**BA Business**

**Organisational Theory and Practice**

**Individual Case Study Analysis**

Table of Contents

[1.0 Introduction 3](#_Toc135515830)

[2.0 Effectiveness of the managerial style of the CEO and what went wrong to necessitate the UBS takeover 3](#_Toc135515831)

[2.1 Effectiveness of managerial style 3](#_Toc135515832)

[2.2 Events that necessitated takeover by UBS 4](#_Toc135515833)

[3.0 Assessing the current structure and culture of the organisation and commenting on CEO's role and impact in achieving high performance 5](#_Toc135515834)

[3.1 Current Structure and Culture 5](#_Toc135515835)

[3.2 Role of CEO in creating and enforcing structure and culture for achieving high performance 6](#_Toc135515836)

[4.0 Explaining the entrepreneurial strategy and corporate governance policies followed by the CEO to enhance organisational effectiveness and performance 6](#_Toc135515837)

[5.0 Examining the leadership style of the CEO in managing change 7](#_Toc135515838)

[6.0 Explaining the various types of motivation strategies used at the organisation and the influence on employee performance 8](#_Toc135515839)

[7.0 Corporate Examples and Literature 9](#_Toc135515840)

[8.0 Recommendations 10](#_Toc135515841)

[9.0 Conclusion 11](#_Toc135515842)

[References 12](#_Toc135515843)

# 1.0 Introduction

This report discusses the organisation Credit Suisse and the various issues surrounding the recent developments of the firm. The first section goes into detail regarding the effectiveness of the management style of the CEO of Credit Suisse and discusses in brief detail the incidents that led to the company’s present predicament. The second section assesses the current structure of Credit Suisse and its organisational culture and further links the performance of the CEO towards enforcing the structural and cultural artefacts towards achieving higher performance. The report then discusses the entrepreneurial strategy and corporate governance policies followed by the CEO during this time for enhancing organisational effectiveness and performance. The CEO’s leadership style for managing change is summarily shown, in the relevant context of Credit Suisse undergoing a change scenario through the UBS takeover. This is followed by a discussion on the types of motivation strategies used at Credit Suisse and their impact on employee performance. Lastly, the report provides corporate examples and evidence from the literature to support the report's theoretical discussions and findings. This ensures that the applied theory is corroborated with real-world instances. Recommendations are also given for managing the issues at Credit Suisse towards the conclusion of the report.

# 2.0 Effectiveness of the managerial style of the CEO and what went wrong to necessitate the UBS takeover

## 2.1 Effectiveness of managerial style

The report will analyse the managerial style of the present CEO Ulrick Korner, whose present tenure at the organisation is characterised by the incidents leading to the UBS takeover. Korner’s leadership style is evidenced by the findings of media observations into the behaviour of Credit Suisse, which develops a unique work culture where such outcomes are decided by the firm’s corporate leadership (Morris, 2023). For instance, the acquisition of several other smaller firms by Credit Suisse leads it to become larger and more competitive. However, this requires the leadership of a CEO who can operate with the structural shape of large corporations, which is identified in the instance of transactional leadership (Xenikou, 2017). Korner was among the several other CEOs who were changed within five years at Credit Suisse, as the firm tried to navigate the changing business environment to manage and retain its financial performance and market visibility (Clarke and Mittal, 2022). Korner’s management style has been moderate as the incident of fallout at Credit Suisse involved a complication of different events, which were ultimately beyond the sole control of the executive leadership. These events will be briefly illustrated below to substantiate the discussion.

## 2.2 Events that necessitated takeover by UBS

Firstly, Credit Suisse has been involved in numerous scandals such as money laundering incidents related to gangs based in Japan and Bulgaria (Stuart, 2023). This makes the firm vulnerable in terms of ethical and sustainable performance as these incidents damaged the firm’s reputation. Other incidents also happened to weaken the firm’s financial and competitive position such as incidents involving spying, which led to the expulsion of a former CEO from his leadership capacity previously (Stuart, 2023).

