



STRATEGY GROUP  
1989 REVIEWED



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## THE NEED FOR NEW STRATEGY

- \* Changing needs of the market-place
- \* Changing Political/Economic/Regulatory Environment
- \* Competitive Pressures from other Banks, and Financial Institutions
- \* Uncoordinated developments within different parts of BCC Group.
- \* Recognition that the first phase of BCC's growth is behind us and traditional products, expertise, technology cannot enable us to cope with the future.
- \* Recognition that long-term strategies involve structural change within the organisation which can only be achieved in a systematic and organised manner over a period of time.
- \* Increased efficiency and effective use of resources by the Group can only be achieved by adherence to an overall strategy.
- \* A Budgeting System which is not derived from adherence to any long-term strategy is not maximising the use of Budgets as a Management Tool.
- \* The host Governments, Regulatory Authorities, Shareholders and Staff Members need to be reassured that the organisation is indeed functioning in the context of an overall plan or strategy rather than a perception of ad-hoc behaviour.
- \* A Formalised Corporate Strategy enables and encourages the development of Human Resources from within and also attracts high quality talent from outside the organisation at all levels of responsibility.
- \* A Formalised Corporate Strategy encourages the existing human resources to take an entrepreneurial role.
- \* To allow for corporate discipline and be pro-active rather than re-active.
- \* A consistent approach to improve our corporate image both internally and externally.



## GLOBAL STRATEGY

Following the 'Agenda for Change' document which set out a process for development of our strategies and business plans, a Strategy Group was constituted which met in April 1989.

The foundation of BCC Management Structure rests on collective personality and on this basis the Strategy Group (consisting of 30 senior executives) under the guidance of Mr. Swaleh Naqvi was set the following objectives:-

- ° Declare the basic principles and objectives of BCC Groups business strategy in the foreseeable future (5 years)
- ° Create an organisation structure to implement the adopted principles and objectives.
- ° Lay down a time-bound plan of action for the proposed organisation machinery.

During the same working session the Strategy Group gave its recommendations as follows:

## 5 YEAR STRATEGY

To build shareholder value through:-

- i) A sustained return on total shareholders equity of 12 - 15% p.a.
- ii) A sustained return on total average assets of 1.25%.
- iii) A strong balance sheet with equity grown from earnings.
- iv) Being a user of 'state of the art' technology

These goals were further tightened into a detailed 3 year plan contained within 14 points (refer annexure no. 1 enclosed)



To set out strategic plans and assist in implementation of the recommendations of the Strategy Group, four task forces, individually covering specific points under the above 14 point plan were assigned under the following broad objectives:

- Profit and business increase
- Enhancement of efficiency and economy in operations
- Resources building and liability management.
- Economising in CSO and other administrative costs.

(Refer enclosed annexure no. 1 for assignment of responsibilities)

These task forces, comprising members of the Strategy Group had their initial meeting in May 1989 - implementation of the objectives set by the Strategy Group is yet to develop.

The Task Force members were selected and assigned objectives described earlier where they would contribute most effectively. Regional Heads, in line with the decentralised nature of management were involved to ensure successful implementation.

As a guide to successful implementation Mr. Naqvi had highlighted the following key steps:

- To study and develop acceptable ideas and concepts for attaining the intended goals.
- To translate these ideas into specific working plans for implementation
- To seek the co-operation of all concerned to ensure implementation of the agreed plans.
- To monitor and follow-up implementation plans.

To date the Task Forces have had varying degrees of success, progress



to date is summarised on annexure no. 2 enclosed.

As is apparent from this schedule no specific action/implementation has resulted as at date and no 'one' of the fourteen objectives achieved.

#### Recommendations from the Strategy Group Secretariat

The general direction for BCC over the next five years has been set by the Strategy Group and some interesting and acceptable ideas generated by the Task Forces.

The secretariat feels that the *raison d'être* for continuing with task forces should now be reviewed. A full-time focus needs to be given to implementation of strategy at CSO level to ensure effective and speedy implementation of recommendations. This team should be mobile and involve field members as and when required and these field members should be released from their existing assignments for the duration of any research or/and implementation phase.

