

Bank Al-Habib Limited: Deciding Which Way to Go? Moving a Step Head in Technology

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Abstract:

Banking industry of any country is considered as the backbone of any economy, history is a powerful testimony of the fact that, this sector has faced a tremendous growth not only in Pakistan but round the Globe. This is one of the sectors which require high level of investment and security to meet up the international standards for smooth operations. All the aspects of banking sector are of equal importance but technology is on the top of the list. As banks purely deals in services so, it is very essential for Banks to timely update their system and adopt these changes or else they will be out of the market. In this case study we have discussed a problem of Bank Al Habib Limited, which it has faced recently while during its new software implementation in the organization. Meanwhile few other opportunities were also proposed to management which they were thinking to avail. This case study is written for academic purpose and will only be used for same. Some of the data and information used in this case study is hypothetical and fictional.

Key Words: Management, System Re-Engineering, Technological Change, Technological impact on Personnel, Strategic Management, Banking, Transformation Change, Change implementation, Change Management.

Introduction

March 15th, 2017 was like a normal day at Bank Al Habib Limited, when Mr. Mansoor Ali Khan¹ was observing the financial of Bank Al Habib Limited (Refer Exhibit 1) along with his fellow executive at morning tea. Everyone was happy as these financial made BAHL² as the sixth largest bank of the Pakistan. For the purpose of expressing his joy through email, when Mr. Mansoor opened his laptop he found a mail from Chairman Abbas D. Habib in his inbox. It was a short mail with a subject line, "Urgent Meeting: Penalty imposed by SBP on BAHL".

BAHL is being moving toward the process of centralization³ along with a new software implementation in order to promote paperless work environment. According to Mr. Ali Raza Balouch⁴ this new technological change of software implementation and centralization is very much essential for the organization survival in competitive market but Mr. Abbas felt that their organization is not ready for both changes at one time.

As a result of implementation of new software named **ORBIT**⁵ paperless work environment was promoted and it has reduced the cost of stationary by 35% but on the other hand it has increased the work load on employees which caused DE-motivation in employees and 09% of the skilled concerned staff left from their Jobs either in form of resignation or transfer. As a result of this, few branches misreported the data to SBP and a heavy fine was imposed on BAHL. In terms of employment BAHL was considered as the best bank to work for because it is the only bank in Pakistan that provides Life Time Employment. On the other hand as per customer review of 2016 and deposit position it is also among the top list of best service provider banks. Each of the above mentioned statement was now into a big and serious question with significant analysis and disturbance cause by the implementation made by Mr. Ali Raza Balouch.

Background of Mr. Ali Raza Balouch

He was born in a Balouch family of Sindh, Pakistan and typically termed as "**Balouchi**," as like most of the families in Sindh, Ali's parents also wanted him to be a Bureaucrat in future. But Ali has a keen interest in

Information Technology and he has planned something different for himself. According to him at that time he decides that he will do everything except becoming a Bureaucrat. At the age of 18 when personal computers were launched for the first time in Pakistan he was the first to buy the one in his locality. After completing his schooling from local college of Larkana he came to Karachi at the age of 19 and got admission in BCS from Karachi University. During his graduation he spent hours working on coding and as a result he became the most efficient and bright programmer of his batch, 1995. He joined an IT firm for a small period of time when he finally got the offer from BAHL as Officer Grade – 1 due to his skills assessed by the management of BAHL. As he recalled his favorite quote of Edward V Berard which his teacher usually quote,

“Walking on water and developing software from a specification are easy if both are frozen”

Mr. Balouch started his MCS from NUST and proved himself to be the master of field in BAHL. Soon management realized that too and selected him to be a successor planner after their existing I.T Head. One after another Mr. Balouch got promotions and became the Assistant I.T Head in 1999. At that time he realized and identified the weaknesses possessed by their system OBS⁶ and proposed management to implement new software named AHS⁷. The proposal was at once accepted by the management of BAHL and in 2004 AHS was implemented in BAHL.

Centralization of Account Opening

In 2003 when Mr. Balouch started his MCS from NUST Karachi he got the chance to attend training on behalf of BAHL in USA where he learned a new concept of centralization. As their previous banking software was prone to certain challenges (Refer Exhibit 2) which encouraged Mr. Balouch to give advice to the management about new banking solution through which they can have a strict control while establishing relationship with new customers, Mr. Balouch gave the idea of centralization. According to his concept all the new established relationship will be initiated by Branches then the same will be forwarded to a central location named as CPU or Centralized Processing Unit where they will be further processed and final account will be opened from there. Beside this all ATM Cards and Cheque Books will also be managed and processed by CPU. This will not only optimize the process but also reduce cost and allow strict control and monitoring. Soon after the centralization of Account Opening management decided to centralize another crucial department, clearing. So in 2005 BAHL centralized its inward clearing operations under the guidance of Mr. Ali Raza Balouch and supervision of Mr. Shahid Raza Saleh⁸.

