der das verkaufen bzw. beraten sollte? Was wäre da sachdienlich?	I: Focusing on training and education, you mentioned that front as well as back office employees have been trained. How should training take place for employees involved in the sale and advisory of the products? What would be most appropriate?
Participant C: Eigentlich – einmal die technische Seite des Derivats erklären. Wie funktioniert es überhaupt? Und dann eigentlich – für mich wäre es ideal, wenn ich es in der Nachbetrachtung sehe. Anhand dieser Präsentation dann auch ein	Participant C: Actually – on the one hand it needs to explain the derivative's mechanism. How does it work? And on the other hand – it would be perfect for me, if it would be presented to me from the review-perspective. Using this

<p>Kundengespräch bzw. Ablauf mal darzustellen. Und dann kommt man ja zu diesen Sachthemen wenn man mal an diese Grafik denke, wo es mal dargestellt ist, mit diesen Zins austauschen. Dann ist man ja bei dem Fachthema. Also es muss gar nicht so in die totale Tiefe dann abdriften, sondern mehr ‘wie funktioniert das Kundengespräch’, ‘was ist ein Derivat und wie funktioniert das’. Die Eckdaten sollte man wissen.</p>	<p>presentation to simulate a client meeting, respectively the procedure. This immediately leads to the core issues – if I think about the figures, which illustrate the swapping of rates. You directly have the technical issues. You do not need to go into deep details, but rather need to focus on ‘what happens in a client meeting’, ‘what is a derivative and how does it work’. One should need to know that.</p>
<p>I: Müsste man vorher ganz rudimentär anfangen mit Optionspreistheorie oder ist das zu abstrakt?</p>	<p>I: Do you need to start by explaining the theory of option pricing or would this be too abstract?</p>
<p>Participant C: Das wäre zu abstrakt. Ich glaube für Praktiker – und darum geht es ja dann auch letztendlich im Kundengespräch – wäre das zu abstrakt. Das spricht ja auch eben für diese Version, die wir hier fahren. Mit Beratungsgesellschaft1 hier vor Ort, weil dieses ganze Know-how ist hier dann ja da und ‘Consultant1’ kann das ja hier im Gespräch, wenn wir einen Kunden vor uns haben und der das gerne mit dir durchdiskutieren möchte – die Karte kann ‘Consultant1’ ja 100% spielen. Da hätte ich jetzt ein Problem – also ich könnte es nicht darstellen und müsste dann den geordneten Rückzug antreten. Und ich glaube das ist eigentlich auch ein Stück weit das Erfolgsmodell.</p>	<p>Participant C: This would be too abstract. To my mind and for practitioners – and this is what the client meeting is all about – this would be too abstract. This also underlines the approach that we follow. We have ‘Consulting Company1’ on-site, because by doing so we also have the entire know-how on-site and ‘Consultant1’ is able to explain all the issues in a meeting, if the clients wants to discuss this. He is able to play this card by 100%. As far as I am concerned, I would face a problem – I am not able to provide the knowledge and would need to conduct an ‘orderly withdrawal’. And to my mind, this is also part of our model of success.</p>

I: Wie stark spielen denn regulatorische Anforderungen eine Rolle? Haben Sie hier viele Berührungspunkte oder ist das eine Thematik der Produktspezialisten?	I: Are regulatory requirements important? Are you confronted with them or is this an issue for the product specialists?
Participant C: Ja genau. Ich kriege das nicht mit. Sie meinen jetzt hier im Hinblick auf Basel 3 usw.?	Participant C: Yes, indeed, but I am not involved. You refer to Basle 3, etc.?
I: Ja, genau. Produktinformationsblätter, noch mehr Aufklärung und Margenkommunikation etc. Apropos werden Margen hier mittlerweile auch benannt gegenüber dem Kunden?	I: Yes, Key-Investor-Information Documents, other kinds of explanation and margin transparency, etc. By the way do you name the margins/commissions you earn towards the clients?
Participant C: Die Marge, ja! Klar, Marge wird benannt – wir sagen ja Euribor plus Kreditmarge – wir sagen im Derivat, dass wir was daran verdienen. Wir sagen auch hinten – das steht ja im Disclaimer auch wie viel in Prozent – wir sagen es natürlich bewusst nicht in Euro, wenn der Kunde es nicht fragt. Aber er könnte es nachrechnen. 0,3% p.a. liest sich aber wahrscheinlich gefälliger als wenn wir den riesen Betrag nennen. Ich sage mal die Risikoaufklärung, also was da an Papier über den Tisch geschoben wird, macht ja auch alles dann ‘Head of International Business’ zentral. Also das ist wirklich ein ganz sensibles Thema, dass wir da sauber unterwegs sind	Participant C: Oh yes, the margin. Sure, there is a margin – we say Euribor plus credit spread. In the derivatives business, we say what we earn on them. We don’t say it direct, but it is stated in the disclaimer and how much in percent – but we purposely do not say what it is in Euro if the client does not ask. Anyway, he can work it out for himself. 0.3% p.a. possibly sounds better than naming a huge amount. Let me say this, the legally required risk explanation, the paper what is passed over the table. This is done centrally by the ‘Head of International Business’. It is highly sensible to do it the right way. Also the

<p>und auch diesen Wertpapierberatungsbogen dann – das ganze Beratungsprotokoll – das macht er auch zentral. Aber die anderen Regulatorien, die da heißen muss man irgendwann auch mal an die Themen ran, wenn sich die Bonitäten verschlechtern. Die spielen wir ja heute noch gar nicht. Wir sagen ja Euribor plus Kreditmarge.</p>	<p>STA protocol and the consultation protocol. This is done by him centrally. But the other regulatory issues, for example what happens if the creditworthiness of a client deteriorates. We do not consider them, yet. We say Euribor plus credit spread.</p>
<p>I: Ich glaube Sie haben aber auch den großen – wenn ich das so von der Distanz sehe - den großen Vorteil, dass Sie große Margen durchholen. Wenn ich höre, dass man 30 Basispunkte in einem Swap nehmen kann – da sind ja andere Banken meilenweit von weg.</p>	<p>I: To my mind – and seen from the distance – you have got the advantage that you can generate high margins. Referring to the previously mentioned 30 bp p.a. for a swap. Other banks are far away from these sizes.</p>
<p>Participant C: Ja. Das ist teilweise sogar drüber. 30 ist so Minimum was wir haben wollen.</p>	<p>Participant C: Yes. It sometimes even above this. 30 is the minimum we would like to have.</p>
<p>I: Das spricht schon für eine sehr gute Kundenbindung – andere Banken verdienen drei bis vier Basispunkte in bestimmten Kundengruppen.</p>	<p>I: That illustrates a really good relationship to the clients – other banks earn three till four basis points in some client groups.</p>
<p>Participant C: Ok, wir haben hier aber auch den Vorteil, dass wir ein Feld bespielen, was in ‘Location8‘ nicht so vertreten ist. Wir machen ja auch kleinere Abschnitte. Also wir würden es auch schon für 200,</p>	<p>Participant C: OK, but we have the advantage of playing in a field which is not represented in ‘Location8’. We also work with smaller tranches; that means we would do it for 200, 300 thousand</p>