Clearly defined and acceptable Strategy recommendations need to be incorporated into the central budget process and the required investment in terms of, priority, human resources and time needs to be adopted.

The international banking environment is going through massive changes, new technological breakthroughs, increased regulation, higher costs, lower margins, new markets opening up and aggressive international competition.

The major challenge facing BCC is to develop a flexible and adaptable structure to survive in this turbulent environment.



# ANNEXURE 1

## BROAD OBJECTIVE

## MEMBERS

## I PROFIT AND BUSINESS INCREASE

Bringing additionality through improvement of quality and generation of business through current and new activities.

Mr. B.A. Chowdry  
Dr. J. Fang  
Mr. C. Hollander  
Mr. J. Radia  
Mr. D.H. Rizvi  
Mr. A.R. Sakhia  
Mr. R. Wilding

## II OPERATIONS: EFFICIENCY AND ECONOMY

Bringing improvements in operational efficiency and cost savings.

Mr. M. Abbas  
Mr. B. Ahmad  
Mr. A. Chaudhry  
Mr. S.P. Chandavarkar  
Mr. F. Deane  
Mr. S. Virendra  
Mr. D. Winttrup

## III FUNDING: DEPOSITS AND LIABILITY MANAGEMENT

Bringing additionality to deposits - also recognising the objectives in terms of quality, maturity mix and cost.

Mr. J. Crowther  
Mr. F. Hussain  
Mr. S. Jamil  
Mr. P.K. Khanna  
Mr. A.R. Sakhia  
Mr. S. Westwater  
Mr. J. Razzaqui

## IV ADMINISTRATIVE COSTS:

Bringing savings in cost related to CSO and Regional Offices/Head Offices

Mr. Azmatullah  
Mr. S. Kizilbash  
Mr. A. Afridi  
Mr. B. Tahir  
Mr. A.R. Velmi



**ACTION PLAN FOR IMPLEMENTATION OF RECOMMENDATIONS BY THE STRATEGY GROUP**

TASK  
[3 Year Plan]

DIVISION/UNIT  
[Related Units]

TASK FORCE

**I. Freeze Operating Expenses so that:**

- a) No increase over 1988 Group Operating Expenses
- b) Future Operating Expenses should not exceed the figure of Net Interest Earned with effect from 1989
- c) A freeze on total Group Head Count (number of staff)

- Finance Division
- Finance Division
- Human Resources Division/  
Human Resources Committee/Grp

**Task Force II**  
OPERATIONS:  
EFFICIENCY AND ECONOMY

**II. Improve total Operating Income by 10% p.a. on constant average Asset Base through:**

- a) More judicious pricing on Assets - both existing and new
- b) Costing of all major relationships and products.  
Elimination of non-profitable account relationships.

- Finance Division/  
Central Budget Committee

**Task Force II**  
OPERATIONS:  
EFFICIENCY AND ECONOMY

**III. Achieve measured reduction in BCC's Global cost of Funds through Group-wide Liability Management including:**

- a) Possible phasing-out of 1% Subsidy over a period to be studied
- b) Establish Guidelines for maximum permitted average cost of Funds for each Country/Region
- c) Explore alternative low cost and mix of deposit products

- Regional Offices/SCs/  
Treasury Committee
- Regional Offices/SCs/  
Liability Management Unit
- Regional Offices/SCs/  
Liability Management Unit

**Task Force III**  
FUNDING:  
DEPOSITS & LIABILITY  
MANAGEMENT

**IV. Increase Productivity of Operating Units as measured by Profit per employee through:**

- a) Redeployment of Under-utilised Human Resources
- b) Greater objective performance assesment with proper Reward/Acountability as appropriate
- c) Selective phasing out of non-utilizable staff