At the age of 34 Mr. Balouch successfully implemented the process of centralization of Account Opening in BAHL. As the company grew BAHL started to hire people more fast which are mostly not motivated by money but by their life time employment concept.

Centralization of Import

After the great crises of 2007⁹ banks became more vigilant in terms of their processes and investments. SBP¹⁰ published its strict rules and regulation especially for Trade related transactions. Beside strict rules of SBP, it has given special prudential regulations¹¹ for Anti Money Laundering and Combating Financing against Terrorism¹² (AML/CFT). As a result of it Mr. Abbas D. Habib gave the idea to centralize the Foreign Trade of BAHL and once again this task was given to Mr. Balouch. Mr. Balouch discussed this responsibility with Mr. Shahid Raza Saleh which further bring on board to Mr. Iqbal Abu Bakar¹³ and Mr. Imtiaz Shaikh¹⁴. Initially in few meetings all of them decided to divide this responsibility into two parts, A – Centralization of Import and B – Centralization of Export. In 2008, Mr. Balouch with his team successfully completed the part A of the task given to him.

BAHL: The Early Years

Bank Al Habib Limited has the deep roots in the history of Pakistan. It goes back before the independence of

Pakistan when late Habib Ismail, the founder of Habib group started his journey, and in 1941 Habib Bank was established. At the time of independence it was the only Bank of the world who gave the loan to a newly born state of Pakistan and decided to be the part of newly born state. On January 01st, 1974 under the leadership of Mr. Muhammad Nawaz Shareef¹⁵ this bank was made nationalize along with all other banks of Pakistan.

In 1991¹⁶, government again decided to privatize the Banking sector of Pakistan, Habib group was the first to be granted permission to set up a new bank under this policy. On Oct 15th, 1991 grandsons of Habib Ismail started their Bank with the name Bank Al Habib Limited (Refer Exhibit 3) and over the period of time they have grown up to 600 branches across Pakistan. Under the leadership of Mr. Abbas D. Habib they aim,

“To be most convenient and trusted bank”.

At the time of establishment they have started their operations with manual work as like others. Soon after the introduction of Information technology in 1995 they adopted their system to OBS. But the world is growing at a fast pace and new technologies emerge everyday with those new technologies market became more competitive. In order to survive in the market it is very much necessary to remain acquainted with new skills and technologies of the industry. Back in 2002 when Mr. Balouch identified the weaknesses possessed by OBS like one entry at one time, slow process, to enter new information you have to discard previous one, easy to hack e.t.c. a software was proposed named as AHS and the same was implemented across Bank Al Habib in 2004 which is in accordance with their mission,

“To make banking safe, simple and pleasant”

Moving with the Flow

In 2006 world was facing a huge investment in consumer market especially in mortgage finance and after the great crises of 2007 scam, exposure in only consumer financing remained in the market. To meet up with the needs of customer BAHL also stepped into consumer financing starting from APNI CAR FINANCE¹⁷ in 2009-10. Mass advertisement was done for this product round the country and this product was designed at most competitive rates in the market.

During that period of time BAHL contact Dell Inc.¹⁸ to provide specialized devices for their Bank, in Sep, 2009 Dell Inc. provided them with device named WYSE¹⁹ which is compatible with both software's i.e. OBS and AHS. These new devices for all branches cost them Rs. 15 Billion and an additional cost of 3.5 Billion was charged for purchasing the license of these devices. With these new devices new servers were also required with additional backup energy system which additionally cost them Rs. 10 Billion for all branches.

Superior Customer Service Approach

BAHL is focused on delivering superior customer services as it is necessary to have customer loyalty²⁰ and business retention²¹. BAHL strive to be a strong and stable financial institution offering innovative product and services while contributing towards the national, economic and social development. They ensure the quality of service by training their staff for cleanliness, physical presentation, greeting, speaking & listening etiquette, telephone etiquette, and dealing with difficult customer.