300 TEUR machen. Ich glaube da finden Sie keinen ...	Euros. I don't think you would find anyone...
I: Gibt es denn eine Konkurrenz? Bzw. nehmen Sie eine Konkurrenz war?	I: Are there any competitors? Do you recognise competition?
Participant C: Ich würde sagen wir nehmen keine wahr. Die Volksbank kann es – also Derivate – macht es aber aktiv nicht.	Participant C: I would say that we do not recognise competition. The cooperative bank could offer derivatives, but does not do it actively.
I: Die machen es wahrscheinlich über die WGZ-Bank. Dass die dann von dort jemanden mitnehmen.	I: They properly include the WGZ-bank. By taking someone from this institute along.
Participant C: Ja genau. Ich weiß jetzt von einem Fall, da habe ich den Kunden auch angerufen bzw. angesprochen auf Ablösung KfW-Finanzierung und das ist daraus hinausgelaufen, dass wir ein Derivat gemacht haben und die Volksbank – wir hatten also – wir waren 50:50 unterwegs – und haben eine Aufteilung genommen. Ein Teil 10 Jahre und einen Teil durchfinanziert. Noch ein dritter war irgendwie 5 Jahre. Die Volksbank hat die ganzen Festzinslaufzeiten gemacht und wir haben das Derivat gemacht. Also die können das theoretisch, aber – und das wäre jetzt meine gefühlte Welt – noch fachlich weiter davon entfernt – also das man sich damit nicht wohlfühlt als	Participant C: Yes, indeed. I remember one client situation, where I called the client to talk about prepayment of the KfW-financing and this has led to the fact that we closed a derivative and the cooperative bank – as we had a 50:50 financing structure and offered a split structure. One part was ten years and one part was fully financed over the whole maturity. And a third part was something about five years. The cooperative bank did all fixed rate loans and we closed the derivative. Theoretically they are also able to offer it, but to my mind, they are not professional enough and if a RM does not feel comfortable enough and you need to include the WGZ And this is

Betreuer und müssen dann eben auf die WGZ zugreifen ... und das wäre ja so das was ich eben sagte als die 'Landesbank1' in 'Location3' saß und wir die dann hier hinholt. Und mit diesem Team waren wir nicht so gut unterwegs mit.	what I have already said by mentioning 'Landesbank1' placed in 'Location3' we had to include. And having this team we were not successful either.
I: Heute haben Sie aber selbst keinen Kontakt mehr zu einer Landesbank – das würde alles über 'Head of International Business' laufen?	I: Nowadays you do not have contact to the landesbank on your own – everything is coordinated by 'Head of International Business'?
Participant C: Ja.	Participant C: Yes.
I: Würden Sie denn mit aussuchen, welche Landesbank man nimmt? Also wenn sie persönlich oder der Kunde nicht an die Landesbank1 glaubt? Haben Sie Einfluss darauf?	I: Is it also up to you to choose a landesbank? For example if you or your client do not trust 'Landesbank1'? Are you involved in this procedure?
Participant C: Also es ist erst mal eine Hausentscheidung, wie damit umgegangen wird. Also ich persönlich könnte das nicht, aber wir hatten ja ursprünglich immer die 'Landesbank1' und als wir merkten, das könnte mal irgendwann schwierig werden, haben wir auch schon mit der 'Landesbank3' Kontakt aufgenommen und haben die mit ins Boot genommen. Dann gab es eine Zeit, wo der Kunde wählen konnte – 'Landesbank1' oder	Participant C: First of all, it is a decision of our institute with whom we want to cooperate. Personally, I have no influence, but originally we only had 'Landesbank1' and as we recognised that this might lead to difficulties, we contacted 'Landesbank3' and included them. Then there was a time, the client was able to choose – either 'Landesbank1' or 'Landesbank3'. And nowadays we only have 'Landesbank3' left.

<p>‘Landesbank3’. Und jetzt mittlerweile haben wir nur ‘Landesbank3’.</p>	
<p>I: Gibt es irgendwas von Ihrer Seite, wo Sie sagen das muss – jetzt abgesehen von der Beratung vielleicht - bei einer Landesbank auf jeden Fall funktionieren? Punkte, wo Sie sagen, das lief in der Vergangenheit falsch und muss jetzt besser werden? Erfolgsfaktoren?</p>	<p>I: With reference to your personal experience – except the initially mentioned consultation – what are the critically factors for the cooperation with the landesbank? Factors, which might have been addressed in the wrong way in the past? Critical success factors?</p>
<p>Participant C: Was blöd war, war früher eben zu ‘Landesbank1’-Zeiten die Erreichbarkeit. Sie hatten ja irgendwie – also ich glaube Sales3 war ja Händler, der saß ja irgendwie im Händlerraum da – und den da zu erreichen und das er dann auch im Thema in dem Moment sofort ist. Der macht ja wahrscheinlich auch eine Vielzahl von Derivaten am Tag. Da fühlt man sich sehr weit weg.</p>	<p>Participant C: What was stupid in the past in the ‘Landesbank1’ times was accessibility; ‘Sales3’ was a sales trader and sat on the trading floor – but you had to get hold of him, and he had to have the information straight away. He probably closes a variety of derivatives each day. You felt yourself far removed from everything.</p>
<p>I: Gibt es hausintern Restriktionen oder Herausforderungen, die Sie erstmal meistern mussten, bevor Sie Derivate machen konnten? (Pause) Wenn eine Sparkasse das Geschäftsfeld neu aufsetzen möchte und Sie würden denen helfen indem Sie denen fünf Fallstricke nennen, die es zu umschiffen gilt.</p>	<p>I: What kind of internal restrictions or challenges did you have to cope with to offer derivatives? (note: Pause) For example, if a savings bank wants to implement the business field and asks you to help by naming five challenges they have to cope with.</p>

