Chaos and Order are not Enemies, only Opposites: A Case Study of PICIC Bank

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Abstract
PICIC was formed as a development financial institution in Pakistan by local and foreign investors with the help of World Bank to improve industrial infrastructure in Pakistan. The main directions of its activity were long-term project financing in the private sector. With its unyielding commitment since 1957, PICIC was most popular brand with a network of 45 branches to meet the requirements of its assets/liabilities of a full range of financial products and services under one roof. In this article, we will discuss various aspects of control and chaos in the context of the organization as leaders generate the necessary strategic changes to organizational development. Organizational development is done in two ways: either manager, using their power to affect the various activities and gain control over situations or even think they allow their employees to take their own ingenuity to solving various issues.

INTRODUCTION OF PICIC – THE ORGANIZATION
PICIC was established as Development Financial Institution by the Pakistani and foreign investors with the help of World Bank to boost the industrial infrastructure in Pakistan. Its core activity has been long-term project financing to the private sector. With its untiring commitment since 1957, PICIC has emerged as a top-rated brand with a network of 45 branches to cater the requirements of its assets/liability customers with complete range of financial products and services under one roof. This is a major shift of a traditional DFI role to a broad-based client service institution. PICIC’s operating environment has been changed and as such, PICIC explored new avenues to complement its development banking role.

CONTROL VS CHAOS
Following to brief introduction of the organization, we will discuss the different aspects of control and chaos in the context of an organization that, how the leaders generate the required strategic changes for organizational development. The organizational development done by two ways, either the managers by using their power to influence the different activities and get control of the situations or generally think that they allow their employees to take own inventiveness to resolve different issues. Perhaps the most vital and complex part of any endeavor to develop flexibility, is the need for the organization to have the simultaneous existence of harmonizing and escalation systems, of stable and chaotic conditions all at once. The instantaneous presence of evident opposites is distressing for many managers, who observe paradox as something to be shunned and, in the end, to be resolute or eradicated. Resolution means accepting one side of the paradox and discarding the other. But paradoxes don't simply arise; they are created by management or employees through their structuring of issues or problems. In fact, what appear to be conflicting opposites are in fact very often two critical aspects of the same underlying truth or picture.

TOP DOWN DIRECTION VS BOTTOM UP DIRECTION
After 1980 PICIC executed under the administration of bureaucracy instead of financial personnel, which affect the performance of the organization and due to the political influences rate of bad debts increased. Up to 1996, PICIC had faced serious financial crunch. Carlos (1988) suggests that “Organizational effectiveness largely depends upon the existing control system characteristics”. Bureaucratic control system works with many layers and very close monitoring of the different issues and subordinates and too many documentation and delayed decision making involved which deject the inventive opinions and on the other side if the leader choose horizontal control system or flat organization, in which very few or no

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Key words: Financial Institutes in Pakistan, Organizational Development, Chaos Theory

Available online www.bmdynamics.com
ISSN: 2047-7031

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levels of intervening management between staff and managers. In this system employees are more productive and directly involved in the decision making process. In 1996 government took initiative and appointed new managing director (MD) and because of his strong leadership skills and diplomatic nature he adopted top down and up to some extent bottom up directions and made the PICIC’s financial position strong and improve its ability to offer a diversified range of services.” Managers accept that the organizations are complex system and trying to control everything to control everything would be a futile endeavor. With so many people and so many interactions going on in a firm, any attempt to turn the entire system top-down would be an impossible task. Therefore letting go of some control is a pure necessity for organizational functioning.” De Wit and Meyer (2004, pp ). The Corporation continues to draw inspiration from its vision and mission of being the premier financial institution of the country and withstand the commitment to industrial growth of Pakistan. Carlos (1988) further added that the “different control systems may be used for the achievement of different types of organizational performance”.

**Strategy for Recovery**

After joining the MD announced a strategic plan called “recover PICIC through recoveries”, shown in figure 1 and 2.

**Insert figure1 & 2 here**

Luehrman (1998) advocate that “when executives create strategy, they project themselves and their organizations into the future, creating a path from where they are now to where they want to be some years down the road”. To made this plan successful MD launch reward scheme for the employees that an employee took initiative for recoveries then he/she got 5% of recovered amount. “Effective strategy implementation should occur when the people required to take action to this end are motivated to do so. One of the most powerful motivators is the organization’s reward system (Galbraith & Kazanian, 1986). Appropriate reward stimulates people to make the effort to take actions directly relevant to an organization’s strategy.” Stacey (2000, p.76). Here we negate the theory that reward is not a motivator of performance for the employee because in top-down direction reward system may be work because leader uses his reward power according to (French & Raven, 1959) “reward power is derived from the ability to offer something of value to a person in return for compliance” and on the other side in bottom-up direction peoples already motivated because they are involved in strategic decision making. Research suggests that the possible reimbursement is effective when leaders are in the process of implementing the strategy and communicate their decisions the share price 43% elevated than those organizations that did not. (Deloitte & Touche, 2003). “Similarly, it is vague that companies that generate an employee line of sight for example share business plans, aims and financial information; converse openly about matters that effect employees; link strategy to individual roles and responsibilities, etc. realize an average enhancement of 4.8 percent in market value”. (Watson & Wyatt, 2004) the leader wishes them to or because he or she is committed to and understands the concepts of chaos and order. In most cases, the rewards come to those leaders who radically change their own patterns of behavior. The rule is if you want to change staff's behavior (and performance) at any level, you must first change the leader’s behavior

