

How to Organize a Communal Banking Set-up

Amos Avny

Senior Management & Strategy Consultant, Omnidev International, Israel

Abstract

Every good idea depends on the ability of its initiators to assure its implementation. The Pantheon is filled with good wishes, incredible ideas and inspiring desires that have failed in realization. Thus, a thorough effort was invested in finding a proper method for implementing the proposed idea. For that reason some management sources were explored and concluded that this project is a comprehensive direct changeover implementation type.

The Communal Banking Set up was also found to meet Collin's(1994) four major requirements for being an excellent and "Built to last" enterprise. The Communal Banking System has great goals and objectives, its mission is in consonant with the vision and inspiring its initiators and it has the potential to excel. The only thing this project needs is enough energy and power for overcoming all the obstacles. Because the said project has to face an existing financial establishment it was decided to use a model from the behavior discipline for the implementation process. Thus, Kurt Lewin's Model of Change has finally been chosen for introducing the idea of the new Communal Banking System. The said proposal was analyzed along the Model's three stages: unfreezing, enacting the change and refreezing. At every stage of the process the participant forces and the relevant actions were enumerated and discussed. After the last refreezing stage some benefits and advantages are presented for demonstrating the positive contribution of the new set-up to individuals and to whole society. It is estimated that the total time framework for introducing the change and organizing the reformed set-up, will take about ten years.

Keywords: Management, Model of Change, Communal Banking, Execution, Implementation.

Introduction

Following the ideas presented in a previous article¹ it is legitimate wondering about finding ways for implementing the proposed ideas.. The author is familiar with the fact that the World is filled with good and inspiring Ideas, which, nobody know how to make them happen. Strategies from the Management discipline were used for deepening the outlining of the preferred strategy. A short analysis is conducted to find out whether the proposed system has the potential of being excellent and "built to last" (Collins 1994). Since most of the prerequisite conditions exist in this case, the initiator must acquire the last missing factor – enough energy and power - for forcing the change on the running establishment and enabling the establishment of the new Communal Banking System. Finally a strategy from the behavior field is used for enabling the

¹ Avny A. (2013) Social Aspects of the Banking System

change and establishing of the Communal Banking System. Kurt Lewin's Model of Change is used as a theoretical platform for carrying out the analysis. Actions, pertinent for each of the three Model's stages are discussed and described. At the final stage some general implications are derived.

Literature Review

Activating the Communal Banking System

When coming to the point of implementing the idea of Communal Banking we turn to the Management literature for guidance. The first one was Laudon, K., & Laudon, J. (2010) book, "Management Information Systems: Managing the Digital Firm."(11Ed.). In this book they distinguish between Scientific and Technological implementation and one of public or political establishments.

In Political Science "implementation refers to the carrying out of public policy. Legislatures pass laws that are then carried out by public servants working in bureaucratic agencies. This process consists of rule-making, rule-administration and rule-adjudication. Factors impacting implementation include the legislative intent, the administrative capacity of the implementing bureaucracy, interest group activity and opposition, and presidential or executive support."

Fife types of implementation were observed:

- Direct changeover
- Parallel running or as known as parallel
- Pilot introduction or as known as pilot
- Well-trade
- Phased Implementation

Setting up the proposed Communal Banking System fits to the first type of the implementation process that is a comprehensive direct changeover.

Support for the execution strategy of the new banking system idea was taken from the book: Execution: the Discipline of Getting Things done, by Larry Bossidy and Ram Charan, (2010). This book focus on practices needed for successfully carry out the execution.

Helpful ideas are provided also by two well known management Gurus of the 1980s and 1990s, James Collins and Jerry Porras. In their book "Built to last" that studied 18 of the largest corporations in US, they identified some basic characteristics of the successful ones. In conclusion they have recommended, to those who wish to lead successfully large corporations to follow four simple principles:

1. Be builders and architects rather than time followers
2. Embrace and use both options (A and B) and reject the "or" tyranny that forces to choose between them.
3. Protect and save the core ideology while promoting and encouraging advancement and innovation.
4. Attempt to maintain a balance between the above two variables.