<p>Participant C: Ja gut, wir mussten ja erst einmal diesen ganzen Neue Produkte Prozess abwickeln, das wir überhaupt das ganze Thema Derivate hier implementieren durften. Dann habe ich aber keinen sonstigen Einblick, dann brauchen Sie noch eine Vorstandsentscheidung und dann müssen Sie das ganze Thema ja erstmal aufarbeiten.</p> <p>Äquivalente, wie werden die berechnet, wie gehen wir überhaupt mit dieser Größenordnung um am langen Ende, wie gehen wir auch damit um, wenn wir ein Äquivalent – was wir in der Vergangenheit häufig hatten – nicht ausreichte.</p>	<p>Participant C: Well, initially we need to go through the 'new product process' in order to be allowed to implement the topic derivatives. But I do not have an overview about other things. You need an approval by the board and prior to this you need to discuss the whole issue.</p> <p>Credit equivalents, how are they calculated, how do we cope with their high number for the long maturity, what happens if an equivalent is not high enough. An effect we have often seen in the past.</p>
<p>I: Gibt es bei Ihnen einen Risikomanagement –eine Abteilung, die auch darauf einen Blick werfen könnte oder wäre die fachlich zu weit weg?</p>	<p>I: Do you have a kind of risk management, a business unit, who takes care of this or would this be far away of their professional scope?</p>
<p>Participant C: Also wir haben bei uns die Vertriebsunterstützung. Die hat das Ganze seinerzeit ausgearbeitet und vor dem Vorstand ja präsentiert. Die gucken dann natürlich auch drauf – in Verbindung auch mit der Revision.</p>	<p>Participant C: We have a business unit 'sales management'. This unit has introduced it and presented the issue to the management board. They take care of it – in union with the revision.</p>
<p>I: Ist Vertriebsunterstützung die Vertriebssteuerung in Person von Participant D?</p>	<p>I: Does sales management mean the unit of Participant D?</p>

Participant C: Ja, genau. Mit dem sitzen Sie wahrscheinlich auch noch mal zusammen, oder?	Participant C: Yes, indeed. You will probably also have a meeting with him, right?
I: Ja.	I: Yes.
Participant C: Also das ist da angesiedelt das Thema. Der dürfte Ihnen auch dazu was sagen wie man damit umgegangen ist das Thema überhaupt zu implementieren. Ich kannte ja irgendwann nur die fertige Präsentation ‘so wir machen jetzt Derivate’ so ‘alle man raus zum Kunden’.	Participant C: The issue is covered by them. He will be able to tell you how we have coped with the implementation of the issue. I only saw the final presentation stating ‘we are offering derivatives from now on’ meaning ‘everybody, visit your clients!’.
I: Hat sich irgendwas durch die Finanzmarktkrise geändert?	I: What has changed through the financial crisis?
Participant C: Geändert in der Wahrnehmung nur, dass man eben über das Thema Bankbonität spricht. Das ist heute fester Bestandteil eines jeden Derivategespräches. Das habe ich vorher nicht gekannt. Über Insolvenz von Banken hat man nie gesprochen – die hat man immer ausgeschlossen. Und ich glaube da haben wir dann auch wieder, als Sparkasse, einen großen Vorteil – das nehme ich immer so wahr - das man einen sehr großen Vertrauensbonus genießt. Dass die Sparkasse jetzt nicht mit risikobehafteten Harakiri-Geschäften unterwegs ist,	Participant C: The only thing that has changed in the perception is that the topic of bank creditworthiness is talked about. It is a firm element of any discussion about derivatives. I never came across it in the past; you never talked about a bank becoming insolvent. It was always totally out of the question. And I believe that as a savings bank we have a major advantage – we enjoy an extremely great bonus in trust. That is something I am always aware of - that the savings bank does not deal in high-risk, hara-kiri type of business but is still very down-to-earth and conservative.

sondern immer noch sehr bodenständig und konservativ.	
I: Die letzten beiden Fragen habe ich schon. Das eine wurde schon ein wenig beantwortet – wenn man jetzt über Best Practice und wie würde man Derivatevertrieb am besten machen redet, würde vermutlich diese regionale Nähe vom Produktspezialisten zum Firmenkundenbereich, sodass man informelle Gespräche führen kann usw. ein Punkt sein. Dass die Unterlagen sauber aufbereitet sind habe ich als wichtig mitgenommen, gibt es sonst noch irgendetwas was aus Ihrer Sicht was wichtig war?	I: The last two question. One of them you have already answered partly. Talking about best practice and how to set-up derivative sales in the best way, you mentioned the regional proximity of the product specialists to the corporate client's RM to have the ability to have informal chats. I have also recognised that it is important, that the documents are clearly structured. Are there any other topics, which are important?
Participant C: Was wichtig ist, Sie müssen intern in der Lage sein – ich meine jedes Haus ist da ja anders strukturiert was Kreditbeschlüsse anbelangt – Sie müssen auch schnell den Kreditbeschluss hinkriegen. Das erlebe ich immer wieder als Herausforderung. Sie sind beim Kunden und zeigen dem Kunden einen spitzen Zinssatz – und dann sagen sie gleich 'das ist aber ein Tageszinssatz' – und der Kunde sagt 'hey, möchte ich machen!'. Im Bereich Festzinsangebote haben Sie ja immer eine Karenzzeit. Wenn ich heute mit Ihnen eine Verhandlung mache und ich sage 'komm, wir machen	Participant C: To my mind, it is also important that you are internally able – I mean the institute must be able to – regarding credit approvals – must be able to provide fast credit approvals. I always recognise that this is challenging. You are sitting in front of the client, show him a precise interest rate and then you state 'this is only the current daily interest rate' and the customers notes 'I want to do it!'. Referring to fixed rate loans, you always have a kind of qualifying period. If we would have a negotiation today and I say 'come on, we can do 2.50%, ten years' then we have agreed on it and the rest