**Which is suitable – Control or Chaos**

Accede to think about the nature of this paradox, of the situations being chaotic and stable at the same instance. This situation is developing anxiety for the managers. A number of authors have spoken about the need to be at the "edge of chaos," (Hunt & Osborn , 2007) illustrate that “Also, for the highlanders we can imagine their “order” as relating to those interactions involved in sustainability. When the society’s members entered the highlands, they evolved to be in a state near the “edge of chaos”: a delicately poised, transition zone between stability and chaotic systems. If the behavior of a system is too ordered, there is not enough variability or novelty; if, in contrast, the behavior of a system is too disordered, there is too much noise. For successful adaptation a system should be neither too methodical nor too carefree in adaptive behaviors (Osborn et al., 2002). Thus, near the edge of chaos behaviors should be far from equilibrium (for in complexity science equilibrium means death; (Dooley, 2004).We interpret this to mean that the highlanders have been near the desirable edge of chaos state for many years, even as their environment has changed as a function of nature, encroaching civilization and increasing top-down governmental hierarchical forces. Put another way, this society was not stable neither was it in chaos.” where things are just about to plunge to one side but don’t. This actually is the zone of utmost adaptableness
and creativeness. It is very difficult for the leaders to find the edge of chaos and to understand the nature of paradox, predominantly dealing with chaotic conditions. At the same time, the organization needs to think about growth, innovation, improved productivity and operations, greater adaptability, and a host of other issues not served well by stability, which emphasizes keeping things on an even keel. (Beer et. al., 2005) suggest that “to operate effectively, organizations need to ‘fit’ or align themselves with their environment, strategies, capabilities and leadership skills.” (Beer et. al., 2005) illustrate the organizational fitness model in 2002 in which he mentioned levers for the growth of organization which also advocate the evolutionary change of the organization, shown in figure 3.

**Insert figure-3 here**

In fact, improving how you do things is antithetical to stability. The introduction of conditions in which growth or improvements can occur requires acceptance of disorder, at least temporarily. The higher quality leadership or becoming a learning organization (Beer et. al., 2005) again illustrated that “an integrated approach is required to provide a systemic and integrated framework to allow managers to conduct an organizational analysis. It would have to guide managers in leading a process of organizational change and learning from which they and others could also learn”. Without the disorder that comes from trying new methods or approaches, growth or improvement cannot occur. Some level of chaotic conditions (disorder) is absolutely necessary to evolve or advance to the non-chaotic conditions (order) at the next level of performance.

**LEVERAGING THE POWER OF KNOWLEDGE**

After 1999 when balance sheet footings of PICIC converted into profit and the organization resume its core operations, the MD took another initiative that he was trying to change the culture of the organization by two ways first he realized the importance of training and education for growth and development of employees, he has established training institute namely PICIC Management Institute (PMI) to train, groom, and prepare its executives, officers and support staff to meet the emerging challenges and PMI also provides PICIC’s employees an amiable environment highly conducive to learning. It also arranges courses relating to soft skills which are so essential to improve the organization’s culture and second he appointed young executives who brought new ideas and this way the old employees adopt these things gradually and this way MD successfully changed the culture by using his authorities and beside this he gave open hand to the employees to adopt the culture. (Lai and Lee, 2007) advocated that “People are the key component to knowledge activities; hence the type of culture existing in the enterprise is very crucial to knowledge activities. Davenport and Prusak (1998) highlight that as enterprises interact with their environments; they absorb information, turn it into knowledge and take action based on it in combination with their experiences, values and internal rules. Enterprises those are serious about knowledge foster an environment and culture that support continuous learning.” This is as true for an organization as it is for an individual or a team. In other words, learning anything does not proceed neatly and exactly. All sorts of disturbances and fits and starts occur, provoking many people to abort the learning process altogether after too many difficulties and setbacks. The greatest work in organizations occurs in states of disorder.

**PORTFOLIO ORGANIZATION PERSPECTIVE VS INTEGRATED ORGANIZATION PERSPECTIVE - GROWTH STORY OF PICIC**

PICIC’s operating environment has been changed and management initiated new corporate level strategy called “true financial super market” to explored new avenues to complement its development banking role. PICIC acquired a commercial bank in 2001. PICIC also established an asset management company namely PICIC Asset Management Company with a paid-up of Rs.3.0 billion. Establishment of PICIC Insurance Ltd., is another land mark of PICIC’s achievement.

