

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:-

 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)

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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.

o 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'etre for continuing with task forces should now be reviewed. A <u>full-time focus</u> 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

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



ANNEXURE 1

Annexure No. 1

BROAD OBJECTIVE

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. Wintrup

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
	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

MOMBERS

ACTION PLAN FOR IMPLEMENTATION OF RECOMMENDATIONS BY THE STRATEGY GROUP

TASK **DIVISION/UNIT** [3 Year Plan] [Related Units] TASK FORCE Freeze Operating Expenses so that: 1. a) No increase over 1988 Group Operating Expenses **Finance** Division b) Future Operating Expenses should not exceed the figure **Finance** Division **Task Force II** of Net Interest Earned with effect from 1989 **OPERATIONS:** c) A freeze on total Group Head Count (number of staff) Human Resources Division/ EFFICIENCY AND ECONOMY Human Resources Committee/Grp Improve total Operating Income by 10% p.a. on н. constant average Asset Base through: a) More judicious pricing on Assets - both existing and new Finance Division/ Task Force II Costing of all major relationships and products. Central Budget Committee 6) **OPERATIONS:** Elimination of non-profitable account relationships. EFFICIENCY AND ECONOMY Achieve measured reduction in BCC's Global cost of Funds 111. through Group-wide Liability Management including: a) Possible phasing-out of 1% Subsidy over a period to be Regional Offices/SCs/ studied **Treasury Committee** Task Force III b) Establish Guidelines for maximum permitted average cost of Regional Offices/SCs/ FUNDING: Funds for each Country/Region Liability Management Unit **DEPOSITS & LIABILITY** c) Explore alternative low cost and mix of deposit products Regional Offices/SCs/ MANAGEMENT Liability Management Unit Increase Productivity of Operating Units as measured by IV Profit per employee through: a) Redeployment of Under-utilised Human Resources **Task Force II** b) Greater objective performance assesment with proper Human Resources Division/ **OPERATIONS:** Reward/Acountability as appropriate Human Resources Committee/Grp EFFICIENCY AND ECONOMY c) Selective phasing out of non-utilizable staff

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- V. Reduction of 5-7& per annum in total Delinquent Loan Portfolio i.e. where interst has been suspended or partial provision made.
- VI. Pro-active Tax Management through, among other means:
 - a) Booking of Assets at most tax-efficient Locations
 - b) Inter-Unit Accounting System to provide credit for EMP, Treasury and other activities
- 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.
- VIII. Evaluation of all exisitng 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 captial costs, less allocation of CSO/RO/HO expenses.

- 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.
- X. Creation of a "New BCC Bank/Division" which would undertake (largely with existing human resources), a wide range of nontraditional activities including Merchant Banking, Investment Banking, Leasing, Factoring etc, to produce incremental earnings of at least \$50-75 million by end 1991

Central Credit Division Provisions Management Unit (Mr. Ataullah)

Task Force II OPERATIONS: EFFICIENCY AND ECONOMY

Finance Division/ Group Investment Division

Regional Offices/SCs

Regional Offices/SCs

Finance Division Other CSO Division Support Centres and Regional/Head Offices

Central Marketing Division and other Marketing units in Regional/Head Offices Task Force I PROFIT AND BUSINESS INCREASE

Task Force II OPERATIONS: EFFICIENCY AND ECONOMY

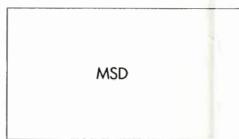
Task Force II OPERATIONS: EFFICIENCY AND ECONOMY

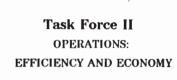
Task Force II ADMINISTRATIVE COSTS

Task Force I 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 respons to increasing corporate needs. Selection of successor system to be decided within 6 months with global implementation by December 1991.
- 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.
- XIII. A Global-International Business Develop,ent/Marketing Strategy should be developed over the next 3-6months utitilsing the Corporate strength of having operating units in 73 countries.
- 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 thwich 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.

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





HRD/Human Resources Committee Human Resources Group Professional Guardianship Group

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

International Division Corporate Identity Division Task Force II OPERATIONS: EFFICIENCY AND ECONOMY

Task Force I PROFIT AND BUSINESS INCREASE



ANNEXURE 2

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R STRATEGY GROUP AN

tive tax management through:

? of assets at most tax efficient

it accounting system to provide credit for irv and other activities

of a 'New BOC 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.

.obal international business development/ strategy to be developed by end 1989 corporate strength of having operating 5 countries.

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ndicious pricing on Assets - existing and Ic, IVa,b,c, under the responsibility of

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

GROLNDWORK BY TASK FORCE TO DATE

b) No progress.

US\$100m

IMPLEMNTATION NO. OF BY TASK MEETINGS FORCES TO HELD TO DATE DATE

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

x & xiii -2 proposals requesting approval from Board of Directors submitted to CSO recommending (i) undertaking non-traditional banking activities based on funding of engaging (ii) 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)

Human Resources Committee.

Ia b and II - Comprehensive report prepared

-Good groundwork -Difficulties August, September experienced in releasing Dr.

meetings.

Annexure No. 2

REMARKS

Fang to attend TF

and

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(May, August - V. Good report prepared by Mr. November) S.P. Chandarvarkar on reducing operating expenses so that future operating expenses do not PER STRATEGY GROUP PLAN

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le phasing out of 1% subsidiy over a period died

ish guidelines for maximum permitted average unds for each Country/Region

e alternative low cost and mix of deposit

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

- Members feel that (Nay, August objectives and tasks are under the respon-

sibility of other

committees/ bodies and

the task force has

had little in put or

direction of this task force needs to be

members to include more members from the field if this task

and

consider

mix of

results per se.

-Objectives

reviewed -Should

changing

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

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&

September)

REMARKS