<p>jetzt 2,50%, zehn Jahre', dann haben wir das hier vereinbart und dann ist der Rest nun mein Job. Selbst wenn sie erst in drei Wochen die Verträge haben – dann habe ich höchstens als Kundenbetreuer das Risiko, dass der Zinssatz weiter gefallen ist und sie noch mal nachverhandeln wollen. Aber da bin ich eigentlich in der Risikoseite und am Ende läuft das irgendwie kalkulatorisch in die Bücher rein. Beim Derivat haben Sie wirklich einen Minutenpreis. Und da – momentan haben wir ja ein sehr stabiles Zinsniveau – ich habe es auch noch nicht erlebt, aber ich stelle es mir sehr blöd vor, wenn wir heute 2,50% sagen und dann brauchen wir vier Wochen für die Verträge und dann sind wir bei 2,90%.</p>	<p>would be my job. Even if you get the contract in three weeks, then it is me, as RM, having the only risk that in case the interest rates further decreased that they (note: the clients) want to discuss it again. But it's me having the risk of it and at the end it goes somehow calculatory in the books. Regarding derivatives – you only have prices for some minutes. And at the moment – there we face quite a constant interest rate level – I have never experienced it, but I think it is somehow a problem, if we stated 2.50% and we need four weeks for generating the contracts and the price will be 2.90%.</p>
<p>I: Würden Sie denn die Verträge nicht parallel anstoßen und eine Kreditlinie für Derivate mit beantragen?</p>	<p>I: Don't you generate the contracts in parallel and also apply for a credit line for derivatives directly?</p>
<p>Participant C: Nein, nein. Weil das Derivat sprechen Sie ja an im Finanzierungsgespräch. Da hat Ihnen der Kunde die Unterlagen vielleicht schon mal zugeschickt, dass Sie reingucken konnten von der Investition oder Sie kriegen Sie im Gespräch. Und dann kommen Sie ja das erste Mal in das Thema Finanzierung, Laufzeiten, Strukturen und dann kommen Sie auf das Thema Derivate. Und dann hat</p>	<p>Participant C: No, no. Because you talk about a derivative during the financing discussion. At this point, the client has already sent you information about the underlying investment or you receive the information during the conversation. And at this point you discuss financing, maturity, structure and then you discuss the derivatives' issue. And then the client</p>

der Kunde das Interesse und dann lassen Sie auch schon einen Zins raus.	gets interested and you mention an interest rate.
I: Ich kenne das von einer Sparkasse, die sobald das in die Marktfolge geht – ich glaube die haben eine Kreditanalyse I und Kreditanalyse II, wenn ich das richtig mitbekommen habe – beantragen die automatisch die Linie direkt mit, d.h. sobald das Kundengespräch stattfindet, macht der eine Art Vorkalkulation von der Kreditanalyse kriegt ein Feedback ob das paßt und schreibt dann nachher noch mal den ausführlichen Bericht vielleicht.	I: I am familiar with a savings bank, which – as soon as it passed to the back office – and I think they have separated back office in a part credit analysis I and credit analysis II – they automatically apply for the line. Meaning as soon as the client meeting takes place, a kind of pre-calculation is conducted by the credit analysis and you receive a feedback if it would work and a detailed review is written in the following.
Participant C: Ja, aber dann sind Sie ja auch schon einen Schritt weiter. Ich mache das auch, wenn ich weiß das Geschäft will er mit uns machen und wenn ich soweit bin, dass ich einen Kreditbeschluss anstoßen kann, dann sage ich häufig im Beschluss auch schon ‘komm, das ist meine Margenvorstellung‘ und ich lasse mir gleich ein Kreditäquivalent mitbewilligen für den Fall, dass der Kunde ein Derivat macht. Zur Not ist es halt verlorene Liebesmühe, aber lässt sich halt schnell mitbewilligen. Aber meistens ist es ja – bzw. es ist ja eigentlich so, dass sie viel eher mit dem Kunden zusammensitzen und bis sie die Signale empfangen, dass sie die Finanzierung kriegen und auch die	Participant C: Yes, but at this point you are already on the next level. I also do this, at the moment I know that he wants to make the trade with us and I reach the status able to apply for the credit approval. Then I also often state in the review ‘come on, these are my margin requirements’ and I also apply for a credit equivalent to be prepared for the case the clients wants to trade a derivative. In the worst case this is done for nothing, but nevertheless it is approved quite fast. But normally it happens that you have a meeting with the client and you have already talked about prices and derivatives before receiving signals that you will get the financing structure and

<p>Eckinformationen haben, dass sie einen Kreditbeschluss anstoßen können, haben Sie auch schon mal über einen Preis vorher gesprochen und über die Struktur mit dem Derivat.</p> <p>Und wenn Sie dann in der Regel auch schon mit ‘Consultant1’ draußen waren und sagen ‘das ist der Zinssatz’ und haben hinterher ein halbes Prozent mehr, weil Ihnen die Zeit weggelaufen ist. Dann müssen Sie auch wirklich schon im Kundengespräch schon mal sagen ‘es ist ein echter Minutenpreis’ und wir brauchen vier Wochen für die Beschlusserstellung – aber dann muss es auch in den vier Wochen klappen. Also das muss man sich glaube ich – in dem Moment, wo wir ein steigendes Zinsniveau erleben – muss man da wirklich in der Kommunikation sauber sein. Dass der Kunde nicht den Eindruck erhält ‘in 4 Wochen habe ich den Zinssatz auch noch’ oder ich kriege die Kreditunterlagen in einer Woche.</p>	<p>that you are able to apply for the credit approval.</p> <p>And normally you have visited the client together with ‘Consultant1’ before and mention ‘this is the rate’ and afterwards you will have half a percent on top, because time has gone. Therefore, you need to state during the client meeting ‘this is a price valid for some minutes’ and we need four weeks for the credit approval. But then it needs to take place in four weeks. To my mind, as we are currently facing a higher interest rate level, you need to state this clearly. The client should neither think the rate will be the same in four weeks nor he will receive the credit contract in one week.</p>
<p>I: Eine Frage fiel mir noch gerade ein. Würden Sie immer ein Derivat nur auf den eigenen Kredit machen oder kommt das auch vor, dass der Kunde mehrere Kredite auch bei anderen Banken hat und die greifen Sie alle mit dem Derivat ab?</p>	<p>I: One question comes up to my mind. Do you always provide derivatives for the loans granted by yourself or does it occur that the client has several loans from different institutes and you close the derivative for all of them?</p>
<p>Participant C: Ist eher ein Ausnahmefall – hat es aber auch schon gegeben. Genauso</p>	<p>Participant C: That’s not the rule, but it has already happened. Like forwards we</p>

