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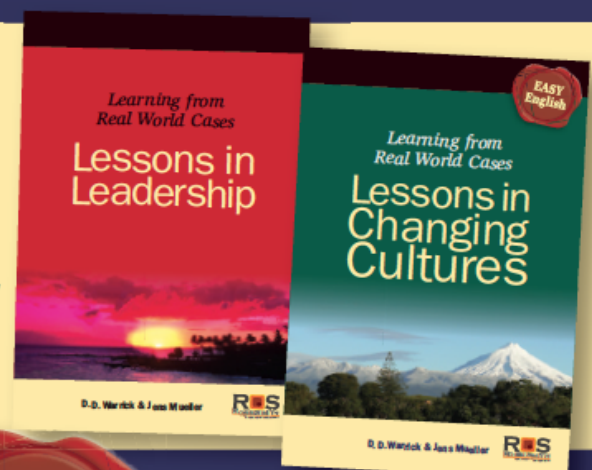
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## 4

## Leading Change: A Case Study Of Al Salam Bank – Bahrain

*Vijayalaxmi Moovala*

### Major Focus Of The Case

Al Salam Bank-Bahrain (ASBB) is a leading Islamic bank in the Kingdom of Bahrain which within three years of its establishment acquired a conventional bank in Bahrain and gained the benefits of acquisitive growth. It effectively integrated employees of both banks and fostered a positive team culture. This case provides insights into the leadership dynamics prevalent, human capital development practices, and change management strategies being implemented in the bank. Ethical leadership and strategic direction provided by the management during the change process, caused by both external and internal factors, are highlighted in the case. The case focuses on key aspects pertaining to marketing innovativeness and human capital management, which propelled ASBB as one of the leading Islamic banks in Bahrain.

### Al Salam Bank-Bahrain (ASBB)

ASBB<sup>1</sup>, a dynamic, diversified and differentiated Islamic bank, headquartered in the Kingdom of Bahrain<sup>2</sup> was incorporated in 2006 and started its commercial operations in the same year. In 2009, within 3 years of its operations, the Bank acquired Bahraini Saudi Bank (BSB), a conventional bank based in Bahrain, which became a controlled subsidiary of ASBB. ASBB focused on increasing its market share and retail branch network by providing a variety of Islamic financing solutions, investments, deposits, related products to its customers.

The noteworthy factor was that during the change process, caused by both external and internal factors, the bank emerged a winner due to the ethical approach, strategic leadership and futuristic outlook it adopted. The

<sup>1</sup> [www.alsalam-bahrain.com](http://www.alsalam-bahrain.com)

<sup>2</sup> An archipelago situated in the Gulf region.

advantages it reaped were due to acquisitive growth, change management strategies it implemented and the customer focus it had. Key mechanisms and best practices related to talent management, mentoring, and people orientation shaped ASBB into one of the leading Islamic banks in Bahrain.

### Strategic Leadership and Core Values

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The senior management of the bank led by the CEO, Yousif A. Taqi, comprised a team of high caliber visionaries who were ethical and personally credible. The CEO enjoyed a good reputation and personal credibility, which not only generated financial deposits/ business for the bank, but also earned the trust of customers. The 'pull approach' was evident in ASBB where this trust and credibility brought business to the bank.

The impact of the financial crisis which was felt in Bahrain was never a stumbling block, nor did it hinder the growth and progress of ASBB. It was one of the few banks in the country which during this period, made elaborate plans for business expansion and employee growth. At the peak of economic crisis, it initiated, negotiated and successfully completed the acquisition of BSB, a conventional bank of over 25 years standing.

ASBB leaders exhibited a judicious mix of business acumen and people orientation. During the process of integrating operations and employees of both banks, the senior management team spearheaded the change management processes on all fronts. They provided constant guidance and were, at all times, proactive, positive and patient. The core values espoused by the leaders were *integrity, ethical approach, transparency, trust, respect, equity, fairness, empowerment, employee engagement and customer focus*. The CEO's motto was: *'Good governance is the key to organizational success.'* He was instrumental in propagating the management concept that:

'The management team is the trustee of the bank, holding not only the money of the customers but also their trust and, that of the employees. Management should always have employees' and customers' interests at heart.'

### Management Philosophy

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The Bank's management team consisted of high-caliber internationally experienced professionals with proven expertise in key areas of banking and finance. They were committed to adopting internationally recognized banking standards, best practices and operated with transparency and trust. The key to ASBB's success was the priority it gave to a very critical body of stakeholders; the internal customers [employees], who in turn delivered their best service to external customers, thereby contributing to



the bottom line/profit margin. In line with this thinking, the CEO and the senior management team took a humane approach while dealing with employees. They always put the employees' interests first and gave priority to them.