- Human Resources Division/  
Human Resources Committee/Grp

**Task Force II**  
OPERATIONS:  
EFFICIENCY AND ECONOMY

V.	Reduction of 5-7% per annum in total Delinquent Loan Portfolio i.e. where interest has been suspended or partial provision made.	Central Credit Division Provisions Management Unit (Mr. Atullah)	<b>Task Force II</b> OPERATIONS: EFFICIENCY AND ECONOMY
VI.	<b>Pro-active Tax Management through, among other means:</b>		
	a) Booking of Assets at most tax-efficient Locations		
	b) Inter-Unit Accounting System to provide credit for EMP, Treasury and other activities	Finance Division/ Group Investment Division	<b>Task Force I</b> PROFIT AND BUSINESS INCREASE
VII.	Overall improvement in Operational Unit Efficiency as measure through Audit Reports and Regulatory Inspections so that more than 95% receive at least satisfactory reports.	Regional Offices/SCs	<b>Task Force II</b> OPERATIONS: EFFICIENCY AND ECONOMY
VIII.	Evaluation of all existing Operating Units to assess current and likely future financial viability to be completed by December 31, 1989.  Evaluation of viability to include measurement of net profitability as follows - Gross Profit less loan loss reserves, less taxes, less imputed capital costs, less allocation of CSO/RO/HO expenses.	Regional Offices/SCs	<b>Task Force II</b> OPERATIONS: EFFICIENCY AND ECONOMY
IX.	Evaluation of all CSO Divisions/Departments and Regional/Head Offices to assess possibilities of cutting costs/increasing efficiency so as to effect a minimum cut in expenses of \$50 million by December 31, 1990 with a minimum of \$20 million by December, 1989.	Finance Division Other CSO Division Support Centres and Regional/Head Offices	<b>Task Force II</b> ADMINISTRATIVE COSTS
X.	Creation of a "New BCC Bank/Division" which would undertake (largely with existing human resources), a wide range of non-traditional activities including Merchant Banking, Investment Banking, Leasing, Factoring etc, to produce incremental earnings of at least \$50-75 million by end 1991	Central Marketing Division and other Marketing units in Regional/Head Offices	<b>Task Force I</b> PROFIT AND BUSINESS INCREASE

XI. Introduce/Modernise existing technological systems consistent with needs of the present and anticipated future products/ services. Middle and Senior Management levels need to be familiarised with latest computer aids. Management Information Systems to respond to increasing corporate needs. Selection of successor system to be decided within 6 months with global implementation by December 1991.

MSD

**Task Force II**  
OPERATIONS:  
EFFICIENCY AND ECONOMY

XII. To ensure the continued enhancement of human resources capability so that high quality personnel are available to fulfil Corporate Objectives through:

- a) Internal training programmes for all levels of Management
- b) "Succession" Planning through identification of tomorrow's leaders and their selection, grooming and development.
- c) Judicious recruitment of specialised skills.

HRD/Human Resources Committee  
Human Resources Group  
Professional Guardianship Group

**Task Force II**  
OPERATIONS:  
EFFICIENCY AND ECONOMY

XIII. A Global-International Business Development/Marketing Strategy should be developed over the next 3-6 months utilising the Corporate strength of having operating units in 73 countries.

Central Marketing Division  
and other Marketing Units  
in Regional/Head Offices

**Task Force I**  
PROFIT AND BUSINESS  
INCREASE

XIV. Bring about substantial Global Positive Impact in Image/ Acceptability of BCC in Market Place:

- a) Introduction/Recruitment of professionally qualified full-time Public Relations/Advertising Personnel for which a specific Budget should be established
- b) Consistent and periodic Senior Level co-ordinated approach to all Correspondent Banks/Regulatory Authorities.
- c) Wide distribution of BCC's Annual Reports and Shareholders list both internally and externally.

International Division  
  
Corporate Identity Division

We should aim to obtain a Credit Rating on the basis of the 1991 Balance Sheet.