<p>wie Forwards, die wir mit dem Kunden gemacht haben über zehn Mio. EUR. Wo wir gesagt haben, der Kunde möchte in einem Jahr investieren und wir damals glaubten die Niedrigzinsphase zu haben und wir haben schon auf das Volumen ein Derivat abgeschlossen.</p>	<p>have traded with clients – a notional of ten mio EUR. The client stated that he's willing to invest in one year forward and we thought that we really have low interest rates and therefore we closed a derivative on the relevant notional.</p>
<p>I: Kommen viele Rückfragen zur Bilanzierung bei solchen Dingen? Oder ist das für die Kunden kein Thema?</p>	<p>I: Are you confronted with accounting questions? Or is it not relevant for the clients?</p>
<p>Participant C: Nein, es kommen wenig. Es ist immer eine Frage, die der Steuerberater ja zu regeln hat am langen Ende und mag vielleicht sein jetzt auch für mein Kundensegment, dass die Kunden das Thema Derivate schon kennen oder kannten teilweise bzw. damit schon Erfahrung hatten. Könnte vielleicht eher ein Thema sein in der Gruppe der Gewerbekundenbetreuer, weil da ist es sicherlich für einen Steuerberater vielleicht auch ein neueres Thema. Haben Sie dort auch noch einen Termin mit jemanden?</p>	<p>Participant C: No, not many. Actually it is a question the tax consultant needs to take care of. And additionally, with respect to my client group, most of the clients are familiar with derivatives or already have made experiences. Therefore the issue might be more relevant for the client group of commercial clients. Regarding this group it might be definitely a newer topic for the tax consultants. Do you also have an interview with someone from this group?</p>
<p>I: Ich kann die Namen noch nicht alle einschätzen, aber ich habe noch unter anderem Participant K einen Termin.</p>	<p>I: I am not so familiar with the names, but I have an interview with Participant K.</p>
<p>Participant C: Das ist Freiberufler, aber da kann ich mir die Thematik auch gut</p>	<p>Participant C: That's freelancers, but I think that the issue is also relevant for</p>

vorstellen, weil es auch dort ein neueres Thema ist.	them, because it should be a newer issue as well.
I: Also bei ihnen würde ich jetzt daraus schließen: Ihre Kunden kennen das Thema und die Sparkasse kann es jetzt auch darum machen sie es jetzt mit der Sparkasse?	I: Focusing on your clients I conclude: Your clients are familiar with the issue and as the savings bank is able to provide solutions, they want to do it with the savings bank?
Participant C: Also den Kunden ist das Thema teilweise nicht unbekannt. Aber das sie es explizit mit der Sparkasse machen – nicht. Sie sprechen ja ... Man kommt ja immer von der Finanzierungsseite. Sie führen ein konkretes Finanzierungsgespräch und ich sage mal am Ende haben wir entweder das beste Gesamtpaket – das mag das Derivat sein, weil wir da eigentlich auch relativ alleine unterwegs sind – und eben eine gute Kundenbeziehung. Das sind für mich die beiden echten Erfolgsfaktoren, weil ich glaube ... ich kann mich an so viele Geschäfte erinnern, wo wir wirklich am Ende mit einem Kopf-Nicken auch noch mal so von seiner eigenen Seite das Vertrauen schafft, dass das ein gutes Produkt ist.	Participant C: The clients are mostly familiar with it. But they do not make it explicitly with a savings bank – that's not the case. You talk about .. You have a definite talk on financing and I say that at the end of it either we have the best overall package or we don't – that might be a derivative because we are relatively alone in this field – plus a good relationship to the client. For me those are the real success factors because I think... I can remember so many transactions where I really nodded my head at the end of it and thought I have created an atmosphere of trust, and the product is a good one.
I: Ich war mal bei einer Sparkasse mit in einem Termin und eigentlich habe ich quasi eine halbe Stunde eine Vorführung	I: I was joining a client meeting for a savings bank and presented over half an hour and afterwards the client looked at

gegeben und dann guckt der Kunde den Kundenbetreuer an und der nickt. Und eigentlich hätte ich mir meinen Auftritt sparen können.	the relationship manager and he nodded his head. And actually I could have saved my time for presentation.
Participant C: Ja – genau. Auch deprimierend, oder? (Anmerkung: Lachen)	Participant C: Yes – indeed. That’s depressing, isn’t it? (note: laughing)
I: Es hat sich ja trotzdem gelohnt. Es war eine große Immobilienfirma, die kannten den Kundenbetreuer schon länger und der nickte einmal und dann sagte der Kunde ‘dann machen wir es so‘.	I: Nevertheless, it was successful. It was a large real estate company, the company has known the RM for a long time and he nods once and the client says ‘we are doing it’.
Participant C: Ich habe das auch einmal erlebt – letztes Jahr da haben wir ein Versicherungspaket – ein komplettes Versicherungspaket vom Kunden übernommen. Hatten eine große Präsentation, da kam extra einer vom Versicherer und hat das extra präsentiert. 60 TEUR Beitragsvolumen jedes Jahr. Und am Schluss war auch wirklich – er guckte mich an und ich nickte – und dann haben wir es gemacht.	Participant C: I have also experienced this – last year we took over a large package of insurances – the complete package of insurances of a client. We had a large presentation, which was accompanied and presented by the insurer. A premium volume of 60 k EUR each year. And at the end – he looked at me and I nodded – and we did it.
I: Letzte Frage. Welche Relevanz messen Sie dem Geschäftsfeld zukünftig bei?	I: Last question. What do you think about the future relevance of the business field?

