

# **CHANGE MANAGEMENT IN A MONEY TRANSFER AND MONEY EXCHANGE COMPANY**

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## **ABSTRACT:**

In this paper change management will be assessed and implemented in a Money Exchange and Money Transfer company, hence within the monetary sector. A sector that is quite rigid with little changes happening over time. Yet the environment and working conditions are changing very fast and the company has to adapt accordingly. Agility is the main objective to be reached in order to become Proactive rather than Reactive. SEAM intervention on such company type with unique and imposed external challenges will be another focus of this paper that will show and analyze how hidden costs can be recycled and hidden opportunities ceased by introducing sensitization, sanitization, and synchronization into the firm.

**Keywords:** Agility, Sensitization, Synchronization, Sanitization, Proactive OR Agility, SEAM, Hidden Cost, Hidden Performance, Proactive

## **INTRODUCTION**

It is no secret that the global economy is suffering, therefore it comes with no surprise that the monetary sector is suffering the consequences. Moreover the anti-terrorism acts and anti-money laundry regulations are limiting the money's free flow and adding much scrutiny and control to the Money Transfer and Money Exchange industry.

Many countries such as Australia, UK, US, Lebanon and many more have reverted to a sector reformation where it studied and relicensed the Money Exchange and Money Transfer houses that are abiding by all the newly issued regulations. These governments are monitoring the movements of these houses by offering them controlled corridors (mainly banks) through which they can channel their business.

It is reassuring to have Lebanon following the international regulations and being ahead in fighting terrorism. However, the Lebanese Central Bank (BDL) is following in the footsteps of those who went through the reformation, BUT without creating a corridor (controlled environment) through which transfer

houses can operate making it impossible for them to settle their dues with their agents abroad. Thus, halting the whole business and consequently the entire industry. Adding to this fact the countless restrictions and amendments issued in the past few years, operational cost for these houses have increased dramatically, income has decreased, and work has become much more complex. Hence creating many internal dysfunctions and thus big amounts of hidden costs.

This is a main reason leading to less control, increased illegal businesses, and money laundry. Therefore, these restrictions are actually defeating their main purpose of controlled flow of money and monitored businesses.

This contemporary study is highly significant for it will investigate and research the implementation of “Change Management” and more specifically “Swift and Agile Management” in the Money Transfer and Money Exchange industry. The importance of this study also lies in proving that a company applying the SEAM methodology paired with nimble and swift management can shield itself from such compelling external factors, recycle some of its hidden costs, and help tapping on its hidden potential.

## **PROBLEM STATEMENT**

In efforts to control money laundering and seize terror financing, most of governments are redirecting and creating safe and controlled corridors for their Money Transfer operatives to conduct their businesses. However, in Lebanon “BDL” is only issuing new amendments that restrict and handicap the Money Transfer Sector without creating a safe corridor for it thus driving all players to operate in the “Underground Economy” and hence losing control over Money Laundering and Terror financing.

Another gap to be scrutinized is how these external factors are affecting the organizations internally and founding dysfunctions that are restricting their business operations and of course their expansion and growth. Moreover, this study will investigate these dysfunctions, find relevant solutions specifically in the mentioned field of study, and finally prove not only that a swift and agile management will be the best way for these institutions to shield their operations from such compelling external factors and minimize their hidden cost, but also to tap on their hidden potential.

The following amendments have been issued during the past 3 years:

1. Any transaction above \$10,000 USD or its equivalent a “Know Your Customer” or KYC form has to be filled. It collects personal data about the customer, source of funds, purpose of the transaction, etc...
2. Any transaction should have an official invoice along a “Customer Transaction Slip” or CTS that includes personal data about the customer and the details of the transaction at hand
3. Money transfer operators “MTOs” are not allowed to conduct transactions if the purpose of the transaction is a business/trading one,

