

Chapter 18

The Royal Credit Bank Strategy and Transformation Program: The Gulf Management Strategic Planning

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EXECUTIVE SUMMARY

This case discusses a strategic planning issue related to unplanned radical change. The Royal Credit Bank is the leading and largest lending bank in the Middle East. The bank suffered for a long time from bureaucracy, inefficiency, lack of productivity and misalignment with customers' needs for added value services. The Royal Credit Bank was approaching a change program of a scale and depth that occurs once in most employees' lifetime. It would transform the bank's business and operating models, culture, and leadership, impacting virtually every part of the organization. This had profound implications across strategy, leadership, people, and systems. This case highlights the impact of implementing large programs in an outdated banking environment where the challenge is beyond finding the solution. The real challenge was to make the solution work given the environmental issues and challenges faced by the leadership team to make things happen.

ORGANIZATION BACKGROUND

The Royal Credit Bank (RCB) is considered to be the largest bank in the Middle East in cash assets. Located in a GCC country, RCB is a government lending institution that provides interest-free loans to citizens. The target audience of the public who are eligible to apply for loans falls into two categories:

- Small enterprises, employers, and emerging trades; to encourage them to run their own businesses independently.
- Citizens with limited incomes, in order to help them overcome their financial difficulties. This category benefited from loans for social purposes like marriage, family support and renovation, in addition to vocational loans for micro project enterprises.

The bank aimed to encourage entrepreneurship for individuals and institutions in the country, support the small and medium enterprises to pass the startup phase and grow into an economy contributing organization. The bank also aims to promote savings and thrift by individuals and institutions in the country through creating the capabilities to enable achieving this purpose.

With the capacity of 800 employees, the RCB operated a capital topping \$10 billion in cash assets. The bank operations were governed by the Prime Minister's cabinet. A council of ministers headed by the Minister of Finance set the governing policies of the bank; nevertheless the Royal Monetary Agency was responsible for monitoring the bank's operations and activities in accordance to the law and the governing and guiding principles.

Since the bank is a government institution, the aim of the bank was not for profit as much as it was to offer economic and social help to citizens and SME's. The bank had several funds and financing sources which consisted of the following:

- The bank's capital.
- Government deposits.
- Fees for expenses incurred by the bank in performing its functions as determined by its Board of Directors; loans for social purposes to low-income individuals shall be exempted from such fees.
- The income resulting from investing bank's funds, balances and assets.
- Allocations or funds granted or loaned to the bank by the government.
- Loans and deposits provided by the Royal Monetary Agency and other public and private institutions and charities.
- Deposits made by the public and guaranteed by the government.
- Saving bonds.

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