Secondly, Credit Suisse was involved in the collapse of US-based capital firms Archegos Capital as well as the UK-based capital firm Greensill Capital (Stuart, 2023). As a globally active company, Credit Suisse had holdings within these firms which made it vulnerable as the firms collapsed. This indicates the heightened vulnerability of multinational investments where different problems can arise to affect the firm’s security and position.

Thirdly, investor confidence rapidly deteriorated based on this poor track record of the company. The Swiss financial regulator FINMA stated that a lack of accountability was a culturally ingrained factor in the firm, making it invest in risky opportunities and make poor decisions (Stuart, 2023). This was further underlined when the largest shareholder Saudi National Bank declined to invest further in the company, as Credit Suisse revealed material weakness in its financial reports (Stuart, 2023). Therefore these factors led to the vulnerable position of the firm, making the takeover by UBS necessary for survival.

# 3.0 Assessing the current structure and culture of the organisation and commenting on CEO’s role and impact in achieving high performance

## 3.1 Current Structure and Culture

Credit Suisse operates in a diversified organisational structure that is a hybrid of tall and flat structures. The firm operates in the structure of four business division groups, each with its autonomy towards making decisions related to long-term strategy and short-term business deals (Morris, 2023). Therefore the four business division groups are found in Wealth Management, Investment Bank, Swiss Bank and Asset Management. These groups also cover the four major continental region markets found across Switzerland in Europe, the Middle East and Africa, as well as the Asia Pacific and the Americas. The structure makes autonomy more prevalent across the business groups, allowing for independent decision-making related to targeting clients, securing the market presence, and other considerations required to facilitate cross-divisional performance.

The company culture at Credit Suisse can be explored through Schein’s model of organisational culture by discussing each of the dimensions of the model relative to Credit Suisse.

**Artefacts**

The organisational structure of Credit Suisse makes it operate across independent business division groups which are present across global markets. Therefore, this reduces the positive quality of culture that can be shared and participated in across the company. Due to autonomous behaviour and independence in decision-making, the business group divisions are vulnerable to silo culture development (Bento, Tagliabue and Lorenzo, 2020). Silo culture leads to the isolation of communication and cooperative development across such organisations, which creates a threat to organisational performance caused by this lack of coordination with the broader group strategy (Bento, Tagliabue and Lorenzo, 2020).

**Values**

Due to the silo culture, the internal values of the company are also affected. This results in a culture of unaccountability as stated by FINMA, and leads to the organisation making poor decisions (Stuart, 2023). As the silo culture is found across the company, its impact is also illustrated across the different markets where Credit Suisse is active. This is identified in the various events noted in the report, such as scandals dealing with Bulgarian and Japanese gangs as well as internal issues like spying (Stuart, 2023).

**Shared assumptions**

The structure and culture make such behaviours normalised as the firm would consider itself too big to fail. This shared assumption would drive poor decision-making across the different business divisions of the firm in different global markets, resulting in a breakdown of company culture. The takeover by UBS even has a condition where Credit Suisse employees will be screened for compatibility with the company culture of UBS, which shows the far-reaching scope of cultural erosion at Credit Suisse.

## 3.2 Role of CEO in creating and enforcing structure and culture for achieving high performance

The CEO has a limited role in this particular case due to the globalised position of Credit Suisse and the decision-making of owners and shareholders. Credit Suisse has been liable for changing its CEOs regularly due to issues such as spying and violating COVID-19 norms (Stuart, 2023). Therefore, the deeply entrenched culture of accountability here makes CEOs incapable of making any positive changes for high performance.

# 4.0 Explaining the entrepreneurial strategy and corporate governance policies followed by the CEO to enhance organisational effectiveness and performance

As Credit Suisse is undergoing a disruptive market situation, its entrepreneurial strategy has also been conservative in scope to maintain the continuity of business operations. This is determined by CEO Ulrich Kroner's extensive cost-cutting measures which were implemented upon his appointment to the role of CEO at Credit Suisse (Foy, 2022). These measures were considered necessary to reduce the vulnerability and exposure of the firm as it attempted to navigate the challenges leading to investors withdrawing from the firm. The strategy, therefore, saw Credit Suisse reduce its active holdings and investments as well as cut down on the workforce through a layoff strategy (Morris, 2023). In the context of the vulnerable position of the firm, these measures were effective in increasing the organisational efficiency by narrowing the scope of the

Firm’s risk exposure as well as improving cash flow situations.

