

CONTRIBUTION OF SEAM TO THE BANKING INDUSTRY IN LEBANON

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INTRODUCTION

Lebanon is a country with a market economy which attracts and supports foreign investors to launch new businesses. The Lebanese economy relies on two large sectors: tourism and banking. Although, this country witnessed many threats over the last few decades, its financial industry demonstrated its firmness and solidness. Lebanon has proven to be able to overcome political and economic crises. The banking secrecy law and the free exchange system have supported the economy where investors from all the Arab countries moved their funds to Lebanon. The power of the economy in this country is greatly influenced by highly educated and experienced workforce.

PROBLEM STATEMENT

Nowadays, banks are facing intense competition. The shareholders of banks aim at preserving and enhancing their banks ranking among others in terms of profitability. The study of this topic will reveal the major factors that affect the bank profitability based on SEAM. Therefore, we will collect the list of the dysfunctions and hidden costs that influence banks profitability in Lebanon. Based on the intervention, we will be able to disclose how SEAM will provide the employees holding different positions within a bank with new skills required by the competitive environment. This study will reduce the hidden costs existing within a bank by converting them into value added and by creating a potential through SEAM. It will provide the managers and other staff with the necessary training in order to resolve existing dysfunctions and prevent its existence in the future. This approach will enhance immediate results and creation of potential. (Savall, et al., 2008). The socio- Economic Approach to Management (SEAM) helps to monitor the time needed to change an enterprise in a new competitive environment. The basic statement is that employees in a corporation apply their informal power either to delay or to accelerate the pace of conversion. (Savall, et al., 2008)

Our research should answer the following questions:

- How does SEAM contribute to the profitability of a bank in Lebanon?

- What are the main dysfunctions in the bank and what are their financial impacts and how can we eliminate them?
- How can we apply SEAM tools to the banking industry in Lebanon?
- How can we retain existing key customers and attract new ones using SEAM?
- How can a bank maintain and develop its ranking among other banks using SEAM?

RESEARCH FIELD

Based on my intended field of specialization, which is the banking, I selected the topic “Contribution of SEAM to the banking industry in Lebanon” since the banking sector in this country is witnessing an intense competition. This is a contemporary problem since the competition that exists in the banking sector in Lebanon creates an enormous challenge to the success and profitability’s realization of banks.

The research is conducted on a medium size local bank in Lebanon that belongs to Betta group. Betta group includes banks that have total customers’ deposits between USD 500 and USD 2 billion. This bank employs 500 employees in the headquarters and branches.

Horizontal and vertical interviews have been conducted with employees from different positions starting by the tellers at the branch up to the directors at the headquarters.

AIM

I have selected this topic since it is related to my banking career. I am currently working as a branch manager in a local bank in Lebanon. I am already done with the whole intervention phase in my bank where I started to develop a thorough recognition and understanding of the dysfunctions in the organization in the initial phase. The six categories of dysfunctions are: working conditions; work organization; communication/coordination/conciliation problems; time management; lack of integrated training; and strategy implementation. Moreover, themes and illustrative comments of the problems have been presented to the top management in a process called the “mirror effect” where it effectively sees itself in a mirror.

By this point, management would be a major contributor to the diagnosis process and should be better prepared for the major changes and transformations required to address the problems raised in diagnosis.

CORE HYPOTHESIS

Reducing the hidden costs and developing the human potential of employees based on the Socio- economic approach to Management (SEAM) will increase the profitability of banks.

Hidden costs would pertain to the present or the future. The major hidden costs revealed in any corporation and which are related to the present can be summarized as follow the waste of time and resources, loss of income and opportunities. Hidden costs related to the future are mainly the failure of preparing the staff within the corporation on how to avoid potential problems

and to ignore risks. The amount of hidden costs occurs based on the rule of thumb. The more the corporation tends to be larger and technologically more advanced, the more hidden costs exist.