ASBB management was able to strike the right balance between people management and market orientation. They encouraged employees to contribute positively towards business development. They never missed an opportunity to tap business/ obtain deposits from customers and invest them in the right ventures. ASBB increased its market share through prefunding projects, thereby gaining the confidence of its counterparties. Keeping abreast with the technological advancements, the bank invested in world-class information technological infrastructure. The management continuously upgraded technology, as they believed that better customer service comes through cutting edge technology. With the acquisition, ASBB had the combined advantage of BSB's long standing reputation in the banking world and their modern business dynamism in the financial markets.

Excerpt from an interview<sup>3</sup> with the CFO, Mukundan Raghavachari:

"Islamic banking, in simple terms, is Ethical banking.

The corner stones of sustainable growth of the bank are ethics and quality. Long term focus is significant and it should never be compromised for short term gains. Employee welfare, development and contribution are of paramount importance for the growth and success of ASBB. Human capital is the driver/ enabler of financial capital/ wealth creation"

### Rapid Growth

At a time when several organizations used the economic crisis as a 'credit crunch' to curtail business operations and downsize, ASBB expanded its operations and increased its employee strength. Within a short span of four years, the employee strength of ASBB more than doubled<sup>4</sup>, and its branch outlets increased fivefold<sup>5</sup>. ASBB availed the opportunities that ensued from acquisition driven growth by reaping the benefits of its synergistic association with BSB. It efficaciously tapped the potential for its products in the Middle Eastern and North African region. The acquired bank and its branches were used as the retail/ commercial arm with the parent focusing on private banking, investments and treasury. The main objective was to

<sup>3</sup> Interview conducted by the author on 28th December 2010 at ASBB headquarters in Bahrain.

<sup>4</sup> From 120 in 2006 to 230 in 2010

<sup>5</sup> From 2 in 2006 to 11 in 2010

expand ASBB's operations through three main synergies: cost, sales and functional. Sales synergies resulted in a better market reach, expanded customer base, and cross selling. Cost synergies gained were better pricing that came with volume increase. Functional synergies gained were the combined expertise of employees of both banks, which was effectively utilized to increase productivity and profitability.

Horizontal integration led to critical mass creation, volume expansion, bigger branch network/client base, a wide spectrum of financial products, and increased bank profitability. Taking advantage of a larger number of branches, ASBB assigned each branch with a specific business segment to handle, thus enabling a concentrated and specific marketing approach. Through advanced technological synergies, better customer service was provided.

All group processes were unified and ASBB operated as a holistic entity.

### Change Management

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During the first year of acquisition of BSB, the management of ASBB constituted a 'steering' committee, for planning and implementing the change management process. The 'steering' committee established 'integration' committees for each functional area/department to oversee the entire change management process. These committees consisting of members from both banks were entrusted with the task of preparing the change management plan. The plan was prepared and implemented with the consensus of both groups. Each 'integration' committee held weekly meetings to smoothen the change process.

The management used a 'bottom-up' approach rather than 'top-down' approach by identifying sponsors for each mega-process. They used a 'participative style' where employees were involved in the change process, rather than a 'coercive style' where the management enforces the process. Resistance to change was reduced and handled in an effective manner. The process of streamlining operations of both banks, and implementation of the change management framework was made possible through employees' contribution and each individual's involvement. Management of ASBB ensured that employees of the acquired bank, especially Bahrainis who were in jobs that became redundant, were not terminated. The bank took care to retrain and redeploy them to take over other suitable jobs by expanding the retail branch network.

On acquiring BSB, the first key initiative undertaken by the management of ASBB was to review and revise the compensation package of employees of the acquired bank. This helped build the trust of BSB employees and



paved the way for their smooth transition into ASBB. On the social front, several get-togethers, staff parties were held to facilitate integration of employees of both banks. The senior managers of both banks actively involved themselves in helping employees get to know each other and cope with the change process.