- nor are they allowed to conduct transactions with amounts equal of higher than \$20,000 or their equivalent.
4. MTOs owners are not allowed to have accounts in the same bank that of their businesses.
  5. All companies are to be relicensed. And those which applied have been studied thoroughly to confirm that they abide by their regulations.
  6. Capital needed to obtain a license in Money Transfer or Money Exchange has increased drastically. 50% to 100% depending on the nature of the license.
  7. The total yearly turnover of an organization cannot surpass its capital multiplied by 10. Hence, if the required capital is \$500,000 USD then the max amount of turn over allowed it \$5,000,000 USD. Needless to say that this amendment is against the Lebanese trading law which prohibits authorities to limit a trader's profits or force him to incur losses.
  8. A compliance department has to be formed within the organization and file periodic reports about the company its status vis a vis the new regulations.
  9. All customer names must be checked against the "Lebanese Black List" to ensure that the customer is not marked/flagged and is hence clean to deal with. A major problem lies with the BDL's inability to supply this black list to these MTOs while the later still being held responsible for not doing their job properly.
  10. Lebanese banks are private institutions and their boards have voted to be extra conservative and to close all bank accounts related to MTOs or Money Exchangers along their personal accounts. Hence depriving them of their most basic citizen right, a bank account to pay their bills, dues, and to save money.

As it is shown above, many of these amendments not only do they constraint and limit the business but also they limit its profitability. And this is against the Lebanese law, whereas no law is allowed to restrict the profitability of any business or force it to undertake losses.

Another challenge would be to adapt the Agile management concept in a very rigid, stiff, and slow moving sector, yet within a fast changing environment and working conditions, such as the money exchange and money transfer sector with quite a traditional management paradigm. Not only nimbleness is required but also creativity and innovation as well. This sector is quite an exclusive yet exhausted one where it has become a red ocean where profit margins became minimal and competition barriers are becoming more and more demanding. Therefore, nimbleness and innovation are critical to survival and to tap into a new blue ocean where profit margins are much more appealing and hence insure a brighter future.

## **RESEARCH AIM**

I started working as a financial analyst with one of the Big Fours before founding my own companies. I currently own 4 companies in different sectors

and fields and one of them is a family business with Money Exchange and Money Transfer as its main operations. I deal with the above-mentioned problems and threats on a daily basis and have direct access to this field's statistics, authorities (BDL), and players (other exchange and transfer houses).

Like the famous frog anecdote boiling in the hot water, "the premise is that if a frog is put suddenly into boiling water, it will jump out, but if the frog is put in cold water which is then brought to a boil slowly, it will not perceive the danger and will be cooked to death."<sup>(1)</sup> I believe this is exactly what's happening with us and therefore having perceived the peril this sector is facing I opted to act immediately and preventively to become immuned before it is too late. Hence, the intervention of this paper will be in my own Money Exchange and Money Transfer Company which currently employs 30 personnel.

Finally the main goals of this paper is to study and intervene in my company and prove that by adapting the agility mindset and by implementing the SEAM methodology, it will be able to shield itself and limit its internal dysfunctions caused by external factors. Moreover, it will prove that an agile management could be implemented in the most rigid, slow moving, and traditionally managed sectors.

#### Core hypothesis

Strategic vigilance is key to ensure sustainable performance and profitability as well as becoming proactive rather than reactive which is the best approach to shield and adapt any organization to the fast changing environment and working conditions. Paralleled with sensitization, sanitization, and synchronization the company will tap on its hidden potential and recycle some of its hidden costs.

#### Descriptive hypothesis

The subject Company, herein after called Company X, is stranded in routine activities that are costly while not taking care of the hidden opportunities. Another issue is that Company X is a leader of a very stiff and rigid sector that hasn't been updated for such a long time. Moreover many internal dysfunctions are causing hidden costs.

#### Explicative hypothesis

Company X is not moving fast enough towards new activities because it is not being sensitized to the hidden opportunities, also there isn't enough synchronization between the different activities and cleaning up resulting in not enough time for the work plan on hand to enhancing the overall activities and operations.