Firms seeking growth have a number of directions in which to expand. Of course, they can follow many growth options while staying within the limitations of a single business. However, firms often expand their scope further, enterprising into other lines of business, into multi-business corporations. The corporate strategist may opt to boost the possibility of his company for general environment reasons (the environment in which the firm functions), industry environment reasons (market structure), firm specific reasons (internal company motives, such as the propagation of management expertises) (Miles, 1982; Ramanujam and Varadarajan, 1989; cited in Veen, Ederer, Fortanier, Rotileanu, de Wit, 2006). PICIC is
Business Management Dynamics
Vol.1, No.8, Feb 2012, pp.01-07

one of the pioneer organizations, where the current trend is to venture into multiple businesses like
commercial banking, asset management and insurance. The challenge is to pick a finest portfolio of
businesses and to establish how they should be incorporated into the corporate whole, in what is usually
called corporate strategy (De Wit and Meyer, 2004; cited in Veen, Ederer, Fortanier, Rotileanu, de Wit,
2006). It should be depend upon the core business of the organization and how should the organization
be managed? It has become a pervasive policy to systematize multi-business firms into strategic business
units (Rumelt, 1974; Whittington and Mayer, 1999; cited in Veen, Ederer, Fortanier, Rotileanu, de Wit,
2006). Each strategic business unit has specified responsibility to give out the particular stipulate of one
business vicinity. The complicated issue is how to bring together the separate parts into a cohesive whole
(De Wit and Meyer, 2004; cited in Veen, Ederer, Fortanier, Rotileanu, de Wit, 2006). When firms decide to
apply a high amount of centralization, resources and activities are actually conveyed mutually into one
organizational unit. In this case headquarters plays a vital and dynamic role. Even when resources,
activities and product offerings have been split beside business lines, amalgamation can be accomplished
by certifying that synchronization is carried out between business units. But amalgamation is also being
comprehended by standardizing resources and activities across business unit boundaries. This generates
the opening for economies of scale and hasty proficiency development without the need to physically
centralize or continuously coordinate. The extent to which these solutions are being applied depends on
the stipulate for synergy or the demand for responsiveness (De Wit and Meyer, 2004; cited in Veen, Ederer,
Fortanier, Rotileanu, de Wit, 2006). Synergies arise by allying business units to effort together into a
interrelated whole, creating value higher than stand alone significance, harmonizing the activities of
various business units into a outsized whole to take advantage of the prospective benefits of functioning
together. The PICIC largely benefits from leveraged resources, as retail banking, asset management and
insurance can all provide under the broader umbrella of PICIC as mention in the organizations vision
and mission.

Another source of synergy, aligning positions, plays a role when not resources but product offerings of
diverse business units are related to one another. The PICIC is improving the companies bargaining
position towards customers and competitive positions towards one another in all multiple businesses
markets for example if a customer is planning to start new textile unit and he needs long term financing
which he gets from PICIC and for working capital the commercial bank caters his needs and for the safety
of property and machines he benefited by PICIC insurance. Responsiveness signifies reacting quickly to
demands of the environment, having the sovereignty to respond to the specific circumstances in each
individual business area. Here, the focus is on stand-alone value of each SBU, in order to maximize
flexibility and speed to answer to dynamic market demands (De Wit and Meyer, 2004; citied Veen,
Ederer, Fortanier, Rotileanu, de Wit, 2006). A company can hardly neglect to be responsive at all, with the
danger of having a competitive disadvantage compared to rivals that better match the conditions of the
environment. Therefore, business responsiveness is a key demand for successful corporate level strategy.
However, it is under constant pressure of high governance costs, slower decision making, strategy
incongruence, control and misaligned incentives (De Wit and Meyer, 2004; cited in Veen, Ederer,
Fortanier, Rotileanu, de Wit, 2006). To which of these two conflicting demands (synergy or
responsiveness) companies are giving priority, depends on the strategy perspective that they adopt.

CONCLUSION
To conclude this debate that whether control is better for the organization or leave the organization in the
state of chaos, and other issue that whether the organization chooses which perspective from synergy and
responsiveness.
Considering boundaries among control and chaos, it is very difficult for the managers to adopt only one
recipe as above because when the organization is in the growing or re-engineering process, it needs both
control and chaos. In PICIC the management adopted both systems, as for operational issues they used
top down approach and for change the organization from orthodox culture to more innovative and
modern culture. They provided liberties to their employees and empowered them while trusting their
abilities. Therefore for organizational growth clear understanding of the principle of paradox is

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necessary; order and disorder are opposites but not woes. Managers cannot have one without the other. Hence a manager needs both stability and chaos for the planning of new strategy of the organization. As far as synergy and responsiveness is concern, the PICIC adopted both sides of this paradox. PICIC took initiative of acquiring a commercial bank and internally started asset management and incorporated insurance companies for generating additional value to the business. In this sense, PICIC got ability to respond to the competitive demands of a specific business area in a timely and adequate manner.

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Figure 1: Recoveries
Source: Annual report
Figure 2: Profitability
Source: Annual report

Figure 3. Organizational Fitness Model (Beer, 2002) The comprehensive fitness model links business strategy and competitive environment with capabilities and enabling organizational levers.