Compliance with these four recommendations was studied and published in a later book: *Good to Great*, by J. Collins (2001). Along the whole book Collins motivates executives to start every action with an Idea and a urge to be great and being qualified for the Gold Medal. He emphasizes how difficult is it to excel but how crucial and obligatory is it for long successful lasting. For demonstrating the combination and the mutual dependency of excellence and long existence the diagram below was constructed. In conclusion, Collins refers to an organization's management, who wish to excel and last long, and claims that they should have four principal features:

- a. Great goals and Threatening Objectives
- b. Missions and Vision that deeply inspired and challenge you
- c. Fields enabling them to excel more than others
- d. Internal powerful engine that motored the business

The proposed Communal Banking System fulfills Collins' four requirements. It presents valuable and important Goals and Objectives. It sketches a new vision and promotes an inspiring mission. The proposed system allows its leaders to excel and stand out. To complete this undertaking all the bodies involved in this initiative should be strong enough and have significant energy.

But, when coming to deeply explore the possibility of introducing the proposed new Communal Banking System into the prevailing financial establishments, we found out that the issue is more complicated. It is not just a problem of strong management or competent executives. It is really, an issue of change, an act of transformation. A process, that starts at the highest level of social values and ends with the satisfaction of the ordinary citizen, the tax-payer.

For that reason we explored some behavioral sources and finally decided to adopt Kurt Lewin's (1890-1947) Model of Change. We found out that this model is the most suitable theoretical instrument for exploring the way of introducing the Communal Banking System into the prevailing financial establishment. We agree with Kurt Lewin's statement that social behavior is "*a dynamic balance of forces working in opposing directions.*"

Applying Levin's Model of Change to Communal Banking

Kurt Lewin theorized a three-stage model of change that is known as the *unfreezing-changing-refreeze model* that requires prior learning to be rejected and replaced. Following the above model it is estimated that the whole change process or the complete transition period will last eight to ten years. Although this timeframe seemed too long, but in general this is the period needed for installing a new perception or a innovative paradigm. We will use Lewin's model for analyzing the change required.

Generally, individuals and groups tend to organized in favor or against any reform or renovating action. The opposing bodies were named by K. Lewin as the "Restraining forces" since they "hinder change" and prevent shifting the equilibrium toward a new balance. The supporting elements were named by Lewin as the Driving forces that push in a direction that causes change to occur. They cause a shift in the equilibrium towards change. The Driving forces facilitate change because they push the person in the desired direction. These two opposite forces have a

very important role along the three stages of the model. They are enacted by a variety of interests and desires and act differently in every stage.

The complex reality of our time affects both the Restraining and the Driving groups. The continued perplexing circumstances cause people and groups to change their affiliation. New and ad-hoc coalitions are incorporated and dissolved and friends of today may be tomorrow's rivals. Due to the large choice of social networks and the popularity of the mass media channels

Public opinion is well expressed and broadcasted and many feel that this is the real meaning of "free speech." As in other similar grouping in this case also every group consists of a devoted core of dedicated individuals and supporters' circles of different fondness. With this knowledge in mind let us now commence the analysis according to Lewin's Model:

Unfreezing - The Model's 1st Stage

This stage, the Unfreezing, is dedicated to challenge and shake the existing establishment. Every social structure, formal and informal, maintains a network of connections, mutual dependencies, cover and exposed relationships. With regard to the Model of Change they are grouped within two major groups: Restraining forces and Driving forces.

The Restraining forces consist of all the bodies that have vested interests in the current situation. Facing the challenge of introducing changes these forces will generate power, influence and celebrities for preserving the running conditions. Among those entities it is natural to find most of the banking industry's stack-holders. Big stock holders, heavy investors, sizeable stock-market traders and in general, all the big business proponents would oppose any attempt of reducing the volume of the commercial banks and involving there social considerations.

Those who are well acquainted with the banking industry know quite well how significant is the involvement of the small ordinary customer to the banks profit mechanism. They will, therefore, try hard to reject any attempt of excluding the general public from the commercial banking system. For that reason the opponents would offer all kinds of benefits, subsidies and allowances to the ordinary customers just in order to keep them happy, leaving the command and control of the big money in their hands. At this stage the objective is to shake the existing establishment, to lower its self belief on the relevancy of the running activities and to increase its search for innovations and improvements.