<p>Participant C: Ich glaube es wird ... also momentan ist es leichtes Geschäft auf Grund des Zinsniveaus. Was natürlich auch für viele dafür spricht – auch die flache Zinskurve die wir haben – die spricht dafür zu sagen ‘komm ich mach direkt die 15 oder 20 Jahre, statt die 10 Jahre mit aus heutiger Sicht sehr wahrscheinlichen negativen Kursänderungsrisiko in 10 Jahren’. Das macht natürlich das Derivat heute sehr einfach zu verkaufen. Also von daher glaube ich wird es anspruchsvoller. Aber ich bin davon überzeugt es gehört – wenn Sie eine umfassende Beratung abgeben wollen beim Kunden – gehört es immer mit zum Produktportfolio dazu. Das lässt sich auch heute nicht mehr wegdenken. Und es wird immer dann Kunden geben für den es auch das passende Instrument ist.</p> <p>Aber ich glaube schon, dass wir jetzt sehr gute Jahre gehabt haben, aber im Rahmen eines steigenden Zinsniveaus wird es die 20-jährige Laufzeit natürlich nicht mehr so geben. (Anmerkung: Pause) Dann kommen vielleicht wieder andere Themen. Vielleicht wirklich das komplette Zinsmanagement oder vielleicht kommen wir dann auch mal zu den Währungsthemen. Aber damit haben wir auch wenig Kunden, die damit zu tun haben.</p>	<p>Participant C: I think it becomes... well, actually it is easy to sell due to the low interest rate level nowadays. That makes many to say – also because of the flat interest rate curve – many to say ‘I directly hedge for 15 or 20 years, instead of doing ten years with the risk of having an interest rate exposure in 20 years – from the current perspective’. That makes derivatives easy to sell nowadays. Therefore, I think it becomes more challenging. But I am convinced that it is always part of a product portfolio if you want to advise the clients well and I can’t imagine things today without it. And there will always be a client for whom it is a suitable instrument.</p> <p>But I think, we have had really successful years, but with respect to an increasing interest rate level 20-year maturities will not exist anymore. (note: pause). There might be other topics. Maybe the holistic management of interest rates or maybe there will be also fx-issues. But we actually have only a few clients confronted with it.</p>

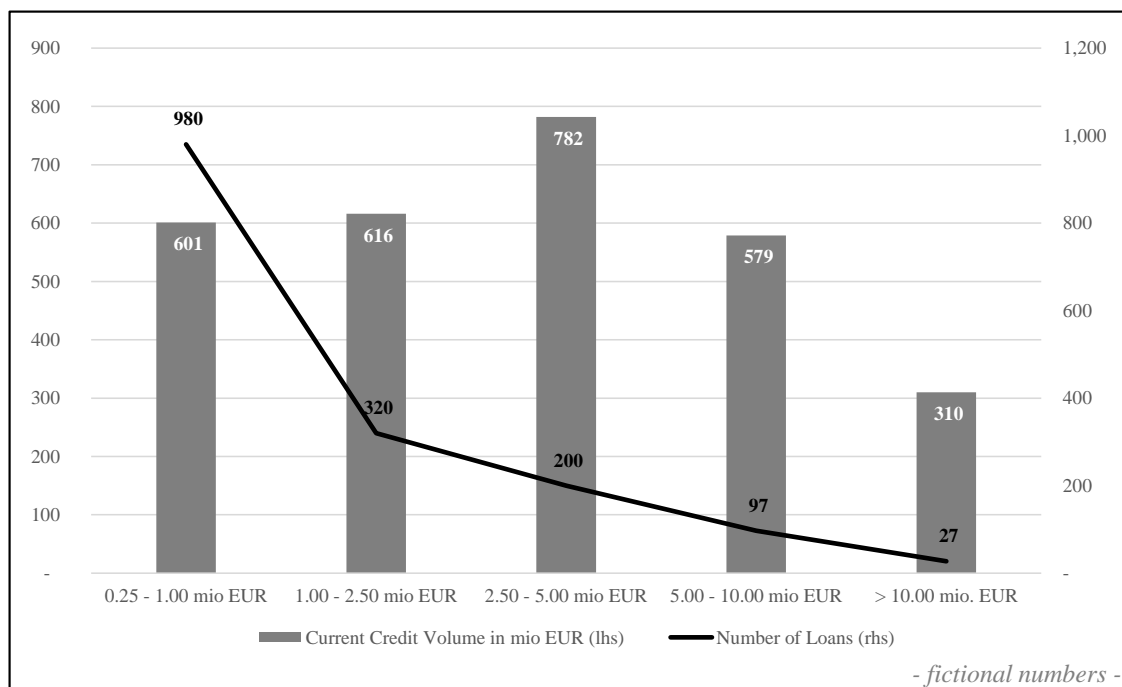
I: Ich glaube da haben die Kunden draus gelernt – also aus den Währungsthemen. Man vergisst zwar immer schnell, aber wenn man Schweizer Franken-Positionen mit 1,6000 CHF/EUR sieht ...	I: To my mind, clients have learned their lessons – referring to fx-issues. One soon forget this, but if you have EUR-CHF positions with 1.6000 CHF/EUR...
Participant C: Am Ende ist es eine Wette. Sie können es ja nicht ... es hat ja keiner im Griff. Und wenn ich jetzt unsere eigene Vergangenheit dann sehe und ich gucke nach 2008. Wie häufig haben wir schon gesagt zusammen mit dem Kunden ‘wir haben die Niedrigzinsphase erreicht – viel tiefer kann es nicht mehr gehen – vielleicht noch mal zehn, 20, 30 Punkte‘ und jedes Mal mussten wir in der Nachbetrachtung ja wieder sagen ‘ja, Mensch hätten wir mal...‘	Participant C: At the end it’s a bet. You are not able ... nobody can handle it. And if I look back and remember the year 2008. How often did we say ‘we have reached a low level of interest rates – it won’t become lower – maybe ten, 20 or 30 points’ and each time we had to recognise and need to say ‘well, actually we should have’.
I: Würden Sie denn einen Kunden grds. auch variabel finanzieren lassen? Wenn Sie dem Kunden sagen, ‘die eine Alternative ist Festzins, dann haben wir synthetischen Festzins und variabel‘. Und dann sagt der Kunden Ihnen ‘gut, dann mache ich variabel mit dem 1%, den Sie mir gesagt haben‘. Geht das bei Ihnen problemlos?	I: Would you generally offer floating rate loans without interest rate hedge to your clients? By saying ‘one alternative is a fixed rate, a synthetic fixed rate and one alternative is a variable rate’. And then the client says ‘I take the floating rate with currently 1.00%, that you have mentioned’. Is this problematic for you?
Participant C: Nein, also ich habe es noch nie bewusst sofort mit ausgeschlossen, aber ich biete ja nicht variabel an. Ich biete ein Derivat an, was besteht aus dem 3M-	Participant C: No, I have never excluded this explicitly, but I never offer a variable rate on its own. I offer a derivative, which consists of 3-month Euribor plus credit