Further in 2005 SBP introduced a special system to facilitate customers of banking sector through BANKING MOHTASIB²², as a result of this BAHL has also developed a separate department to ensure quality customer services. This department not only ensure quality but also deals with different complains lodge by the customers from all over the Pakistan.

BAHL does not adhere to common call centers only therefore they usually conduct surveys and monitor quality by physical visits in the branches. BAHL encourage their staff to establish “emotional connections”²³ with each customer. Staff of BAHL is trained periodically across whole year regarding quality services²⁴ and cleanliness. BAHL took pride in being transparent and opened to anyone: public, customers and competitors. BAHL arrange

recreational activities twice a year and a special newsletter is published every month for praising high achievers of the bank. BAML strictly follow its core values and consider all staff of the BAML as one family. A special suggestion system is also introduced in the bank where every employee is free to give advice through which they can enhance their operations.

Due to the continuous efforts of its CEO, Mr. Mansoor Ali Khan, BAML manages to become the sixth largest bank of the Pakistan, with more than 600 functional branches across the country. All the branches of BAML have the special license granted by SBP to deal in Foreign Currency in Pakistan.

Becoming a Family Member of BAML

As customer base of BAML continuous to grow so do its number of branches. The need for skilled and talented staff and their retention became its one of the foremost challenge. To deal with it tactfully management of BAML decided to offer low salary package with a benefit of life time employment. Mr. Mehboob Ali²⁵ explained,

“We believe in family, and for us every member of our bank is a family member”

To further support this narration Bank's management has made some unusual rules like sending proper condolence for any sad activity and sending greeting/ appreciation on good. As a result of globalization and increased competition in the market retention of talented personal became one of the biggest challenges for BAML and as a matter of fact banking industry of Pakistan is among the top sector of Pakistan who has the highest ratio of employee turnover.

BAML has planned a different way to face this challenge beside MTO²⁶ Programs and direct hiring of experienced and fresh staff BAML has introduced a new batch named as GTO²⁷ for general banking. Through on the Job training, Class room training, and simulations newly hired employees were made the master of the field, beside this BAML believe that training is a ongoing process so they arrange different training for nominated staff round the year to make their employees skilled as per market need.

Centralization of Export

Second part of the assigned duty was still pending from Mr. Balouch's end. In June, 2015 Mr. Balouch and his team decided to start a pilot test for part B of the Foreign Trade Centralization. This time centralization was not an easy task for Mr. Balouch because few of his previous team members has left the bank and the new team is not so much skilled and trained. Beside this Mr. Balouch was also busy in developing new software with an IT company for BAML named as ORBIT in order to promote paperless banking.

Pilot test for Export centralization was started from Oct, 2016 and 10 branches of Karachi region was initially selected for this test. Under the guidance of Mr. Raza Raffique²⁸ and supervision of Mr. Iqbal Abu Baqar, separate team was made in CPU which only deals with export related transactions.

WaveTec CDM

Management of BAML believes in change for improvement and they adapt to new change very frequently. Chairman of BAML, Mr. Abbas D. Habib gave an idea by analyzing the competitive market to introduce technological based solutions in BAML. For this purpose they decided to initially introduce a CDM²⁹ in near future. They planned to introduce this CDM by Nov, 2017 and for this purpose they contacted Wave-Tec³⁰, a multi-national company to provide this device for pilot test.

More exposure to Consumer Banking

As a result of the strong financial of BAML, Mr. Hussain Aqdas³¹ and his team proposed to the management

that they should expand their exposure in the consumer market especially in credit card and personal loans. History of BAML and its performance made this exposure less risky but still in order to expand in this sector huge finance is required as a backup. Mr. Mansoor Ali Khan was considering the option and in real confusion whether to allow it or not?

ORBIT Banking Solution

Orbit is a functionally rich banking solution, designed to deliver distributed, regional or centralized solutions to all the needs of modern banks and financial institutions. Orbit uses a central Relationship Information Management (RIM) facility to integrate account through which they can be accessed and maintained from all over the country.

It promotes paperless banking through extensive scanning and file uploading in a specific format which initially caused DE-motivation and boredom among the employees. ORBIT system is not compatible with the old devices of WYSE so special devices are needed for it and they are started and closed separately from AHS and OBS. Employees are not trained for ORBIT as a result of which they are unable to execute their operations/ responsibilities properly. On the other hand foreign trade officers of the branch end are very much dissatisfied as they have to wait for a long time for their transactions to be completed. CPU has to deal with the processes/ transactions from round the country and they have very limited number of staff and in existing staff most of them are fresh and untrained. Due to unnecessary delays and late sitting 09% (14) of the skilled staff from branches who are under pilot test left their job. Along with this due to implementation of ORBIT in BAML most of data related to credit and trade disappeared/ crashed from the system which became the reason for misreporting to SBP.