The Driving forces consist of those who urge for a change. They may be pushed by a variety of reasons and very different causes. What unite them is the belief and the faith that a change would benefit them. Although common wisdom frequently assesses that 'wishful thinking' could result with attaining many undefined desires, nevertheless, it is still a powerful generator for motivating people.

The unfreezing operation consists of three action modes:

(1) Reducing the resistance of the restraining forces involved.

Since the current situation consists of many hidden and covered, direct and indirect factors and effects that influence reality people and groups are hesitating and even fear to lose something through the change process. Usually older people, who are accustomed to the prevailing conditions prefer to keep it going and tend to be more conservatives, while youngsters are willing to tack more risks and tend to be little more revolutionary.

(2) Empowering the driving forces.

These are the elements that support the change and hope to achieve some benefits from it. Frequently innovators or reformers have quite nice and sometime even convincing ideas, but they lack strength and power needed for implementation. Thus, the empowering leverage is almost the key factor for achieving success. The world is filled with just people who failed in the middle of the struggle. The winning method, therefore, is to move gradually from one relative small target to the next one, but keeping a continuous and enduring advancement.

(3) Combining the two methods listed above.

This option expresses the spirit and the nature of the Social-capitalism perception. In relationships between two competing forces two methods can steer or lead competition or collaboration. The first track promotes rigid positions, loud disputes, power-games, annoying propaganda, provocative speeches and easy declaration of strikes. The other, a more civilized method, promotes intimate discussions, runs long and tiresome negotiations, has mutual respect, appreciation and deeper understanding of the opponent's point of view and sees strike as the ultimate unnecessary act.

Since the third mode of operation fits best to the Social-capitalism philosophy we choose it for demonstrating our approach to the implementing of the Communal Bank System idea. The unfreezing stage here consists of few steps, and several activities as detailed below:

A. Creating a Supporting Public Opinion.

Like in the business world, introduction of any new product, or other improvement require some preparatory work. Most marketing gurus would support Sony Electronics CEO, who claimed, some thirty years ago, that 'we have to tell customers what they need today and what they would need tomorrow.' Although in reforming a socio-economic service the case differs and the conditions vary, building a demanding audience is the prerequisite for almost every significant change. Building such a supporting public opinion necessitates taking the following actions:

- (1) Sowing in the hearts and brains of society's leading groups the main idea
- (2) Discussing the theoretical aspects in the Academia and other Think-Tanks
- (3) Spreading the 'new gospel' to the public by the press and the media
- (4) Encouraging public debate within the social networks Face-book, etc.

B. Installing the Communal Banking idea on the political agenda

In a liberal democratic state any significant change of the social structure required a political action. Most of the popular initiatives are disappeared along time unless they are becoming a political statement and regain their place on the political platform. Very few of the 1960's revolutionary groups and citizens emancipation initiatives came to realization because they fail to assimilate with a political body. Justice is a dear merchandize and righteousness is a precious property but both need the political vehicle for being implemented. For joining the political arena the following actions should be taken:

- (1) Meeting personal and face to face with political leaders and legislators
- (2) Pointing out to Interest groups on the advantages of the proposal
- (3) Introducing the proposal's benefits to political parties and other groups
- (4) Initiating debates in the Parliament's committees and plenum's decision.

C. Interpreting legislature rules into a functional mode of operation

This is the final effort of the first stage of unfreezing the prevailing establishment. After all the preparatory work has been completed, mainstream's citizens were convinced to support the change and the political legislature completes the necessary legislation comes the time for enacting the change. Opponents will still express their resistance, obstacles and hurdles will appear here and there, but the engine of change has already left its previous harbor. Based on previous experience it seems reasonable estimating the time period required for the first, preparatory stage of this case as three to five years. At the next section the second stage is discussed.

Executing the Change - The Model's 2nd Stage

This is the core of the business. This phase is the goal of all the previous efforts. Accomplishing the undertakings enumerated at this stage is the real and the ultimate test for the change idea and its proponents. In consonance with the Social-capitalism main idea of collaboration it is appropriate to emphasize here again that such a reform would best be accomplished by honest and fair cooperation with all the concerning bodies. For that reason it is recommended to organize a Public Steering Council that will represent all the interest groups involved, will be responsible for all the required actions and will lead and control the executive committee.

