

Shinsei Bank

1. "There was significant management turnover after the IPO in Feb 2004" (p. 11). Why do you suppose this happened and what does it say about the organization?

The bank was sold to a US. Equity group which required results quickly, this meant that they needed to recruit people that could make results quickly. The firm's employee need a new goal to stay relevant. Many employees thought that the bank will just run itself after the IPO.

They had a successful IPO but most people left the company afterwards. The organization was not accustomed to the new strategy of quick-results and having a short-term vision. There is lack of commitment after the IPO. Lack of identification.

People were not happy with the money anymore and left because the tasks were not interesting anymore. People leaving indicates that there is problems with growing the employees.

There is a conflict between the different compensations systems. The permanent employees are the one commercial bankers, they make money from loans and revenue interest. The market employees are the investment bankers they make money from noninterest revenues. Fees from selling financial products.

Commercial bankers have a simple salary system with good retirement plan. Opposite, the investment bankers have a performance bonus system, where they receive and additional bonus from performing well.

So, you have commercial vs. investment banking. Attract talent.

The market has changed, the companies did not the so many loans anymore, so the bank needed to do investment banking and have revenues that are not based on loans, but on fees.

Commercial bankers had a long-term vision and the investment bankers have a short-term.

The investment bankers are hired from Goldman Sachs and Morgan stanly. There is. Becoming a lot of subcultures within the organization.

2. What was the nature of the organization that Porté inherited from Yashiro in 2005? What were the different kinds of polarization in the organization then?

The was no culture and the people was very diverse in terms of their identity.

I starten var der løngrupper, men efterhånden som nye medarbejder kom ind I firmaet så gik man over til commission.

Der var problemer med at samle værdier og koble dem tile n strategi.

3. What seem to be the assumptions and values that are shaping behaviour at Shinsei? What are the experiences that may have shaped these values and assumptions? Do these assumptions need to be changed?

Customers focus, integrity, accountability, teamwork, community, exhibit 6. The team-workshop created these values.

The environment is very fragmented by the quote (you are having a civil war" it is also very hostile by the quote "run over by a Ferrari").

Diversity does not work. They are a divided firm and are not unit. By they want to move to a point where diversity can be a strength.

4. What were the desired organizational changes? How was this change attempted? Are Porter and Pederson overlooking some things?

They wanted to create a common culture for the organization.

There was no consistency in the charters of ethics and value statements in the bank. They lacked linkage to the bank's strategic plan and branding strategy. Therefore, Porter launched a Vision and Initiative strategy. This aimed to revisiting the corporate vision statement and developing values that could be applied across various groups irrespective of business and culture.

They hire CLO.

The divisions could hire and fire on their own so the division could create its own culture.

They did a 360 degree feedback where a worker would receive feedback not only from their boss. But also their co-workers.

They were measured by 5 areas. They had a values initiative. They also changed the time when the feedback was received so the employees had time to think and reach upon the feedback.

They are overlooking national problems. Example will people from Japan give honest feedback.

Looking at primary embedding mechanism and secondary

They only focus on values to create culture. But they overlook the secondary according to Shien.

5. Has diversity ever worked for Shinsei? What would you recommend for the organization? And how will your recommendations make sense to the organizational membership?

The bank received awards for their diversity.

The way they created the retail business: was that they recruited a lot of women from different parts of the organization.

We do not see any stories being told from their success. One of the tasks of culture change is to create a story of success to circulate the organization. Example the IBM story from the guy who lost 9 mil and thought he was going to be fired but instead the firm had his back and told the guy that they just spend 9 mil to educate him.

They should celebrate success.

Addressing how the permanent employees are feeling. They feel overlooked, not valued and feel that they are not respected. Celebrate the presence of commercial and investment bankers.

Long-term orientation is high in Japan compared to us. When Ripplewood bought the company they wanted quick results, whereas the Japanese culture is focusing on long-term. This is also seen in the case where they do not want to save Sogo because it is a bad business right now. However, Japanese culture would see this as a long-term investment in good relationship.

Japan has a low individualism compared to US. We see that reflection when the firm did not decide to help Sogo and let the other firm go bankrupt.

Uncertainty avoidants the workers in the firm were not happy that a US company would buy the firm. General Uncertainty avoidants is high in Japan and low in US.

Japan scores high on masculinity.