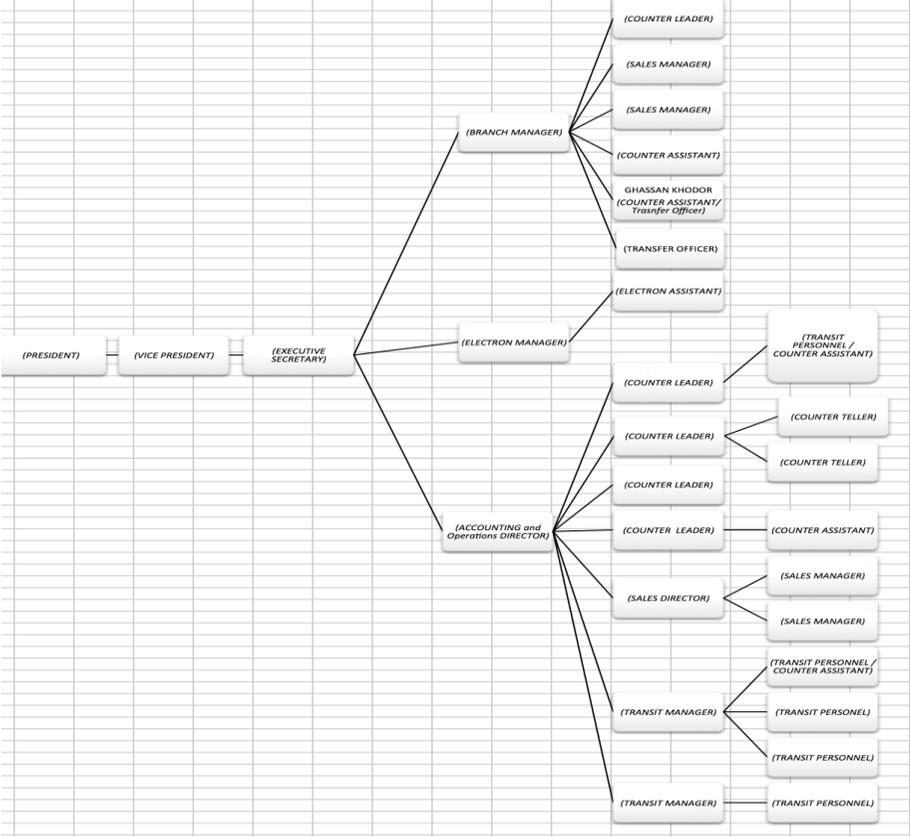
#### Prescriptive hypothesis

A swift and agile management approach should be applied in the company to adapt and redirect the operations based on the new issued

regulations and amendments. Cleaning up and synchronization are essential to recycle hidden costs as a combination of a well coordinated agility, synchronization, and sensitization will allow the company to tap on its hidden potential.

**RESEARCH FIELD**

Company X is a leading money Exchange and Money Transfer Company in Northern Lebanon. It has been founded in 1974 by its current owner Walid El- Masri and it grew today to encompass about 30 employees. It is a family owned business with a familial mindset and atmosphere reigning over its various departments. Below is the company’s Organizational Chart.



Since the company hired its latest Director (10 years ago), it witnessed TWO Major phases.

The first is when it became all computerized, new systems for accounting, transfers, and exchange were introduced, systems to coordinate and link the different branches, increased productivity and efficiency by 100%, and mostly personnel training.

The second which began not long ago and is still being drafted by the administration with the help and input of every single employee in the company. The second phase has 2 major backbones. The first aims to adopt the Agile

mindset to ensure a sustainable profitability and performance while the other focuses on implementing the SEAM methodology hence, introducing sensitization, synchronization, and cleaning up (sanitization) to recycle some of its hidden cost and mostly tap on the company's hidden potential.

Company X appreciates the importance of its personnel and is always seeking to upgrade and enhance their skills as well as following up with the technological breakthroughs that could help increase its operations' efficiency and security.

However, Company X is part of a very rigid and stiff industry that hasn't seen any changes or updates for quite a long time. Thus, the main strategic challenge is not only to be Agile but also innovative and creative in a well-bordered and strongly defined industry.