Additionally, it is imperative to lay out carefully a comprehensive strategy that will take into considerations all the participating individuals, groups and institutions. At this phase the concrete Restraining individuals must be neutralized while the Driving change agents must be encouraged and empowered. Now is the proper time for outlining the strategy for implementation. It should consist of the Goal definition and a clear description of the objectives, actions and resources required for attaining each aim. Such an operation plan should also be accompanied by a reliable time table, scheduling and milestones. .

Introducing a change into a working organization is sometime closed to an impossible mission.

Somehow the stage of executing the Change resembles to proceeding through a mind-field where the mines are disarmed slowly, one after the other. The keys for success here are open mindedness, high sensitivity, deep awareness to risks and unexpected dangers, readiness to be flexible and understanding others. But the most important features required for those who lead the change process are, complete faith, deep conviction and total dedication to the mission. Common wisdom teaches that competent and smart persons should believe first on themselves, before going to convince others. Therefore, a determined position and strong and deep belief of the leaders assist significantly in attaining the change objectives.

Outlining the strategy, designing the operational plan and calculating time and means required are the basic actions to be taken. There is no justification for going deeper into more concrete considerations just on a theoretical basis. When required to propose a more concrete action plan additional data and information would be demanded.

The time framework required for the executing phase or the change implementation stage, should not last too long. Every operational plan must realize that most people, of all ranks, prefer to advance on a solid ground rather than staying on a vibrating platform. Even the proponents of a transition period prefer to see it coming to end. Thus, it is reasonable estimating that the time needed for executing the change would be no more than two to three years. Later necessary operations will be carried out through the next stage, the refreezing stage.

Refreezing, or Fixing the New Set-up - The Model's 3rd Stage

Similarly to nature, after the winter's thunderstorms comes the spring's blossoming. So is it with the organization that experienced the change and prepares itself to adopt the new paradigm. The contradictions between the contradicting forces, the former Restraining and the Driving fractions, are slowly reduced and settled. The organization's renewed structure demands and encourages the creation of different power centers and new playing rules.

It is estimated that the time require for completing this stage is also about two to three years. With completing this stage the whole change process will achieve its original goal, starting some ten years ago with the inception of new ideas and advanced methods. However, like other phenomena in nature, the completion of one process is the starting point for another, more advanced one. For generation this was the course of human development in the past and it seems that this will also be it nature in the future.

Following Lewin's Model of Change the process of reforming the banking system and establishing a novel framework of Communal Banking Set-up will take about ten years. Some may argue that this is a too long time while other will pretend to impose such a change within a shorter period but experience indicates that a thorough real change requires enough time for being accepted.

Benefits resulting from establishing a Communal Bank Set-up

After the transition period, bank corporations, which will be interested in coping with the social aspects will have to divide their operations and administrate two separate enterprises: (1) **a people-oriented activity** – the Communal Banking System and (2) **a capital-oriented activity** –

the commercial and investment banking activity. These activities could function as two divisions of a single corporation or directed separately as an independent entity. Disregarding the exact ownership construction the two distinct banking systems should state clearly the difference between them.

Whereas the people-oriented communal banking set-up would be dedicated to increase and enhance people's satisfaction, the commercial banking system would be directed to increase profits and maximize capital returns.

Additionally, it is fair to comment that this proposal is a good example of how a rational change can increase benefits for all the concerning parties.

Dissatisfaction, anger and frustration from the banking systems, in US and in Europe, encompass many parts of society. Ordinary citizens and small business-persons are angry because they feel that banks take advantage of them, traders and industries leaders are angry because of credit shortage, politicians and social leaders believe that the banking industry abuse them and the general public just do not trust the bankers. The huge amounts of advertising money, the endless commercial promotions and the efforts in the media, all still fail to improve or upgrade the banks' public relationships.

When the goals are mixed, missions unclear and everybody pretends to be on the top and the most important one, nothing could be achieved. The banking system at present, in most countries, does not fit any more to the challenges of the 21st Century. Mistakenly it adopts competitiveness as one of the leading principles and erroneously it wait for the 'Free Market Forces' to organize its business environment. The 2008 crisis and its consequences indicate well how deep these desires fell.