<p>Euribor plus Zinsmarge plus Derivatemarge. Ansonsten – würde er variabel bleiben (Anmerkung: ohne Derivat), würde ich teurer sein.</p>	<p>spread plus derivative margin. Otherwise, would he wants to stay floating (note: without a derivative) I would be more expensive.</p>
<p>I: Weil Sie nicht den offiziellen Euribor nehmen, sondern den hausintern angepassten Zins für variable Zinsen?</p>	<p>I: Because you do not rely on the official Euribor, but rather on an internal-adjusted rate for floating loans?</p>
<p>Participant C: Ja, der ist sogar relativ nah dran. Ich würde eine höhere Kreditmarge dann haben wollen. Dann würde ich schon mehr verdienen wollen. Also insofern, weil ich das Darlehen einfach häufiger anpacken muss – das macht zwar die EDV – aber trotzdem. Sie müssen Schreiben rauschicken, und und und.</p> <p>Und dann sagen wir letztendlich von der Hausseite wollen wir ja auch gar nicht, dass wir diese großen variablen Blöcke aufbauen und wenn ich jetzt hingehen würde und sage ‘ich finanziere mit der normalen Kreditmarge von 1,00% oder 1,30% oder wie viel auch immer‘ dann habe ich natürlich einen ganz großen Teil an Kunden, die sagen ‘boah, für den Zinssatz – unter 2,00% - da bleibe ich doch erst mal variabel‘.</p> <p>Und unabhängig ob die jetzt wirklich eine bewusste Zinsmeinung haben oder einfach nur den aktuellen Preis sehen. Wir wollen diese großen Blöcke gar nicht und von daher sind wir eigentlich in der Steuerung</p>	<p>Participant C: Yes, this rate is quite near to it. I would like to receive a higher credit spread. I would like to earn more. Because I have to adjust the loan more often – actually this is done by EDP – but nevertheless. You need to forward mailings, and so on.</p> <p>And at the end, our institute does not want to have large floating positions and if I go in the market by saying ‘I offer loans with the normal credit spread of 1.00% or 1.30% plus whatsoever’. Then a majority of my clients would say ‘yes, this is an interest rate – below 2.00% - I will stay floating’.</p> <p>No matters, if they have a precise opinion about prospective interest rates or just by looking on current rates. We don’t want to have this large positions and with focus on sales management we therefore set the floating rates a little bit higher than the fixed rates at the moment. But with respect on the derivative construction I have a different view. Yes, we have</p>

<p>so, dass wir sagen variabel ist da ein Stück weit teurer als der Festzins momentan sogar.</p> <p>Aber im Bereich Derivat sehe ich das insofern anders – klar, haben wir da eine variable Grundfinanzierung, aber ich muss mich ja vergleichen mit einem klassischen Festzinsdarlehen – ich verkaufe ihm ja ein Festzinssatzprodukt mit dem Derivat. Insofern kann ich da nicht hingehen und sagen - so ist es aus meiner Sicht wie die Kollegen es aus der anderen Sparkasse machen – ich gehe im variablen Block noch mal extra hoch.</p>	<p>floating rate loan as basis, but I have to compare this with a fixed rate loan – by selling a derivative, I sell a fixed rate product. Therefore, to my mind it is not reasonable to say – as some colleagues from other savings banks do it – to specifically increase margins in the floating position.</p>
<p>I: Man wollte das halt ausschließen, dass der Kunde sagt 'dann nehme ich nur variabel'.</p>	<p>I: They just want to exclude the option that the clients might say 'I take floating without anything else'.</p>
<p>Participant C: Aber das glaube ich kann man auch – also ich habe das noch nie einen Kunden gehabt, der das nachfragte, weil ich gar nicht variabel anbiete. Klar steht das drin, aber ich biete ja das Produkt Derivat an. Und das ist eben so aufgebaut. Ich kann nicht das Produkt halbieren und sagen ich nehme nur den halben Teil.</p>	<p>Participant C: But to my mind you can do this, because I have never had a client, who asked for it as I never offer floating rates. Yes, it is mentioned, but I actually offer a derivative product. And this is constructed like this. I cannot separate the product and only take the half of it.</p>
<p>I: Sie haben mir schon sehr geholfen. Vielen Dank für Ihre Zeit.</p>	<p>I: You helped me immensely. Thank you very much for your time.</p>

Participant C: Ich hoffe ich habe Ihre Fragen alle beantworten können und Ihnen helfen.	Participant C: Hopefully, I have answered all your question and was able to help you.
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Appendix 8a: Internal Analysis – Exemplary overview of Loan Book