### Customer Focus

Excellent customer service and innovativeness in its marketing strategies was another key factor contributing to the bank's success. It was the first Islamic bank in Bahrain to introduce the smart card in 2007 and achieve RTGS<sup>6</sup> status soon after the Central Bank of Bahrain introduced it for its member banks. The acquisition helped ASBB in materialization of its plans for widespread geographical presence, business expansion and larger market share. It had established its first branch and 2 ATMs in May 2007 which soon resulted in an enlarged network of 11 branches and 24 ATMs<sup>7</sup>. Plans were afoot to project ASBB as a one-stop Islamic financial services centre in the Middle Eastern and North African region, within the next decade. It planned to have a wide spectrum of financial products in consumer finance. Its clientele was drawn from limited income customers to high net-worth individuals. It aimed to cater for all conceivable financial requirements and all foreseeable demands of its customers.

### Talent Management/Succession Planning

ASBB believed that employees are its best assets. It upheld the truism that survival and growth of the bank is dependent on human capital development and its contribution. Through mechanisms like career development it provided the right impetus for enhancing the competency level/skills set of employees. The bank focused on management development programs and succession planning. Succession planning provided the right base for effectively developing leadership skills among potential successors and, ensured the availability and continuity of expertise in the bank.

In a strategic move towards human capital development and with a view to develop employee talent, the bank initiated a succession planning system termed 'future leaders' program. The bank identified twenty talented young Bahrainis as successors for eight key positions in the bank, namely, that of the *CEO, CFO, CRO, CTO, COO, Head of Legal, Head of Investment and Head of Banking*. These young Bahrainis were being groomed and trained to take over the mantle of leadership within the next decade or

6 'RTGS' stands for Real Time Gross Settlement.

7 Figures in December 2010

so. This succession planning system served the dual purpose of retaining talented young Bahrainis in the bank and contributed to the practice of developing home-bred management talent. These young *Bahraini leaders of tomorrow* were trained based on future job requirements and given the opportunity to succeed and grow in their careers. This talent management system endorsed ASBB's top management commitment towards human capital development and empowerment.

### Mentoring System

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ASBB took a holistic approach to people development. They provided ample opportunities for employees to build their capabilities and enhance their skills. Departmental heads played the role of mentors and whenever required, mentors from outside the department were assigned to facilitate the overall growth of these potential successors. The bank invested in training and developing these employees through different methods and techniques. It gave them the advantage and opportunity of job rotation to strengthen their professional base in the bank. In due course they would gain overall conceptual, technical, human and other requisite skills to take over the reins of leadership.

### People Orientation

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ASBB being a people-centric organization in the financial services industry gained success in the industry and market place through the support of its employees. The bank had a good work culture, and it empowered its employees. The managers examined various ways in which employee integration and engagement could be brought about. Employees were differentiated according to their commitment and contribution, and rewarded accordingly. This had a dual impact in ASBB; on one hand, it encouraged the high achievers to contribute more, and on the other, it became a motivating factor for other employees to get into the high achievers' league.

The CEO and his team of senior managers maintained an open door policy with the employees. They were accessible and went the extra mile to establish rapport and build a one-on-one relationship with each employee. 'Equal treatment' and 'equity principle' were very much in play in ASBB. It followed the principle of 'equal pay for equal work', where both expatriates and locals were given the same compensation package. Employees who separated from the bank were treated with utmost dignity and were given a fond farewell. The management believed that every single employee, both current and separated, were ambassadors of the bank. The word-of-mouth



advertising done by these employees was as important to ASBB as that of the customers, to make or break the goodwill and reputation of the bank. In ASBB a “management that cares” concept was all encompassing. It was reflected in the environment of trust that the senior managers created, through their personal credibility and accessibility to employees. The senior managers took into account the overall well-being of employees, be it employee development, compensation, physical health or work-life balance.

### Conclusion

The success of ASBB was mainly due to the personal integrity and business acumen of the senior management team and, committed teamwork of its employees. The management of ASBB through their credibility and ethical approach earned the trust of their stakeholders. They treated employees with respect by recognizing their personal worth and rewarding their professional contribution. The customers’ business was managed ethically and their trust was maintained. The shareholders were assured of profitable operations and transparent governance. The society, at large, benefitted through the welfare measures undertaken by the bank. ASBB was recognized as an equal opportunity and equitable rewards employer in the banking industry of Bahrain. Meritocratic culture that prevailed in the bank helped attract and retain the best talent in the industry. ASBB was poised to scale great heights in the financial services industry of the Middle Eastern region, in general, and Bahrain, in particular.

