

# Chapter 12

## The Case of the National Capital Market Authority: A Struggle of Power in the IT Directorate

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### **EXECUTIVE SUMMARY**

*This case is about the National Capital Market Authority (NCMA), which is a regulatory, legislative, and supervisory governmental organization responsible for regulating the capital market in one of the Gulf countries. This case addresses the issues generated by a power struggle in the IT directorate and how hiring and promoting was subjected to personal relations with the CEO, which resulted in an organizational misalignment with target goals and led to organizational setbacks and business operation disruptions. NCMA was going through a major transition when they announced the restructuring of the organization. The IT department needed new leadership, after the director of the IT Directorate was laid off. Then the directorate management was assigned to an Acting Director, who was personally related to the CEO. He was unable to accept that he did not have the needed managerial skills to run the department.*

### **ORGANIZATION BACKGROUND**

The National Capital Market Authority (NCMA) is a governmental organization, which had financial, legal and administrative independence and reported directly to the Prime Minister. Formed in 2003 the NCMA employed 400 employees in various business units. The organizational culture was influenced by that of governmental, which demonstrated slow pace, lack of ownership, high influence of politics and

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bureaucratic approaches to delivering services, (El Araby, Labib and Islam, 2006). The country was experiencing a prosperous economic climate; businesses were started and arising in response to consumer demand for goods and services in several industries. This resulted in a wave of capital market activities when the public invested in companies and generated a high volume of stock trading in the market.

The regulations which are set, monitored and managed by NCMA were as follows:

- Capital Market Authority
- The Securities Depository Center
- The Committee for the Resolution of Securities Disputes
- Appeal Panel

The NCMA was entrusted with the following duties:

- Regulate and develop the capital market.
- Promote appropriate standards and techniques for all sections and entities involved in Securities Trade Operations.
- Protect investors and the public from unfair and unsound practices involving fraud, deceit, cheating, manipulation, and inside information trading.
- Maintain fairness, efficiency, and transparency in transactions of securities.
- Develop appropriate measures to reduce risks pertaining to transactions of securities.
- Develop, regulate, and monitor the issuance of securities and under-trading transactions.
- Regulate and monitor the activities of entities working under NCMA.
- Regulate and monitor full disclosure of information related to securities and issuers.

NCMA consisted of the following main business divisions:

- **Enforcement:** The division's mission was to protect investors from unfair and unsound practices
- **Market Supervision:** The market supervision division was responsible for monitoring the trade and primarily deals in securities, while also monitoring the electronic channels and websites to ensure that there are no unlawful acts or practices against capital market law and its implemented regulations.

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