Successful in terms of centralization of account opening, clearing, import and implementation of Al Habib System (AHS) in BAML, Mr. Mansoor Ali Khan, Mr. Ali Raza Balouch and other top management of BAML was wondering, what should be their next move? Which processes should be allowed and which should be stopped? If they continue the implementation of ORBIT how to manage this change?

Exhibit: 01

Financial of BAML

Total Deposit	Rs: 574.043 Billion
Total Advances	Rs: 237.487 Billion
Investment	Rs: 406.480 Billion
Paid up Capital	Rs: 11.114 Billion
Reserves	Rs: 11.411 Billion
Retained Earnings	Rs: 10.745 Billion
Profit Before Tax	Rs: 9386 Billion
Profit After Tax	Rs: 5427 Billion
Basic Earnings per Share	Rs: 4.88
Diluted Earnings Per Share	Rs: 4.88
Dividends	3.5 Per Share
Online Banking Facility	Available at all branches
Number of ATMs	654
Number of Branches	601
Controlling & Sub	514 & 87
Overseas Branches	Bahrain, Malaysia and Seychelles
Representative Offices	Dubai, Istanbul and Beijing
Short Term Credit Ranking	A-1 +
Long Term credit Ranking	AA +

Exhibit: 02**Problems**

1. Due to centralization of import working became smooth but it caused unnecessary delays and increased the work load on CPU as they have to process all import related transactions of Pakistan.
2. Employee of branch end usually upload documents of transaction without proper checking/ scrutiny.
3. Due to lack of proper training for branch end user it became difficult for CPU to communicate with them and execute the transaction smoothly.
4. ORBIT implementation has destroyed the data related to credit and trade.
5. ORBIT is not compatible with the devices of WYSE and is very expensive. They are started and closed separately. Their devices are also very expensive wit which they are compatible.
6. Work load on employee is increased due to extensive scanning which forced them to sit late.

Exhibit: 03

Organizational Details of B AHL

The Habib Family	Mr. Habib Ismail(Late) Mr. Dawood Habib(Late) Mr. Rashid D. Habib (Late) Mr. Hameed D Habib (Late)
Date of establishment	15.10.1991
Registered Office	126-C, Old Bahawalpur Road, Multan
Principal Office	Principal Office is mainly located at Mackinnon's Building, I.I. Chundrigar Road, Karachi.
Board of Directors	Consists of 10 members 1. Mr. Abbas D. Habib (Chairman) 2. Mr. Ali Raza D. Habib 3. Mr. Qumail R. Habib (Executive Director) 4. Mr. Anwar Haji Karim 5. Mr. S. Mazhar Abbas 6. Mr. S. Hasan Ali Bukhari 7. Mr. ArshadNasar 8. Mr. Murtuza H. Habib 9. Mr. Safar Ali Lakhani 10. Mr. ShahidGhaffar (NIT Nominee) Mr. Mohammad TaqiLakhani is the company secretary Mr. Mansoor Ali Khan is the Chief Executive Officer (CEO)
Credit Ratings	Short Term = A1+ Long Term = AA+ (These are strongest rating with stable future outlook).
Vision	To be our customers' most convenient and trusted bank.
Mission Statement	To make banking safe, simple and pleasant.
Bank's Values	Respect for people Relationship of Trust Service to customers Simplicity in everything Culture of responsibility & honesty Communication & cooperation
Guiding Principles	Treat depositors' money as a <i>trust</i> which must be protected. Achieve high level of <i>productivity</i> in business processes with maximum use of <i>information technology</i> . Strive for on-going <i>innovation</i> in products and services. Emphasize <i>speed</i> and <i>simplicity</i> in deployment of new products and services. Focus on <i>customer service</i> and <i>customer satisfaction</i> as the key measures of performance. Recruit, develop, and retain high-potential <i>people</i> who have the same values and beliefs as ours, and find it natural to <i>communicate</i> and <i>cooperate</i> with their colleagues and customers. <i>Always stay directly "connected" with colleagues and customers, and protect the organization from proliferation of paperwork and bureaucracy.</i>
Website	www.bankalhabib.com