Whenever workers are being respected and have the opportunity to participate in the process of the workplace improvement, they are willing to make efforts in order to support their organizations. According to SEAM, the major source of a value-added for any corporation is the development and the participation of human potential. (Conbere and Heorhiadi, 2011). SEAM finds that poor management leads to high hidden costs. In fact, this poor management takes place due to a system's failure and the dominant mental model about management in the western world (Heorhiadi, A., Conbere, J. P., & Hazelbaker, C., 2014). Being a professional does not necessarily mean you are a successful manager. A manager should have the skills of managing people within the organization. SEAM aims to train staff and managers in order to master the fact of steering employees toward corporation strategic goals. (Conbere and Heorhiadi, 2011). Thus, SEAM works on reducing hidden costs and increasing employees' morale by letting them participate and contribute in the majority of procedures at the workplace. As a matter of fact, this approach will lead to the increase of bank profitability. (Conbere and Heorhiadi, 2011).

DESCRIPTIVE HYPOTHESES

The descriptive hypotheses are related to the mirror effect through the different categories of dysfunctions within the banks, as well as, the hidden costs. These dysfunctions are the difference between both planned and actual functions. SEAM asserts that the difference exists between the expected situation by the actors (employees, customers and owners) and the current situation. This gap exists based on the interaction between the structures within the organization and human behaviors. There are six categories of dysfunctions: working conditions, work organization, communication-coordination cooperation, time management, integrated training, and strategic implementation. (Savall et. Al. 2008)

EXPLICATIVE HYPOTHESES

The weak 3Cs between the main office and branch office and between the departments along with the absence of synchronization and steering and the lack of robust policies are the major causes of the six major dysfunctions.

These hypotheses are called the expert-advice which includes the roots of the dysfunctions, which are not visible and not mentioned by the actors. They are connected to three categories: lack of synchronization of all the action times; lack of synchronization to hidden costs and hidden performances; and lack of clean-up of the dysfunctions. The warning of these root causes should be adapted to the case of the bank we are intervening with.

PRESCRIPTIVE HYPOTHESES

Introduction of a new investment plan along with strengthening the 3Cs and enhancing the working organization and the quality of systems should play a major role in resolving the major dysfunctions within the bank.

SEAM aims for the involvement of all the actors related to an organization and to integrate quality service into the different departments in order to recognize the different dysfunctions. These hypotheses relate to the three axes of the Socio-economic intervention dynamics. These axes include the cyclical improvement process (axis A), the permanent management tools (axis B), and periodical political and strategic decisions (axis C).

BODY OF HYPOTHESES

The body of hypotheses is an instrument that includes the three sub- hypotheses: descriptive, explicative and prescriptive designed according to different thematic.

Descriptive Hypotheses	Explicative Hypotheses	Prescriptive Hypotheses
DH01: Existing Equipment at the branch is not enough and outdated	EH01: The dysfunction of the working conditions and the limited budget set by the top management has a negative impact on the daily performance.	PH01: Introduction of a new investment plan and increase the budget set by the top management
DH02: Inefficient communication, coordination and corporation between the main office and branch office are affecting the daily workflow.	EH02: The weak communication, coordination and cooperation between the main office and branch office are due to the lack of information sharing and involvement of the whole team in the field.	PH02: Strengthen the 3Cs between the main office and branch office in order to improve the daily work flow and thus to provide customers with better quality of service.

<p><u>DH03:</u> Breakdown of the system and the non-integration between several systems where they may block or get in trouble at any time the customers are being served during the day.</p>	<p><u>EH03:</u> The absence of synchronization and steering is behind the inefficient system where the top management does not take the necessary actions to resolve these problems.</p>	<p><u>PH03:</u> Enhance the working organization and the quality of systems via the frequent intervention of the top management in order to make investments in new technology.</p>
<p><u>DH04:</u> There is a true productivity gap between one branch and another one.</p>	<p><u>EH04:</u> The fact that some clients are facing difficulties to attain some branches due to inappropriate geographical locations is increasing the productivity gap between branches.</p>	<p><u>PH04:</u> Investment and opening of branches in more competitive geographical areas in order to be able to offer a wide variety of bank products and services such both retail and corporate.</p>
<p><u>DH05:</u> The bank is witnessing a high rate of employees' turnover leading to weak performance and bad quality of service.</p>	<p><u>EH05:</u> The wages offered are low according to the market rates where employees' salaries and compensations are not competitive.</p>	<p><u>PH05:</u> An appropriate pay and incentives scheme taking into account the whole market should be introduced.</p>
<p><u>DH06:</u> Delays in launching new competitive financial products</p>	<p><u>EH06:</u> Delays in launching new competitive financial products is due to non-coordination and non-cooperation between credit and market departments at the headquarters</p>	<p><u>PH06:</u> Coordination and cooperation should be enhanced and stimulated between different departments in order to compete the market with new competitive financial products</p>