As mentioned earlier, the money transfer industry is suffering worldwide because of the increasing scrutiny and excessive control over the money movements. This of course acts in favor of everyone for it fights terrorism and money laundering. However, when these regulations surpass controlling the industry to chocking it especially when certain governments, such as the Lebanese Government, do not provide an alternative safe and controlled corridor through which business can be conducted, the control system fails and risks that most players would shift to the underground economy and black market. This is the main challenge Company X is facing today.

## **RESEARCH METHOD AND RESEARCH QUESTIONS**

The Qualimetrics approach will be the main methodology used to conduct this research for a number of reasons. In social sciences a hybrid of qualitative and quantitative approaches is needed to conduct a Holistic and Comprehensive study which encompasses all aspects of management within a given organization.

The proposed approach is an intervention based one that has a variety of advantages. "It is an interactive method with a transformative aim between a researcher and his/her research field/organization"<sup>(22)</sup> It is a comprehensive approach that aims to describe, comprehend, participate and mostly transform the enterprise.

Another advantage of this approach is that it includes both quantitative and qualitative methods to collect and organize data such as semi-directive interviews, participation in the life of the enterprise to observe. It collects primary data from the field through negotiations, documents, interviews, interventions, etc... as well as secondary data by referring to previous literature about the subject matter. This ensures a holistic approach to the subject by coming up with genuine data (Constructivism and generic contingency) and comparing it to existing and new theories.

Moreover, and one of the very strong points of the suggested methodology is that it keeps assessing, reassessing, and negotiating data and decisions continuously throughout the intervention. This Dynamic Cognitive interactivity process between the actors and researchers allow Co-Production of knowledge.

Another major advantage is that the frequent alternation between immersion and distancing allows not only to come up with cumulative generic knowledge but also to utilize it and put it to the test.

This study will start with the HoriVert diagnosis by conducting interviews with the company's hierarchy and participating in its life to observe and collect data. Then a training on the socio-economic management tools for various levels in the organization will follow in order to enhance efficiency and boost interconnectivity among different departments. Time management, strategic piloting logbook, priority action plan, competency grid, internal/external strategic action plan, and periodically negotiable activity contract are all necessary to introduce Sensitization, Sanitization, and Synchronization into the firm to help 2 major aims; point out the company's dysfunctions that are contributing to Hidden cost, calculate it, and eventually recycle some of it. Second is to identify potential opportunities and hidden performance.

Later, the management having all the necessary tools and a clear picture of its organization (through the mirror effect), it will take the necessary political decisions by setting the company's direction, rules, and strategy to be followed.

Naturally all decisions taken and actions done will be re-assessed and re-adjusted continuously to fine tune the strategy, recycle more hidden cost, and move further through the action plan in hand.

In addition to the above important matters, many essential research questions will be investigated throughout this thesis:

- How is the organization at hand doing compared to the industry as a whole?
- What are the effects of the competitive environment on this organization?
- What kind of management does this organization follow? And what is the best approach in its conditions to improve and shield itself from external challenges?
- How can the organization's managers and leaders be upgraded and become better informed?
- How to implement the improvement process; Horizontally and Vertically?
- What dysfunctions does this organization suffer from?
- How are these identified dysfunctions creating hidden costs and hidden performance?
- How much is the hidden cost?
- How can the hidden costs be converted into added value and create potential?
- What set of new management tools should this organization be introduced to and why?
- What alterations should the organization implement on its political and strategic decisions?
- Why and how is Lebanon's current reformation harming local businesses and boosting Money Laundering and Terror Financing?

- How can Lebanon better control and support this industry without chocking it?

## **OBJECTIVES**

An Informal Research contract has been found between Company X and its Managing Director Majd Masri, currently DBA student at UOB, Universite Jean Moulin, and ISEOR, who will act as the internal intervener in this intervention. It is accustomed, especially in Lebanon, that SMEs would implement a “Follow the Leader” strategy as a mean to draw a roadmap to advance and expand.