## Discussion

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1. *'Leadership philosophy sets the tone for the success of any organization.'* To what extent is this statement true for Al Salam Bank – Bahrain?
2. Evaluate the effectiveness of the change management model used by *Al Salam Bank – Bahrain*.
3. Examine the succession planning concept in *Al Salam Bank – Bahrain*.
4. Assess the impact of rapid growth on the employees and customers of *Al Salam Bank – Bahrain*.
5. Analyze the factors that contributed to the Bank's success during changing times.



### Key Lessons In Leading Change

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1. Change is inevitable in all organizations. The essence of change is in managing it effectively. In *Al Salam Bank – Bahrain* the management used the most effective change management strategy, that is, the ‘bottom-up’ approach. Employees at all levels were actively involved in contributing to the change management process. The participative style used facilitated the smooth integration of employees of both the banks and streamlined the work processes, as well.
2. Customer focus is one of the key factors leading to an organization’s success. In *Al Salam Bank – Bahrain*, the management was able to focus on the varied needs of its customers due to the innovativeness and commitment of its employees. Customer focus starts with meeting the expectations of employees who in turn cater for the external customers’ needs.
3. Organizations that invest in their employees have better and long lasting returns. The key human capital management strategies of *Al Salam Bank – Bahrain* were the mentoring process and succession planning. Through these mechanisms the bank not only motivated their employees but also retained them. The motivation of employees helped the bank grow and prosper during the changing times.
4. Success of any organization can be attributed to the top management philosophy and approach, as in the case of *Al Salam Bank – Bahrain*. The management team was ethical in their employee and customer interactions. Customer-centric approach towards the internal and external customers paved the way for the progress of the bank.

## BIOGRAPHY

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**Dr. Vijayalaxmi Moovala** holds a Master's degree in Business Administration and a Doctorate in Business Management from India. She has a certificate in psychometric (occupational) testing: SHL [UK] and is a certified Master trainer of Neuro-Linguistic Psychology [USA]. Dr. Vijaya has over 20 years of experience in management training and consulting. She started her career as a Management Consultant and University faculty member teaching M.B.A. students. Her expertise is in the areas of *human capital development, applied managerial psychology, strategic and general management*. She has extensive experience in facilitating management training and development programs for supervisors and managers of different organizations in India, Kingdom of Bahrain and other Gulf countries. Dr. Vijaya has provided leadership and guidance to several human capital development projects. She is research oriented and has published several management articles in renowned journals. She believes in self-development and lifelong learning.

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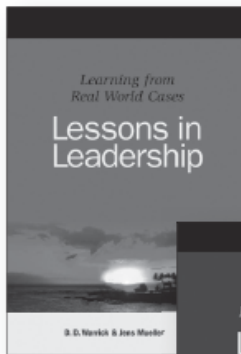






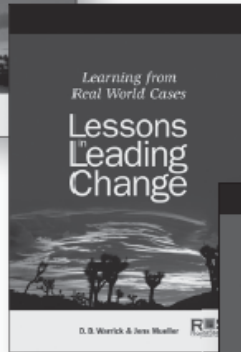


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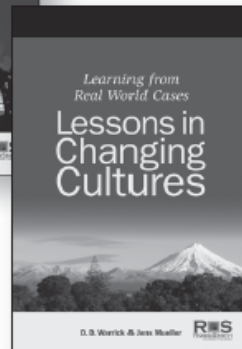
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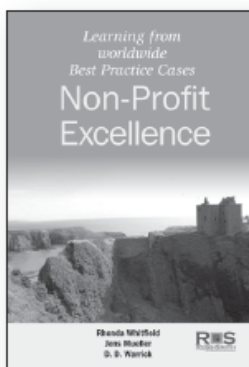
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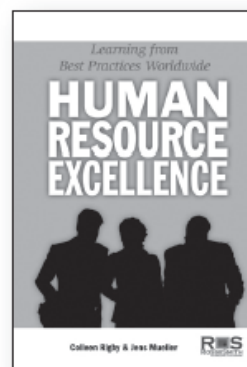
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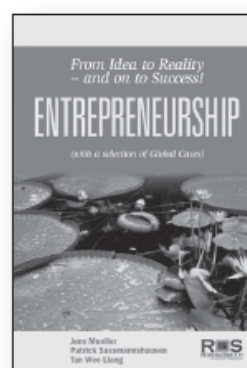
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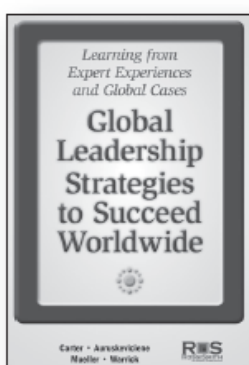
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