It is the author sincere belief that by reorganizing the whole banking industry, restructuring it on two major pillars, with two distinctive missions, social and commercial, the outcomes will be much better. When each segment of the socio-economic equation will define its goals, prioritizes its needs and agree on its preferences, this will make it easier to attain the goals and upgrade people's satisfaction.

Separating the current banking system into two distinct operations each with its own goals, designated customers and specific rules and regulation provides a win-win solution. Ordinary customers will feel better. That will be because all the financial services will be provided at one spot. Through the Communal bank office and with the assistant of its officers customers will be able to run their credit and checking accounts, current, medium and long term saving accounts, foreign currency, securities etc. Additionally, they will be able to run directly their payments and allowances activities. Simplifying the contacts between banks and their customers and keeping them on a reasonable costs could significant contribute to people's satisfaction while upgrading substantially the banks' social status, their reputation and public opinion. It is assumed that receiving all the financial services at one spot would enable the ordinary person to get easily all the necessary information. Since the commercial and business banking are not part of this study, it is better to leave them for a more qualified analysis.

Government also will be satisfied with the reformed situation. It will support and justify

government efforts for increasing the number of citizens having bank accounts. Increased number of citizens holding bank account is important because of two reasons: First, it advances the future use of electronic devices as paying measures. Secondly it reduces the amount of cash money in the market and by this improves follow up after and control of illegal money transfers.

Banks, in general should support the proposed reform. Because it will increase the number of their customers and their potential financing resources. Such an arrangement may simplify their operations and contributes for upgrading their public reputation. Since the banking industry is the most regulated and supervised by the state authorities it is also recommended to move the citizens pension moneys through the banking channels. In this way every individual that pensions' payments were deducted from him/her by law will be able to follow them up. The Communal banking set-up, as a financial instrument serving the society must, therefore, be people-oriented, end-user-friendly, effective, transparent and reliable.

The proposed change of the banking industry resembles to a Siamese Twins splitting operation. Their life expectancy without this operation is very poor while the procedure itself is also very complicated and hazardous. However, those who wish to live must take the risk and run the operation.

This is also the situation of the banking industry. Thus, let us promote the change and the establishing of the communal banking set-up at the shortest possible time.

This is not the proper place and forum for sketching in details all the procedures and regulations require for running effectively the renovated banking system. There are enough banking experts and specialists who are capable to prepare all the procedures and paper-work needed.

Conclusion

The study above refers to the conclusion of a previous one, named: Social Aspects of the Banking System (Avny, 2013), which found out that Communal Banking System, is the preferred proposition for "satisfying the needs of ordinary citizens."

The study examines strategies of implementation and methods of execution appropriate for this case. Because some resistant to the project is expected from existing institutions, an instrument from behavioral sciences was chosen. Thus, the Kurt Lewin's Model of Change was selected as the leading method for introducing the proposed system. The Model suggests three phases, Unfreezing, Change enacting and Refreezing as the implementation sequence. The Communal Banking Set up meets Collin's(1994) four major requirements for being an excellent and a "Built to last" enterprise. It has great vision, goals and objectives, its mission is real but inspiring and it has the potential to excel. To implement the basic idea of reforming the banking system and establishing the Communal Banking Set-up, power and energy are needed in addition to devotion, consistency and longevity. It is estimated that about ten years will be needed for completing the whole process.

References

Avny Amos, (2013), Social Aspects of the Banking System, International SAMANM

Journal of Finance and Accounting (ISJFA) Vol. No.1

Avny Amos, (2012), How to Secure the Blessing of Liberty – a Social-Capitalism Manifest, Germany, Saarbrucken: LAP LAMBERT

Bossidy L. & Charan R. with **Burck C.**(2011), Execution: the Discipline of Getting Things Done, New York: CROWN Business

Collins C. Jim, (2001), Good to Great, Tel Aviv: Pecker Pub.

Collins C. J & Porras I. J. (1994), Built to Last, Tel Aviv: Pecker Pub.

Laudon, K., & Laudon, J. (2010), "Management Information Systems: Managing the Digital Firm." (11Ed.). New Jersey: Prentice Hall.

Lewin Kurt (1943). Defining the "Field at a Given Time
Psychological Review 50: pp.292-310.