Company X is already the leader in the Money Exchange and Money Transfer industry in its area and it is currently doing its best to stay in the lead and advance in a way that would lock its leader status and broaden the gap between itself and the rest of the players. This is why Company X is looking to recycle its hidden cost, exploit its hidden potential, and tap into new opportunities. Company X’s current aim is to re-define its industry through innovation, creativity, and by offering a level of service that is superior to all other players in this sector. Hence, its managing director and Vice-President will act as the internal intervener and employ the SEAM approach to achieve its objectives and to help it craft its new strategies and action plans.

The main objectives behind this research is to prove that any company, irrespective of its industry, even the most defined and rigid one like the monetary sector, can achieve its objectives through SEAM.

This study’s objectives are to prove that by implementing the SEAM methodology the company will become a much more coherent and synchronized entity combined with the adaptation of the agility mindset, not only the company will be able to adapt to its fast changing environment and stabilize its profits, but also become rather pro-active than re-active and hence SHIELD itself from external factors and regulations that could hurt the company’s mainstream and cause internal dysfunctions.

Moreover, this study will prove that by focusing on Synchronization between the different departments and systems, introducing sensitization, and teaching the company how to clean up its operations and routines, it will become much easier for Company X to become nimble and hence recycle much of its hidden cost and tap on its hidden potential and performance.

The HoriVert diagnosis process will help mirroring the company’s current situation and consequently training all management and necessary personnel on the socio-economic management tools and draft the new strategies. Finally, this study will show the negative effects of the TWF virus on the company and aim to rectify and minimize their impact.

## BIBLIOGRAPHY AND POSITIONING

Many have defined and tried to explain organizational agility in different ways, but they all focus on the same idea. Agility is a mindset that the organization should adopt to become proactive rather than reactive and avoid probable threats. Also this approach will allow the company to nimbly adapt and cease any potential or passing opportunity. Moreover, agility provides a sustainable performance and profitability.<sup>(26)</sup>

Business agility is the "ability of a business system to rapidly respond to change<sup>(17)</sup> by adapting its initial stable configuration".<sup>(25)</sup> Business agility can be maintained by maintaining and adapting goods and services to meet customer demands, adjusting to the changes in a business environment and taking advantage of human resources.<sup>(19)</sup>

The agile enterprise strives to make change a routine part of organizational life to reduce or eliminate the organizational trauma that paralyzes many businesses attempting to adapt to new markets and environments.<sup>(13)</sup> Because change is perpetual, the agile enterprise is able to nimbly adjust to and take advantage of emerging opportunities. The agile enterprise views itself as an integral component of a larger system whose activities produce a ripple effect of change both within the enterprise itself and the broader system.<sup>(15)</sup>

Now it has to be clarified that Strategizing is an experimental process for the agile enterprise, in which individuals repeatedly generate ideas (exploration), identify ways to capitalize on ideas (exploitation), nimbly respond to environmental feedback (adaptation), and move on to the next idea (exit).<sup>(2)</sup>

As professor Christopher G. Worley said during an interview with Edward Lawler III posted in Forbes's Magazine and website, "The Agility Pyramid has three layers. Sitting on top of capabilities and management practices, agility is the ability to make timely, effective, and sustained organization changes. It is defined by four routines: the capacity to <sup>(17)</sup> *strategize* in dynamic ways; <sup>(25)</sup> accurately *perceive* changes in the external environment; <sup>(19)</sup> *test* possible responses; and <sup>(13)</sup> *implement* a variety of changes. The agility routines help organizations play and win a dangerous game. They help to keep them focused on the differentiated capabilities that drive above average performance today and are powerful enough to find and implement the capabilities that will be needed in the future."<sup>(10)</sup> The professor also said that "Agile organizations are 7 times more likely to have sustained, above average performance than traditional firms."<sup>(3)</sup>

In essence, truly agile organizations, paradoxically, learn to be both stable (resilient, reliable, and efficient) and dynamic (fast, nimble, and adaptive). To master this paradox, companies must design structures, governance arrangements, and processes with a relatively unchanging set of core elements—a fixed backbone. At the same time, they must also create looser, more dynamic elements that can be adapted quickly to new challenges and opportunities. The

ability to be both stable and dynamic, the essence of true organizational agility, is most easily grasped through a simple product analogy. Smartphones have become ubiquitous in part because of their design and functionality. The hardware and operating system form a stable foundation. But a dynamic application layer builds in “white space” for new apps to be added, updated, modified, and deleted over time as requirements change and new capabilities develop.<sup>(4)</sup>

