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USE OF FOREIGN EXPERIENCE IN IMPROVING THE ORGANIZATIONAL STRUCTURE OF COMMERCIAL BANKS.

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Abstract

The organizational structure of a commercial bank plays a decisive role in determining its general activity. In today's rapidly changing business environment, banks need to constantly review and change their organizational structures to remain competitive and meet the changing needs of customers. In this article, the impact of organizational structure on the operations of commercial banks is fully considered, various types of organizational structures, their advantages and disadvantages are studied, and practical examples of successful implementation are presented.

Key words

corporate governance, managers, four eyes principle, internal and external auditors, hierarchical structure, matrix structure, flat structure, strategy, board of directors.

Top management is a key component of corporate governance. While the board of directors provides checks and balances for senior managers, similarly, senior managers must assume this oversight role vis-à-vis line managers in specific business areas and activities. Even in very small banks, key management decisions should be made by a few people ("four eyes principle").

4 Eyes Principle - it is a risk control method where a set of 4 eyes (or 2 people) must approve or check something before it could be done. The fact that no human being is perfect led to the use and popularity of method. The concept is simple - the odds of two different people making the same mistake at the same time are very very small and NOT ZERO. This is the reasons that there have been instances where some errors have happened even when 2 or more people have checked the same thing.[72]

In the process of managing commercial banks, the activities of the following managers need to be reviewed:

- senior managers who are overly involved in business decisions;

[72] https://www.benchmarksixsigma.com/forum/topic/36950-4-eyes-principle/

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• senior managers assigned to this area to manage without the necessary skills or knowledge;

• senior managers who do not want to exercise control over successful, key employees (for example, traders) for fear of losing them.

The main group of employees responsible for the bank in the effective organization of top management is as follows.

This group should include persons such as the chief financial officer, heads of departments and the chief auditor. These individuals must have the necessary skills to manage the business under their control, as well as have adequate supervision over key individuals in these areas.

Effective use of the work performed by internal and external auditors, recognizing the important control function they provide.

The role of auditors is very important to the corporate governance process in commercial banks.

The effectiveness of the board and senior management can be improved in the following ways:

ensuring the independence of the chief auditor by reporting to the board or management committee	recognizing the importance of the audit process and communicating this importance throughout the bank	taking measures to increase the independence and status of auditors
timely and effective use of auditors' conclusions	requiring timely correction of problems identified by auditors by management	involving external auditors to evaluate the effectiveness of internal control

Commercial banks can adopt different organizational structures, each of which has its own advantages and disadvantages. The most common types of organizational structures in the banking sector include:

Hierarchical Structure: This is the most traditional type of organizational structure in the banking industry. It is characterized by clear lines of authority, with authority and decision-making authority descending from the top down.

Matrix Structure: The matrix structure combines the characteristics of hierarchical and flat organizational structures. In this structure, employees report to several managers, which ensures cross-functional cooperation and responds to local market conditions.

Flat Structure: Flat structures are characterized by fewer hierarchical levels and a more informal reporting structure. Banks with flat structures typically have higher levels of employee empowerment and more flexible decision-making processes.

There is a direct connection between the organizational structure of a commercial bank and its activity. A well-designed organizational structure can improve decision-making, increase efficiency, and increase customer satisfaction. On the other hand, a poorly designed structure can lead to inefficiency, ineffective decision-making, and poor employee morale.

Table-1

Advantages and disadvantages of different organizational structures for commercial banks.

Hierarchical Structure	Matrix Structure	Flat Structure
Advantages: Provides clear boundaries of authority and a centralized decision-ma-king process.	**Advantages:** Bank of America adopted a matrix organizational structure, which improved cross-functional colla-boration and reduced decision-making time by 25%. Another example is JPMorgan Chase, which uses a hybrid orga-nizational structure that balances the need for centralized control with the ability to quickly respond to local market conditions.	**Advantages:** Faster decision making: Flat structures enable banks to make faster decisions. This helps banks to respond faster to market changes and take advantage of new opportunities. Better communication: Flat structures also facilitate better communication because employees are more likely to commu-nicate with each other on a regular basis. This can lead to better collaboration, more innovation and more effective problem solving.
Disadvantage: Flat structures can be highly flexible and responsive to market changes, but may lack the centralized control needed to ensure consistent performance across the	**Disadvantage:** Overlapping teams = Lack of clarity around roles and responsibilities. A complex reporting structure can lead to confusion around roles and responsibilities. For	**Disadvantage:** Loss of Control: Flatter structures can lead to a loss of control over business processes and outcomes. This is because there are fewer layers of management to