The strategy was however affected due to the limitations of the firm being in a uniquely vulnerable market position. The withdrawal of investors and top shareholders like Saudi National Bank made Credit Suisse vulnerable as its share price fell steeply (Stuart, 2023). The takeover by UBS illustrates this directly, as the strategy and governance policies in place were unable to maintain the independence of the firm's existence separate from UBS. Corporate governance policies at Credit Suisse were not effective at safeguarding the firm's integrity and security due to the lack of oversight and control measures established across the global business division groups (Brady, 2023). As a result, the global branches of Credit Suisse were able to make illicit business deals for transacting with clients from Bulgarian and Japanese mafias. This led to short-term profits at the independent business divisions but ultimately impacted the long-term organisational health of the firm, as its present situation makes it unable to sustain itself without the merger by UBS. Governance policies can only secure organisational effectiveness when they are enacted to promote transparency and compliance with accountability across the different levels of the business structure.

# 5.0 Examining the leadership style of the CEO in managing change

The most appropriate style of leadership for managing change is identified as the transformational leadership style. This involves making the subordinates or employees more integrated into decision-making matters where they will be successful in contributing to the firm's growth. This is achieved through the development of innovation-based outcomes arising from positive collaborative experiences within the workforce. The leader is therefore responsible for leading the change scenario by removing inertia and sustaining the change momentum before the new company culture is secured. This can be examined further at Credit Suisse by using the Lewin model for change across its three stages.

**Unfreezing**

The first step of the model requires creating momentum from the workforce towards making the organisational change happen. Therefore, unfreezing relates to moving beyond the rigid cultural habits, values, practices and other behaviours that defined the company's performance until the changing scenario was initiated. As Credit Suisse is currently in a vulnerable position, the unfreezing of unaccountability was secured through extensive rollbacks on global investments and workforce numbers, resulting in fewer risks for the extension of vulnerability. The transformational leadership style is evident here due to the unconventional approach of reducing investments and holdings in a global investment banking firm, where such actions are an outcome of necessity arising from vulnerability.

**Changing**

The implementation of change here will see the merger develop successfully as UBS takes over Credit Suisse through the undergoing of legal formalities and internal affairs. For instance, the changing scenario at Credit Suisse will see UBS screen the employees to ensure they are culturally aligned with the values and organisational behaviour of UBS (Halftermeyer and Balezou, 2023). Therefore, the change flow is created and the CEO can empower the employees to deal with the changed circumstances by using his influence as a powerful role at the top of the corporate hierarchy.

**Refreezing**

Once the takeover has been successfully executed, the changing scenario will aim to refreeze or preserve the firm's newly developed behaviours, culture and practices. At Credit Suisse, this can happen in the long term through transformational leadership towards a culture of integrity and accountability. This will ensure that the new changes are securely embedded within the artefacts, values and shared assumptions in the company. In turn, it will proactively prevent future preventable issues from developing due to the new culture of accountability and integrity.

# 6.0 Explaining the various types of motivation strategies used at the organisation and the influence on employee performance

Employee motivation can be secured by addressing their various intrinsic and extrinsic needs. Employees' needs are found across their different expectations and standards for satisfaction and underemployment (Hofeditz et al., 2015). Intrinsic needs are therefore present across non-financial needs, such as workplace belonging due to positive interpersonal relationships developed in the workplace environment (Hofeditz et al., 2015). It can also be determined from their level of job satisfaction developed from expressing themselves in their professional job roles. Extrinsic needs can be financially motivated such as the prospect of securing a job promotion with a higher salary, bonus pay and other incentives (Hofeditz et al., 2015). Motivation theories address these different needs of employees through process and content-based perspectives, which can be discussed in the context of Credit Suisse as follows.