<p><u>DH07:</u> Lack of accountability and responsibility</p>	<p><u>EH07:</u> Absence of stimulation by HR department to the managers and head of departments.</p>	<p><u>PH07:</u> Introduce and develop a new accountability system that includes measures with employees who do not comply with bank policies.</p>
<p><u>DH08:</u> The employees are not sharing the same vision as the bank, the fact that decreases the bank profits.</p>	<p><u>EH08:</u> This is due to conflict of interests between shareholders and staff where employees focus on the sales of financial products that generate financial incentives to them regardless of the level of their profits to the bank</p>	<p><u>PH08:</u> Enable better control by the top management and increase the incentives on financial products that generate profits for the bank in order to stimulate employees to put extra effort to market them.</p>
<p><u>DH09:</u> Lack of empowerment of the personnel (HR department) leads to high rate of sick leaves taken by the employees</p>	<p><u>EH09:</u> Lack of robust policies that should be included in the code of conduct at the bank.</p>	<p><u>PH09:</u> Solve problems related to the working conditions and introduce new robust policies to avoid the abuse on sick leave</p>
<p><u>DH10:</u> Resistance to change in the bank's structure which affects the bank's position in the market.</p>	<p><u>EH10:</u> This is due to the fact that some managers of the top management seek to save their positions in the bank</p>	<p><u>PH10:</u> The bank should change its policy according to the market trend in order to enhance its position and increase its profits.</p>

<p><u>DH11:</u> Extra hours stay at work leading to extra costs (overtime) in order to repair the mistakes.</p>	<p><u>EH11:</u> Extra hours stay at work due to non-quality of work where some employees do a lot of mistakes in their daily work such as loan contracts that lack some of the clients signatures</p>	<p><u>PH11:</u> An appropriate training should be delivered to employees regularly and frequently</p>
<p><u>DH12:</u> Unclear and vague regulations and procedures lead to unsatisfactory customer service quality.</p>	<p><u>EH12:</u> Unclear and vague regulations and procedures are due to the absence of a specialized department at the headquarters which is responsible on the bank rules and procedures.</p>	<p><u>PH12:</u> “Regulations and procedures” department should be created with a specialized team in order to offer better customer service quality and to avoid the bank from the reputation risk.</p>

The below **Priority Action Plan (PAP)** will be used in order to validate the three different types of hypotheses: descriptive, explicative and prescriptive. PAP serves as an implementation tool that links researcher, thesis advisor, and field actors. It includes the schedule of the research process along with the two parts: practical and theoretical

Priority Action Plan

Strategic Axis	Priority Objective	Priority Action	Departments or Persons Concerned					Provisional Planning 2017						Observations		
			Researcher	Chair	Advisor	Actors	Steering committee									
							J	F	M	A	M	J				
Practical Part	Horizontal Diagnosis	Horizontal interviews	x				x									
		Field note quotes categorization, revision and correction	x		x		x									
		Communication of the research findings with the advisor	x		x											
		Time management tool presentation and collection	x				x									
		Mirror effect	x	x		x	x									
		Expert Advise design	x	x		x	x									
		Baskets presentation	x	x		x	x									
		Vertical Diagnosis	Vertical interviews	x				x								
			Field note quotes categorization, revision	x		x		x								
			Hidden costs calculation	x				x								
			Mirror effect	x	x		x	x								
			Baskets presentations	x	x		x	x								
			Communication of the research findings with the thesis supervisor	x		x										
Theoretical Part	Writing Doc B	Enrichement of the problem statement, the research aim, the core hypothesis along with the three hypotheses: descriptive, explicative and prescriptive	x		x											
		Formulation of the three hypotheses	x		x											
		General outline	x		x											
			Validation of the project outlines	x												
	Meetings	Meetings with advisors	x		x											
Presentation	Seminars	x														