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organization.	example, managers may go back and forth about who is responsible for the professional development of individual employees.	oversee operations, which can make it difficult to ensure that everyone is working towards the same goals. Lack of specialization: Flatter structures may also lack specialization, meaning that employees may not have the specific skills and experience needed to perform certain tasks. This can lead to a lack of efficiency and productivity.

Technology is playing an increasingly important role in the formation of the organizational structure of commercial banks. Advanced technologies such as artificial intelligence, machine learning and blockchain enable banks to streamline their operations, increase efficiency and improve customer experience. As a result, many banks are adopting more flexible and agile organizational structures that can better leverage these technologies to achieve improved efficiency.

In short, the organizational structure of a commercial bank plays a decisive role in determining its activity and success. Banks should carefully consider the advantages and disadvantages of different organizational structures and choose the one that best suits their business strategy and objectives. The role of technology in shaping the organizational structure of commercial banks cannot be overemphasized, and banks must keep pace with technological progress in order to remain competitive.

In the future, we can expect more banks to adopt hybrid and matrix organizational structures that balance centralized control with the ability to respond quickly to local market conditions. The use of technologies will continue to play a decisive role in increasing the efficiency of commercial banks, satisfying customer needs and improving their overall operations.

In general, it is important to understand the impact of organizational structure on the operations of commercial banks and to be aware of the latest trends and best practices in the banking industry. Commercial banks can improve their competitiveness and achieve long-term success by adopting the right organizational structure and using technology.

The strategic goal of the bank is to become a symbol of transparency, stability, reliability and high-quality service, to achieve a strong position in the market of banking services as a universal and stable financial institution with a developed sales network and a balanced line.

As part of the development of the organizational structure of a commercial bank, two forms of management can be used:

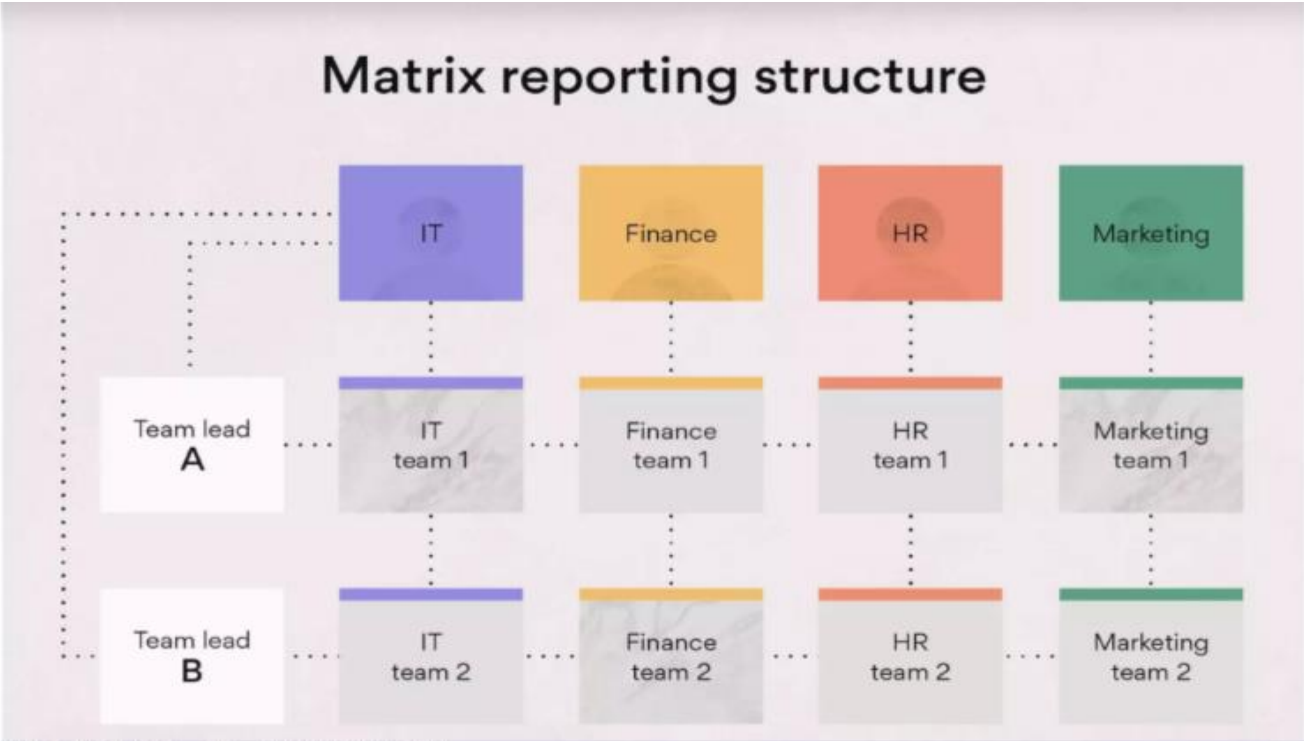
- organizational management, on the basis of which the location and mutual cooperation of bank units, the distribution and redistribution of their tasks, and the formation of their subordinate hierarchy are determined. Therefore, it defines the relationship between the control and executive units in terms of the movement of production data.