Innovation management represents a vital process for banking industry (an industry quite similar to the Money Exchange and Money Transfer industry). Taking into account that innovation process encompasses a number of business activities undertaken to carry out the innovation into market, it has been noticed that in the extremely volatile and uncertain business environment, innovation management requires new forms of managing the process. Accordingly, a holistic and systematic approach to management innovation along with the development and adoption of effective implementation mechanism and structures, are elements that should be the basis for managing innovation to create significant improvements in the value creation to all corresponding stakeholders. Moreover, effective external linkages focused on generating a portfolio of ideas should be in the focus of any organization, yet banking particularly.<sup>(11)(23)</sup>

Long-term vision to holistic approach of innovation process lies in “an interactive model with feedback loops and interactions between different activities”<sup>(11)</sup>, by shifting from linear to nonlinear process that requires corresponding innovation strategy.<sup>(20)</sup> Banks have recently shifted its focus towards innovation strategy, which is recognized as the most significant strategic tool of innovation, by focusing on establishment of a clear set of objectives, processes and innovation performance metrics. Due to wide range and various types of innovation areas, innovation strategy allows banks to effectively prioritize its resources.<sup>(11)(23)(20)</sup>

As the global marketplace is characterized by intensive political, economic, social, technological and demographic movements, change became a ubiquitous and decisive, creating equally possibilities and threats to the banking sector. Accordingly, a holistic approach to management innovation provides strong foundation to better understanding the dynamics in banking and represents a valuable instrument to face the challenges in volatile business environment. Many authors argue that competing on innovation differentiation facilitates strengthening position at the highly competitive marketplace. To achieve better innovation performance in banking, integrated drivers such as excellence, simplicity, sociability, satisfaction, differentiation, separability, innovation speed, technology use, product fit and innovative culture should be incorporated into an organization and all areas of banking business.<sup>(24)</sup>

Savall, who was interested in OD but also had an accounting background, realized that modern accounting does not measure around 40% of what happens financially in an organization. He called this 40% hidden costs (Savall & Zardet, 2008). US accounting standards currently do not allow for the

recognition of these hidden costs in the financial statements. However, without this additional information, leaders are deciding with grossly incomplete data.

Savall created his approach to organizational change as a response to flawed management theory and incomplete accounting theory; and in this approach, calculating hidden costs became one of the cornerstones of SEAM interventions. Philosophically, SEAM might look like an approach with two foci—people (socio) and financial results (economic). In reality, the focus is one, which is symbolized by a hyphen in the word socio-economic. From a linguistic perspective, one of the hyphen's functions is to join two ordinarily separate words in one single word.

Therefore, the “socio-economic” becomes a single word and thus the only focus of SEAM; it is like a coin with the two sides. Henri Savall likes to hand a quarter coin to people who ask him about SEAM. He first holds it with George Washington's profile up, “What do you see here? A human. This is socio.” Then He turns it and exposes the other side with the words “one quarter dollar” on it, “What do you see now? Money, or economics. The whole coin is socio-economic. The sides do not work without each other.” His point is that one cannot separate the people side from the economic side without creating a distortion.

Any organization has to perform a certain set of functions. If a function does not work properly, it becomes a dysfunction. Modern organizations tend to have many dysfunctions and this is normal, given the need to coordinate the people and the processes. However, the more dysfunctions, the less effective the organization. Organizational dysfunctions act as a dripping faucet wasting organizational resources. One problem with the dysfunctions is not that they cannot be fixed, but rather that they are not measured by traditional accounting.

Employees' participation is essential for effective organizations. In fact, SEAM is based on the premise that the source of adding value to an organization is in developing human potential. This is a direct challenge to the more common beliefs that the source of value added is capital (neo-classical economics) or labor (Marxist economics). In SEAM theory, the heart of enriching an organization lies in developing its people. When people develop, they are more engaged, and more willing to contribute to the organization's well-being.