**Process theory of motivation**

Adams' Equity Theory states that employees will perform at a higher level if they are motivated by the expectation of equitable rewards (Hayibor, 2008). Therefore, a higher level of employee input will correspond with a higher level of reward. Employees who are remunerated at below equitable rewards will not improve their performance, whereas employees who are given equitable rewards will maintain their present performance. Employees who are given equitable rewards will correspondingly increase their performance due to the precedence and prospect of future rewards for their job input (Hayibor, 2008). At Credit Suisse, employees can be considered the prospect of job promotions internally as well as bonus pay. This can engage them towards complying with the new cultural expectations from UBS in the post-merger firm structure (Halftermeyer and Balezou, 2023).

**Content theory of motivation**

Content theories of motivation such as Alderfer’s ERG theory are based on the original Hierarchy of Needs established by Maslow (Alderfer, 1969). The ERG theory of motivation, therefore, has a holistic interpretation of motivation as it considers employee motivation across the dimensions of growth, relatedness and existence (Alderfer, 1969). Existence denotes essential physiological needs such as safety and food. Relatedness shows that employees seek to belong in a positive work environment with positive interpersonal relationships. Lastly, growth relates to their personal development as professionals through self-actualisation of their peak capabilities. At Credit Suisse, employees can be motivated by reaching out to them through empathetic management and leadership techniques. This will increase their sense of belonging and inspire them to engage more effectively at the firm.

# 7.0 Corporate Examples and Literature

Firstly, the instance of unaccountability at Credit Suisse is identified from the comments made by the Swiss financial regulator FINMA, which underlines the issues resulting from inadequate company culture. A lack of cultural practices towards accountability creates threatening issues at organisations as it leads to silo culture and behaviour (Andrews, 2017). Another instance can be found in the case of Boeing where the lack of accountability and governance practices led to its scandals resulting in a recall of global Boeing airlines identified with faulty designs (Englehardt, Werhane and Newton, 2021).

Secondly, the corporate governance issues at Credit Suisse show a lack of uniform belief among the owners and shareholders. The company has changed its CEO roles 3 times in the last 5 years, where the CEO's behaviour was affected by the inadequate company culture in place (Clarke and Mittal, 2022). These CEOs before Ulrich Korner were removed for their role in different ethical and legal violations such as spying and violating COVID-19 norms. A lack of governance and culture leads to such behaviour at the top level, which in turn affects the behaviour of the subordinates as well (Brady, 2023).

# 8.0 Recommendations

Based on these findings, the report can present important recommendations that will sustain the organisational performance of Credit Suisse in the context of its merger with UBS.

Firstly, Credit Suisse can facilitate internal workshops and programmes for developing the company culture of the firm. This will ensure the employees are integrated into the new corporate environment where their values and beliefs can be transformed to align with those of UBS (Walker and Soule, 2017). This will also prevent any conflicts and safeguard the employability of employees who will be screened for cultural compatibility by UBS.

Secondly, Credit Suisse can develop an internal rewards programme that promotes positive behaviours and practices among its employees. This can be achieved through the use of a Total Rewards System where the intrinsic and extrinsic needs of employees are evenly satisfied (Li et al., 2023). In turn, this will increase the quality of life and well-being of the workforce. This will result in a satisfactory feeling of organisational commitment, which will improve their job performance as well.

Thirdly, Credit Suisse can develop its corporate governance policies to increase the performance of accountability and responsibility in the behaviour of executives and employees alike. This will safeguard the firm from making more unwanted decisions and engaging in negative practices that will be detrimental to its business performance (Brennan and Solomon, 2008). These can be developed with the collaboration of UBS counterparts as the merger will necessitate working within the UBS structure and culture.

# 9.0 Conclusion

The report has discussed the developments at Credit Suisse which resulted in the firm’s current situation of vulnerability. The findings revealed that Credit Suisse has been affected by the company’s structure and culture which promotes behaviours and values aligning with unaccountability and poor corporate governance practices. This was evidenced in the list of various events across the global offices of Credit Suisse, such as the practice of dealing illicitly with Bulgarian and Japanese gangs. Therefore the report developed recommendations that will address the cultural issues and sustain employee motivation in the post-merger environment with UBS.

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