Economic management serves to implement management functions related to the bank's financial activities. It should ensure the achievement of positive indicators of banking activity in positions such as liquidity, profitability and profitability. At the same time, it also takes into account the tasks of determining the financial prospects of the bank's development, drawing up business plans, analyzing the implementation of development programs, and developing measures to optimize financial activity. Since the main goal of financial and credit institutions is to satisfy the needs of customers for financial calculations, investment and credit operations and services, defining the organizational structure of management in the development strategy of the bank is the main direction of its successful financial activity, events. It is built not only on the basis of the structuring of banking units, but also by clarifying their powers, obligations and relations with employees in the implementation of basic banking operations. Each bank independently solves the issues of choosing a management structure, including the formation of its organizational management structure as an ordered set of stable interconnected units that ensure a continuous production process.

Based on the analysis of various forms and methods of building the bank's development strategy (linear-functional, linear-headquarters, matrix, project, program-target, functional-object, and division), correlation with personnel policy or directions are illuminated. Due to the fact that all activities of the bank are oriented towards profit, the most important direction in the organizational structure of the management is assigned to financial responsibility centers (profit centers). This requires the allocation of a central place in the organizational structure that provides economic management, because it is one of the ways to achieve the financial goals facing the banking institution.

Based on the above analytical data, we recommend to use the following organizational structures in the activities of commercial banks in order to develop organizational structures in the banks of our country and increase management efficiency.

A basic matrix structure with functional and divisional managers.[73]



In the activities of commercial banks, the various areas of operations and services are supervised by a cross-functional team consisting of representatives of each department of the divisional manager. First, in this structure, the marketing specialist reports to his functional marketing manager, as well as to the divisional manager. Divisions can be based on business unit, geography, project, or anything else.

Second, a matrix organizational structure allows for greater collaboration between departments rather than seeking solutions from the top down.[74]

Third, the matrix organizational structure provides an outline for a project that may require a more global approach. In addition, such a project may require the skills and experience of various personnel from other departments to find dynamic solutions to complex problems. In a defined matrix structure, both the functional manager and the project manager have equal authority over the project team members, and each can have defined roles in the matrix.

[73] https://www.charthop.com/resources/blog/org-chart/advantages-disadvantages-matrix-org-structure/#:~:text=Matrix%20organizational%20structures%20offer%20companies,potential%20conflict%2C%20and%20slower%20processes.

[74] https://www.indeed.com/career-advice/career-development/matrix-organizational-structure

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