Chapter 9

Facing Organizational Change and Stress Management: The Case of First Commercial Bank

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EXECUTIVE SUMMARY

In today’s hyper-competitive environment, understanding factors that contribute to effective management of change and achieving strategic competitiveness are critical. Based on management theories and best practices, this case study provides a detailed exploration, description, and explanation of the implementation of two electronic banking delivery systems, namely ATMs and Internet Banking, in a leading bank in Egypt. The case identifies and describes the bank’s approach to managing change through Information Technology, with regards to leadership actions, overcoming resistance to change, personal and organizational attributes, strategies, structures, business processes, culture, as well as organizational commitment. The arrangement of the case followed a question-and-answer format rather than the traditional narrative. A series of questions and answers based on the semi-structured face-to-face interviews assessed the research topic. The researcher treated both products side-by-side throughout the case, as action planning was the same for each product. Outcomes revealed great commonalities, which meant tremendous overlap and repetition, had a separate case study been presented for each product.

ORGANIZATION BACKGROUND

It was mid-day on March 6, 2002 when Mokbel Hazim, chairman and managing director of First Commercial Bank met with the board of directors and senior executives in the bank’s headquarters overlooking the scenic view of the Giza Pyras...mids. He reached for another famous Mexican cigar from his shirt’s pocket, lit it and allowed the smoke flow out onto the air. “IT is one of the key sectors that facilitated shaping the model of globalization,” he breathed. “It eliminated all hurdles and frontiers, and unsurprisingly this technological development significantly affected the financial industry, with the world’s leading banking institutions compelled to implement the
newest and most advanced technologies in order to prevent delays or failures in servicing their customers, improve work performance and the banking sector’s efficiency.” He suddenly rolled his eyes. “Without automation of all banking operations, we cannot move ahead with consumer banking services.” He was holding the Mexican cigar tightly between his teeth as he started to walk towards his office’s panoramic window overlooking the Pyramids and his eyes swept the horizon with great excitement as he envisioned what he and his team will do.

First Commercial Bank is one of the largest banks in Egypt regarding assets, deposits, and loans. It is also one of the most profitable banks, always revealing strong financial results. However, Hazim’s pressing worry was how he could possibly make a successful deployment of IT-related delivery systems in the bank’s everyday business functions. Though confident of the bank’s capabilities to managing such a change, Hazim had to think about several issues, like ways to overcome resistance to change, personal and organizational attributes, strategies, structures, business processes, and culture, that are conducive to effective management of organizational change and stress in First Commercial Bank.

Structure of the Egyptian Banking Sector

The banking system in Egypt comprises the Central Bank of Egypt (CBE), 28 commercial banks (four of which are state-owned), 24 private and joint venture banks, 31 business and investment banks, and three specialized banks (two of which are state-owned banks) (see Appendix 1). Commercial banks are the most significant sub-sector as it represents about 81% of the total banking industry assets (The Economist Intelligence Unit). The four public sector banks, which are owned by the government, namely the National Bank of Egypt, Bank of Alexandria, Banque du Caire, and Banque Misr, lead the sector with 60% of total deposits, 55% of total assets, 70% of loan portfolio, and about 75% of all banking transactions (Bank Rankings 2004). They finance major public sector projects, such as the Aswan High Dam, state companies, as well as certain industries like textiles, steel, tourism, and so forth. In efforts to increase the effectiveness of their operations and achieve competitiveness, state-owned banks underwent several changes such as restructuring their activities and improving their operational processes (Bank Rankings 2004).

Despite the fact that state-owned banks dominate the sector, non-state-owned banks, or private banks, are greatly accountable for the development of retail banking, a field previously untapped by the public sector banks (The Economist Intelligence Unit). Joint venture commercial banks, most of which adopt western banking standards in their daily operations and are the most profitable in the Egyptian banking industry, were established since 1974 to promote foreign direct investments in Egypt (Abu-Musa, 2003: 46-48). They account for 25% of total market share and are mostly involved with financing trade with the service sector, thereby generating foreign currencies needed to finance imports activities (Bank Rankings 2004).

Investment banks account for a marginal share of 13.4% of the total banking system, and comprise private, joint venture, and off-shore banks or foreign banks that were permitted since 1993 to deal in the local currency provided; they keep a minimum requirement of $15 million worth of capital assets (Abu-Musa, 2003: 46-48). Examples of foreign banks operating as joint ventures with local partners are National Societe Generale Bank, and HSBC Bank Egypt (Bank Rankings 2004). Specialized banks comprise about 5.9% of the total banking sector in Egypt and are accountable for promoting the Egyptian industrial, agricultural, and construction projects by providing long-term loans (Abu-Musa, 2003: 46-48).

The most notable characteristic of the banking system in Egypt is that the industry is greatly fragmented. For example, the 48 smallest banks in