References

- i. *Mr. Mansoor Ali Khan, CEO of BAHL. He has done MBA in Banking and Finance from Karachi University.*
- ii. *Bank Al Habib limited (BAHL), started its operations from Oct, 1991.*
- iii. *A process in which all the activities of specific department will be processed and completed from one central location.*
- iv. *Mr. Ali Raza Balouch, I.T Head of BAHL. He has done MCS from NUST.*
- v. *ORBIT, functionally rich banking solution which is the solution for all possible weaknesses of AHS and OBS.*
- vi. *OBS, Online Banking Software.*
- vii. *AHS, Al Habib System.*
- viii. *Mr. Shahid Raza Saleh, Head of CPU. He has done MBA Finance from IBA Karachi.*
- ix. *The financial crisis of 2007–2008, also known as the global financial crisis and the 2008 financial crisis, is considered by many economists to have been the worst financial crisis since the Great Depression of the 1930s*
- x. *State Bank of Pakistan established in 1948, it is the central bank of Pakistan.*
- xi. *Prudential regulation is type of financial regulations that requires financial firms to control risks and hold adequate capital as defined by capital requirement. This is in contrast to consumer protection rules that are also part of financial regulations. It is further divided into two categories macro and micro regulations.*
- xii. *Anti-money laundering (AML) and combating the financing of terrorism (CFT) for financial service providers working with low-income people.*
- xiii. *Mr. Iqbal Abu Baqar, Head of Export in BAHL. He has done Masters from Karachi University along with certain foreign trade related certifications.*
- xiv. *Mr. Imtiaz Shaikh, Head of Imports in BAHL. He has done Masters from Karachi University, JAIBP & AIBP by Chartered Bankers U.K.*
- xv. *He was the Prime Minister of Pakistan in the 90s (1990–93 and 1997–99) and the Chief Minister of Punjab from 1985 to 1990.*
- xvi. *The Privatization process in Pakistan was a policy measure program in the economic period of Pakistan. It was first conceived and implemented by the then-people-elected Prime Minister Nawaz Sharif and the Pakistan Muslim League, in an attempt to enable the nationalized industries towards market economy.*
- xvii. *It is the car financing facility launched by Bank Al Habib Ltd for its customers/ consumers.*
- xviii. *Dell Inc. is a multinational computer technology company based in Round Rock, Texas and, along with Dell EMC, is a subsidiary of Dell Technologies, one of the largest technology companies in the world.*
- xix. *Wyse is a manufacturer of cloud computing systems. They are best known for their video terminal line introduced in the 1980s, which competed with the market leading Digital.*
- xx. *Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. Consider who you yourself are loyal to. Surely you'll answer family and friends.*
- xxi. *It is a process through which one business tries to hold its current customer base and tries to attract new one by delivering exceptional services and quality products.*
- xxii. *Banking Mohtasib Pakistan (BMP), an independent statutory body working as an alternate dispute resolution center, for amicable resolution of disputes, if the bank is failed to resolve to the issue matter is than submitted to SBP for resolution.*
- xxiii. *An emotional connection is a bundle of subjective feelings that come together to create a bond between two people. The word emotional means to arouse strong feelings. The feelings may be anger, sorrow, joy, love or any of thousands of emotions that humans experience.*
- xxiv. *Service quality. An assessment of how well a delivered service conforms to the client's expectations.*

Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction.

- xxv. *Mr. Mehboob Ali, Head of human resource Division of B AHL. He has done MBA in HR from Glasgow College U.K and a number of certifications in Human Resource Management.*
- xxvi. *Management Trainee Officer, minimum requirement for this program is Masters (Training period is 06 months).*
- xxvii. *Graduate Trainee Officer, minimum requirement for this program is Bachelors (Training period is 02 months).*
- xxviii. *Mr. Raza Raffique, Expert of Export in B AHL. He has done MBA Finance from Karachi University.*
- xxix. *Cash Deposit Machine, through which customers can deposit their cheques in their accounts of B AHL any time from remote locations.*
- xxx. *Founded in 1986, Wavetec is a multinational technology company that is at the forefront of technological revolution since more than two decades and enjoys a firm presence in over 70 countries. With more than 2 million people benefitting from Wavetec's customer experience solutions on a daily basis, its Information Display solutions installed at 25 leading financial markets around the world, and a credible customer portfolio, rich integration tools, and customizable solutions. Its head-quarter is in Dubai.*
- xxxi. *Mr. Hussain Aqdas, Head of Consumer Banking Division (CBD). He has done MBA Finance from LUMS.*