Porter met with each of the participants. To discuss their feedback and determine how they could both leverage their areas of strength and work on development areas.

The reaction to the performance evaluation program was encouraging.

Pedersen decided to roll out the program to include the next year's managers.

The firm created a board game to spread values and heritage across the firm. It is a western way to do so.

One of the issues can be, are we addressing the way people feel?

Notes while reading

The bank was made up of professionals with different backgrounds, so they need to develop a culture. He wanted to find a way to get employees with diverse backgrounds to work together and

create a learning culture. LTCB was sold to a U.S. private equity group, Ripplewood. Ripplewood employed deft political lobbying. They brought in new leaders in 1999 to create bridge between Japan and US.

Changed name in 2000 to throw away its past. The bank decided not to help a retailer Sogo which ended up going bankrupt, which made the bank very unpopular among the Political establishment. In Japan there is a culture to help your closest.

A new strategy was implemented to delegate planning responsibility to groups. Each group also had the authority to hire and promote. Each individual could now specialize in different banking areas.

There was pressure from the politicians that they should lend more aggressively. Yashiro was close with the employees and let the employees know the recent developments and the bank's direction. People thought he was a good leader.

Competition was increasing.

In 2001 the Commercial Banking Department and the investment Banking Department merged to create the Institutional Banking Group and to facilitate better collaboration between relationship managers and investment bankers. But coordination was difficult because one had long term vision and others had short.

Shareholders wanted quick results which affected the culture to "every day we need to make money". Information is also open and transparent.

The bank wanted to build retail banking to collect deposits and stabilize the bank's funding (ATM's)

There were developed a four concept plan to drive their business: "accessible", "easy and convenient", "responsive" and "delivery of value".

The bank consolidated back-office operations by decoupling them from the front-office functions that resulted in an 80% reduction in operating cost.

In 2004 they developed new product Powered One, which was a success. They required new non bank firms. This resulted in securitization (competitive strength). The foreign ownership and declining LTCB population affected the spirit of Shinsei. They said that people from LTCB was homogenous, intelligent and bureaucratic.

The spirit at the bank after surviving IPO, was that they do not have to worry if the bank may fail. This is a problem and they need to find the next target to strive for, in order to survive and stay relevant.

In 2005, a new CEO, Porter, created a full-service bank and will build a consistent bank culture. There was little being done internally to develop individuals capabilities in a systematic way.

Realising integrating of diverse professionals was critical for bank's success.

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The way they performed this strategy was to create a work-shop where the values were created in a certain way that is easy for people to grasp. But spreading these values across the firm is hard.

In 2006 200 managers worked together editing competencies, which would be included in performance-evaluation programs for senior executives.

New title was implemented Chief Learning Officer (CLO), to include integrating and managing training programs throughout the organization, managing performance-evaluation processes and employee surveys, and develop succession plans and leaders for the next generation.

The key responsibility for the CLO was to centralize the training program for the entire firm. To do this, Pedersen organized meetings with HR of all divisions. The CLO was a metaphor for the firm to focus on learning.

Performance evaluating needed attention. A new system was implemented and focused on 9 classes tied to bands for annual salaries. There was feedback from their superiors.

There was a problem with performance-inflation. They changed the performance scale from 1-5 to A to O.

What differentiates them from their competition is the combination of hybrid identity and high standards for integrity and transparency.

The 360-degree performance evaluation also meant to evaluate the executives. A new statement was implemented "those who can act on the Shinsei values should be leader of the bank", in the past it was only the one who created revenues that were valued. There became a stronger value for integrity and community. Stronger focus on customers.

Porter faces the challenge of managing a bank with diverse professional base and little corporate culture.

Client really liked Shinsei.

The conflicts in culture were complex. The first level was social conflicts. Second level is conflict between relationship-oriented commercial-bankers and profit-oriented investment bankers. The third level is the corporate culture. Shinsei did not have a culture yet.

Porter argued that since client focus is one of their values, it makes sense to use metrics such as cross-sell ratio by client in the evaluation process.

Porter believed that fear and lack of communication were the biggest obstacles for change.

Challenges Facing Pedersen

Some was Shinesi as an old commercial bank, which made it difficult to attract talent in competition with investment banks. Shiensei's senior managers had focused on creating high-performance and entrepreneurial culture by recruiting externally. This also created a problem, thhet had to consider what message that would sent to long-term employees as more senior positions were filled with external hires.