SEAM works with whole system change. It begins with the top leaders, and then cascades through the organization to reach all employees. In this manner, leaders demonstrate their ability to identify and correct dysfunctions, safely, without blame or retaliation, before employees are asked to do the same. In the first year of a typical SEAM intervention, the leaders and two or three silos (departments, divisions) are part of the intervention. Each year two or three more silos are added, until the whole organization has been involved.

SEAM is an effective intervention that has demonstrated that it can reduce hidden costs, develop human potential, and improve morale and profitability. It is most effective when the intervention the entire organizational system. For SEAM To work, the organization must be ready to accept the changes in management that is at the heart of the SEAM process.<sup>(14)</sup>

The old concept of business strategy was to define an industry then reduce and avoid competition where possible. Mr. D'Aveni believes that

business today has entered a new era of “Hypercompetition” shifting from slow moving oligopolies to a “quick-strike” mentality where competitive advantages are disrupted and not sustainable anymore.

According to Mr. D’Aveni, most successful companies today were disrupting companies and acting as if there were no entry boundaries.

D’Aveni argues that competitive advantage cannot be sustained for a long period anymore since the competition is fierce and, mostly, all companies can follow the market leaders. Therefore, The key for success today is “Strategic Maneuvering” where Advantage is being continually created, eroded, destroyed, and then recreated.

"The way to go about winning today is to obsolete the current advantages of the leader," Mr. D'Aveni says. "It is possible to win in hypercompetition by mastering the art of dynamically repositioning oneself in four key arenas: price/quality, know-how/timing, stronghold creation/invasion and deep pockets."<sup>(21)</sup>

This takes us back to our theory that by combining agility with SEAM intervention, the company would be able to tap on its hidden potential, hence creatively design new competitive advantages. Also through cleaning up and synchronization the company would acquire the nimbleness needed to apply strategic maneuvering and thus seize and create opportunities to sustain its profits and guard its leadership status.

The money transfer business started with banks wiring form one account to another across countries. These services used to cost a lot and take between 6 to 7 days to complete the transaction. According to the world bank, these fees have witnessed a declining trend and the remittance growth is set to slow in 2015.<sup>(6)</sup>

As the founder of World Remit (UK’s most high profile fintech companies) mentioned, banks are now exiting from traditional money transfer businesses that collect cash. Most of the banks globally chose not to offer banking facilities to a company relying on a corner shop to collect money. That’s the main reason behind a lot of those traditional players exiting the business. Tough regulation is also driving a lot of the traditional money transfer businesses online because it is safer, there is an audit trail.

The third trend helping the industry move online is smartphone adoption. The majority of people today have smartphones that can be used to download apps and send money. Those trends are pushing the industry digital much faster than before. It is expected that in the next 10 years 90% of remittance will move online.<sup>(12)</sup>

Andy Greenberg discusses the evolution of the Money Transfer sector going from the traditional remittance through the banks, then MTOs (Money Transfer Operatives) such as Western Union and Moneygram were founded and money transfer much easier, faster, and more user friendly. But today the new digital ways are becoming more and more popular such as wire transfers, internet based money transfer servuces, mobile money transfer, and the so called “Crypto Currency”. In short a “cryptocurrency (or crypto currency) is a digital asset

designed to work as a medium of exchange using cryptography to secure the transactions and to control the creation of additional units of the currency.<sup>(5)</sup> Cryptocurrencies are a subset of alternative currencies, or specifically of digital currencies. Bitcoin is an example of such a digital currency. Governments and banks support the shift to digital trading (not the currency though for they fear the consequences of an uncontrolled economy) for it is safer, cheaper, and faster.

Such a change alerts us once more to always be on guard and ready to adapt to the new trends to stay ahead in the game. To do so it is mandatory for the company to do periodically clean up (sanitization) its operations to make sure that it's running at its full potential. Combined with the sensitization and synchronization, the company will have a clearer view of the competition and of what lies ahead, helping it to better craft its strategies and tackle the competition.

