

# Shinsei case study

Education



Shinsei Bank Case Shinsei bank has a rich history in terms of influence over the Japanese banking sector. Of all the defining moments, there are a few moments that reflect the culture shift of Shinsei bank from the more traditional Japanese approach to the more Western business model.

These moments include the denial by Shinsei to forgive 97 billion Yen in debt owed by Sogo, the creation of the Shinsei Securities operations and the institutional banking department, being listed on the Tokyo Stock exchange and the hiring of Tom Pedersen as the Chief Learning Officer. All the above moments are important because all reflect the shift from tradition and probably may account for the current lack of culture or rift between the traditional Japanese employees and the foreign employees of Shinsei.

Traditional Japanese banks were expected to view profits as long term and were expected to be more socialist in terms of sharing the burden with society. By rejecting the request of Sogo to forgive its debt, Shinsei set the tone that its main responsibility is not to society but to earn a profit for its shareholders. This aspect was strengthened by the creating of the Securities Operations and the Institutional banking department. As the case pointed out, these positions were filled by foreigners who had experience in creating profits.

In turn, these employees were mostly paid on commissions, which exacerbated their risk taking for short-term profits, which is inconsistent with the views of the traditional Japanese employee. In addition, by being listed on the stock exchange marked a milestone for the company because now its focus was completely shifted to earning profits and doing whatever was

necessary to earn profits. All the above changes led to a culture rift between the traditional Japanese employees and foreign workers.

As the case pointed, this rift or lack of culture was noted by Porte.

Understanding the seriousness of the problem, Porte hired Tom Pedersen to become the Chief Learning Office and assigned him with the responsibility of unifying the corporate culture with one mission for all employees. Although I agree with the use of " pay for performance" in theory, I do not agree with the two-tier system as implemented by Shinsei. At Shinsei, it seemed that the two tiered system led to resentment.

As one employee put it " Frankly, for much of the first year the atmosphere in the bank was likecivil war...Everyone was fighting everyone else. " The problem with pay for performance systems is that detracts from team work as motivation for self reward goes against the idea of helping colleagues. On the other hand, pay based on the organization profitability leads to star performers being underpaid as well as social loafing. In order to effectively implement a pay for performance system, an organization must be careful to avoid the negative side effects.

What was the aim of the values and vision exercise? How successful was it? The main purpose of the vision and values exercise was to formalize and align the current values that were present within the organization. By doing this, Pedersen hoped to align the values to the banks strategic plans. I think Pedersen has done a great job so far in trying to bridge the gap between the employees and trying to promote an organizational culture based on a common mission. His vision and values exercise was successful.

In addition, he adopted a new "360 Performance Evaluation" system for senior executives and coaching session for evaluators so the evaluations were not inflated. By doing this, Pedersen was showing that there was more emphasis on those who could follow the values of the organization, rather than just on those that produced revenues. This showed great progress to the creation of a unified corporate culture. The primary role of a Chief Learning Officer is to work with HR and other corporate functions to create a learning environment to follow the vision of the organization.

This can include creating centralized training programs, performance evaluation programs, and other programs to develop employees internally. I think the performance evaluation program should be expanded, but not at the current time. Since this has been in operations for only a year, the firm should closely evaluate the response of this program, adjust and incorporate other metrics (which are more applicable to day-to-day employees). In addition, I agree with Luton that the results of the performance evaluation should be communicated to the one being evaluated.

It is very important to communicate the findings of an evaluation to the employee and get their feedback on the process. An employee needs to know where their performance stands versus expected performance and the steps they can take to improve the performance. This can empower the employee as it shifts responsibility to the employee. Generally speaking, the decision to expand or eliminate a new initiative should be based on the results obtained from the initiative versus expected results. In addition, a new initiative should be judged as to how well it fits within the organization's missions.

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There are numerous ways to assess the effectiveness of an initiative such as conducting employee surveys, benchmark studies, and soliciting feedback from middle and upper management. In order to further improve collaboration, Pedersen should implement a training program which includes specific learning principles. The main purpose of the training program should be to increase employee knowledge and skills. In order for a training program to be effective, the employees must know the objective of the training program. Employees should know exactly why they are participating in the training in the first place.

The specific purpose and objective must also be communicated. Second, the training content should be meaningful which means the concepts and examples should be familiar to the trainees. In addition, the employees should be given an opportunity to practice the principals they learned and then they should be given feedback about how well they are meeting the training objective. By incorporating the above steps in a training program, an organization can break down divisional barriers and foster a firm wide learning organization.

What are the strengths, weaknesses, opportunities, threats the company will encounter? Strengths One strength of the company as a whole is the diversity of the workforce. Although majority of the workers are Japanese, the composition of the workforce includes people from all over the globe, including ex-workers of LTCB. This is important because if the company were to effectively manage the diversity, it can tap into the various specialized knowledge as well as the culture knowledge of current Japanese workers.

Weaknesses

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Currently, the lack of communication between employees is the biggest obstacle to change. In addition, the two-tier pay system appears to be a great cause of resentment. In order for the company to be competitive, Shinsei needs to effectively manage this divide. Opportunities Currently, Shinsei has a diverse workforce with knowledge in various sectors of the banking industry. By developing and strengthening an organizational culture in which all share the same mission, the company can become very competitive Threats One threat to Shinsei is the current structure of its revenue.

As non-interest revenues are growing, Shinsei needs to figure out a way to attract retail business. The only way to do this is by creating an unified culture and tapping into the talent and skills of the current employees. Without this, Shinsei will cease to grow and will eventually become obsolete. What are the ethical underpinnings of the case? Use Schumann's ethical framework. Consider how these decisions impact on the stakeholders? The ethical issues in this case are that Shinsei needs to develop an organization culture by managing employee performance and pay.

Currently, the two tier pay system is not working as some employees feel they are unfairly treated. However, I think in this case, the firm will not be able to fairly treat all employees. This is not to say that the action will be unethical or illegal. This just means that not all employees will feel the same towards any decision made by the firm. As such, the decision that leads to the most good should be employed. Whatever the decision, the decision will affect shareholders of the company, the employees, their families and even society itself.

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For example, if a company does not change the pay system or implements a performance system that is not fair, talented employees may leave. This can lead to loss of revenue and ultimately affect the bottom line of the shareholders. With loss of revenue, the company may be forced to downsize which can affect current employees and even society. As such, any decision made by the firm will have a great impact on the stakeholders. In the end, the organization needs to make the right decision that will have the most good for the largest amount of people.