ANNEXURE 2

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R STRATEGY GROUP  
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GROUNDWORK BY TASK FORCE TO DATE

IMPLEMENTATION  
BY TASK  
FORCES TO  
DATE

NO. OF  
MEETINGS  
HELD TO DATE

REMARKS

ive tax management through:  
; of assets at most tax efficient

uit accounting system to provide credit for  
iry and other activities

of a 'New BCC Bank/Division' which would  
(largely with existing human resources) a  
of non-traditional activities including  
Banking, Investment Banking, Leasing  
etc to produce incremental earnings of  
) - \$75 m by end 1991.

lobal international business development/  
strategy to be developed by end 1989  
corporate strength of having operating  
; countries.

vi a) 'Recovery of CSO/Regional Management  
and Supervisory Costs' study carried out by  
J. Radia and receiving Finance Division's  
collective response (Sept '89) - Progress  
reports to be submitted to Task Force.

b) No progress.

x & xiii -2 proposals requesting approval  
from Board of Directors submitted to CSO  
recommending (i) undertaking non-traditional  
banking activities based on funding of  
US\$10m (ii) engaging in equity  
participation (Sept '89)

-PW Consultants appointed to prepare  
feasibility of BCC entering factoring  
industry. Now completed and to be presented  
to B of D on 25.1.90.

-Marketing of General Insurance services - UK  
Region to focus and increase this activity  
(Sept '89)

-Credit Card Business: report prepared by R.  
Wilding proposing global roll-out strategy.

-LBO & MBO business referrals from  
Accountancy firms initiated.

-Global Currency Dealing System report  
prepared by C.L. Johnson recommending  
organised and co-ordinated approach (Sept 89)

erating expenses so that:

ase over 1988 Group Operating Expense  
perating expenses should not exceed the  
et interest earned with effect from 1989  
e on total Group head count.

total operating income by 10% p.a. on  
verage Asset Base through

idicious pricing on Assets - existing and

of all major relationships and products.  
1 of non-profitable a/c relationships

Ic, IVa,b,c, under the responsibility of  
Human Resources Committee.

Ia b and II - Comprehensive report prepared

4  
(May,  
August,  
September  
and  
December)

-Good groundwork  
  
-Difficulties  
experienced in  
releasing Dr.  
Fang to attend TF  
meetings.

3  
(May, August  
and  
November)

- V. Good report  
prepared by Mr.  
S.P.  
Chandarvarkar on  
reducing  
operating  
expenses so that  
future operating  
expenses do not

PER STRATEGY GROUP  
PLAN

PROGRESS MADE BY TASK FORCES TODATE

IMPLEMENTATION NO OF  
BY THE TASK MEETINGS  
FORCE TO DATE HELD TO DATE

REMARKS

evaluation of all existing Operating Units to  
current and likely future financial viability  
completed by December 31, 1989 - Evaluation of  
to include measurement of net profitability  
as - Gross Profit less IIR, less taxes, less  
capital costs, less allocation of CSO/RO/AD

Update/Modernise existing technological systems  
to meet needs of the present and anticipated  
products/services. Middle & Senior Management  
to be familiarised with latest computer  
S system. Successor System to be decided  
in 6 months with Global implementation by Dec

ensure the continued enhancement of human  
resources capability so that high quality personnel  
are able to fulfil Corporate Objectives through:  
- National training programmes for all levels of  
staff.

- Succession planning through identification of  
potential leaders and their selection, grooming and  
development.

- Timely recruitment of specialised skills

to achieve measured reduction in BCC's Global Cost  
through Group-wide Liability Management  
- to be phased out of 1% subsidy over a period  
of 12 months  
- to establish guidelines for maximum permitted average  
interest rates for each Country/Region  
- to evaluate alternative low cost and mix of deposit

III

- a) Subsidy reduced from 1% to 0.5%
- b) J. Crowther preparing report.
- c) 'Development of a deposit-based multi-currency product' - outline prepared by R. Dhurina and forwarded to UK Region for input/feedback

3  
(May, August  
&  
September)

- Members feel that objectives and tasks are under the responsibility of other committees/ bodies and the task force has had little input or results per se.  
- Objectives and direction of this task force needs to be reviewed  
- Should consider changing mix of members to include more members from the field if this task