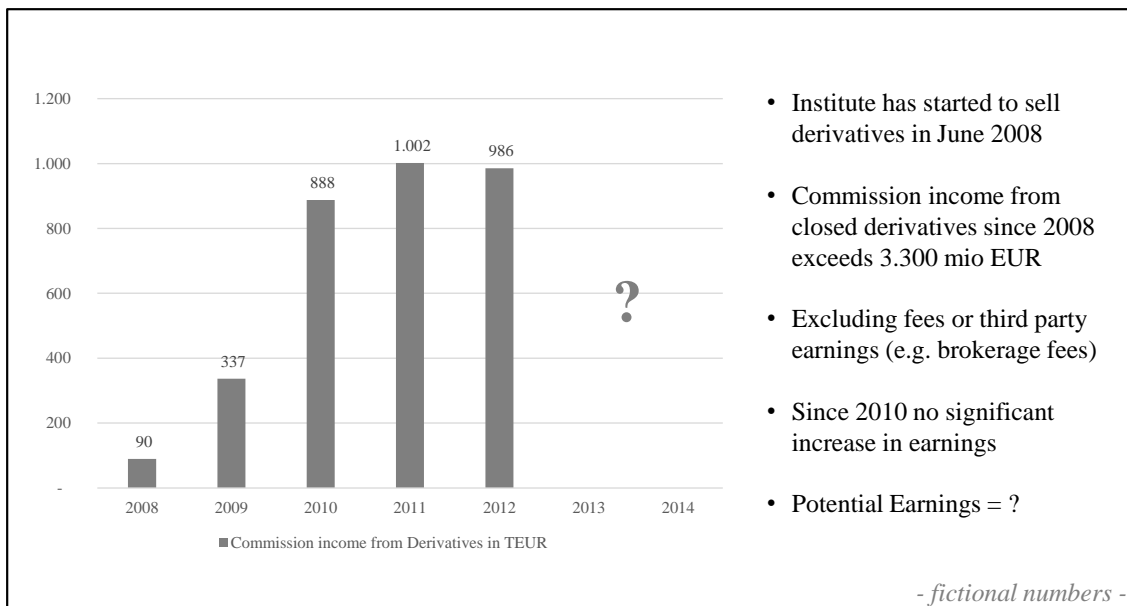
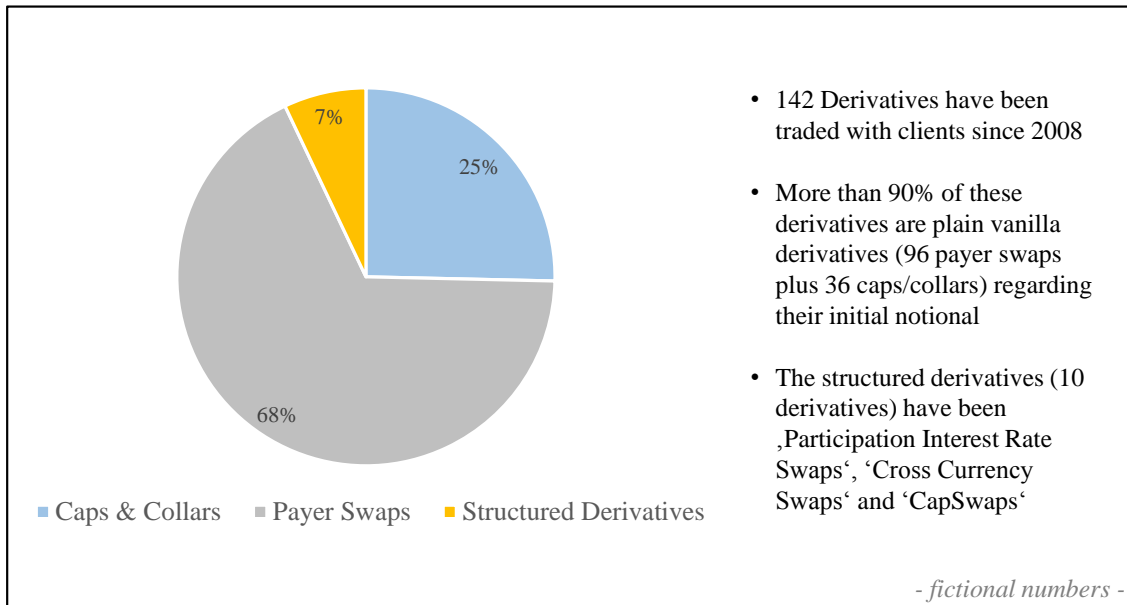


	Number of Group of Borrowers	Number of Loans	Average Credit Notional (TEUR)	Average Number of Loans	Current Credit Volume in mio EUR
Real Estate Clients	128	494	2,318	3.8	1,145
Municipal Clients	60	664	926	11.1	615
Corporate Clients	107	329	2,507	3.1	824
Project Finance Clients	26	60	3,084	2.3	185
Miscellaneous	14	77	1,544	5.4	119
Total	336	1,624	1,778	4.8	2,888

- Allocation of client exposures to client/peer groups (e.g. through allocation of advisory teams or posting key)
- Miscellaneous: foreign clients, non-profit organizations, etc.

- fictional numbers -

Appendix 8b: Internal Analysis – Exemplary overview of historic Derivative Deals



Appendix 8c: Internal Analysis – Exemplary Determination of Potential Earnings

Benchmark Data of Peer Group	0.25 - 1.00 mio EUR	1.00 - 2.50 mio EUR	2.50 - 5.00 mio EUR	5.00 - 10.00 mio EUR	> 10.00 mio. EUR
Real Estate Clients	0.12%	0.10%	0.10%	0.05%	0.03%
Municipal Clients	0.03%	0.03%	0.03%	0.03%	
Corporate Clients	0.12%	0.12%	0.10%	0.08%	0.03%
Project Finance Clients	0.08%	0.08%	0.05%	0.05%	
Miscellaneous	0.05%	0.05%	0.05%	0.05%	

- Benchmark data illustrate the (average) potential earnings in bp p.a. ('present value calculation') for each client and notional group derived from a peer group; e.g. assuming an underlying outstanding creditvolume of 206.5 mio EUR for real estate clients with loan volumes between 0.25 – 1.00 mio EUR the potential earnings ('present value calculation') from derivatives would be approx. 247,855 EUR each year [206.5 mio. EUR * 0.12%].
- Benchmark data assume that with a certain part of the underlying group (client/notional group) a derivative is closed leading to the potential earning each year; it is not assumed that each client closes derivatives.
- Benchmark data take into account that credit risk strategy takes place in its existing form and that restructuring opportunities for closed derivatives are included.

- fictional numbers -

Potential Earnings	0.25 - 1.00 mio EUR	1.00 - 2.50 mio EUR	2.50 - 5.00 mio EUR	5.00 - 10.00 mio EUR	> 10.00 mio. EUR	Total
Real Estate Clients	247,855 207	244,736 245	224,669 225	148,731 297	51,425 171	917,416 1,145
Municipal Clients	35,513 118	45,442 151	74,463 248	29,022 97	0 0	184,440 615
Corporate Clients	224,040 187	178,346 149	209,737 210	112,292 140	41,580 139	765,996 824
Project Finance Clients	16,000 20	28,800 36	45,590 91	19,000 38	0 0	109,390 185
Miscellaneous	34,700 69	17,570 35	4,100 8	3,200 6	0 0	59,570 119
Total	558,109 601	514,894 616	558,559 782	312,245 579	93,005 310	2,036,812 2,888

Legend

558,109 Potential Earnings in EUR
601 Credit Volume in mio EUR

Potential earnings from interest rate derivative sales p.a. ('present value calculation')

- fictional numbers -