Every business organization has a unique set of challenges and problems. The family business is no different. The latter go through various stages of growth and development over time. Many of these challenges will be found once the second and subsequent generations enter the business.

A famous saying about family owned business in Mexico is "Father, founder of the company, son rich, and grandson poor". So many authors discuss the approaches and solutions to the family business challenges. These obstacles can be assembled under the 20 groups below.

1. Emotions. Family problems will affect the business. Divorce, separations, health or financial problems also create difficult political situations for the family members.
2. Informality. Absence of clear policies and business norms for family members
3. Tunnel vision. Lack of outside opinions and diversity on how to operate the business.
4. Lack of written strategy. No documented plan or long term planning.
5. Compensation problems for family members. Dividends, salaries, benefits and compensation for non-participating family members are not clearly defined and justified.
6. Role confusion. Roles and responsibilities must be clearly defined.
7. Lack of talent. Hiring family members who are not qualified or lack the skills and abilities for the organization. Inability to fire them when it is clear they are not working out.
8. High turnover of non-family members. When employees feel that the family "mafia" will always advance over outsiders and when employees realize that management is incompetent.
9. Succession Planning. Most family organizations do not have a plan for handing the power to the next generation, leading to great political conflicts and divisions.
10. Retirement and estate planning. Long term planning to cover the necessities and realities of older members when they leave the company.
11. Training. There should be a specific training program when you integrate family members into the company. This should provide

- specific information that related to the goals, expectations and obligations of the position.
12. Paternalistic. Control is centralized and influenced by tradition instead of good management practices.
  13. Overly Conservative. Older family members try to preserve the status quo and resist change. Especially resistance to ideas and change proposed by the younger generation.
  14. Communication problems. Provoked by role confusion, emotions (envy, fear, anger), political divisions or other relationship problems.
  15. Systematic thinking. Decisions are made day-to-day in response to problems. No long-term planning or strategic planning.
  16. Exit strategy. No clear plan on how to sell, close or walk away from the business.
  17. Business valuation. No knowledge of the worth of the business, and the factors that make it valuable or decrease its value. <sup>(16)</sup>
  18. Growth. Problems due to lack of capital and new investment or resistance to re-investment in the business.
  19. Vision. Each family member has a different vision of the business and different goals.
  20. Control of operations. Difficult to control other members of the family. Lack of participation in the day-to-day work and supervision required.

These obstacles can be avoided through 2 major practices; the first is through SEAM intervention for its Mirror Effect points out the dysfunctions to be addressed while the second practice is by being proactive to foresee and avoid such problems and their terrible costs.

## **INTERVENTION TIMELINE**

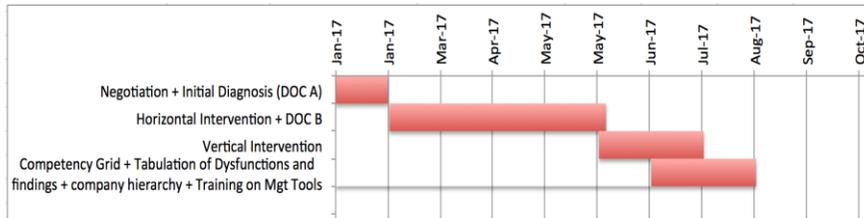
The intervention will start with the preparation of **Doc A** in January 2017 followed by the **negotiation** process with the selected company to get the top management's buy in and form a general idea about its current situation and some of its dysfunctions.

Next in February 2017 preparations for **Doc B** will start along the **Horizontal Diagnosis**. Doc B's final version should be submitted before June 5<sup>th</sup> while the interviews with all the managers will continue till June 16<sup>th</sup>, 2017.

The **vertical diagnosis** and interviews with the rest of the employees are presumed to take place during July 2017.

After **tabulation** of the findings and dysfunctions, training on the socio-economic **management tools**, the **competency grid** and the **company hierarchy** will be conducted through the months July and August 2017.

Later, the decision whether the management is to start developing its new strategies and action plans or to schedule more training sessions will depend on the company's overall progress and the field advisor's recommendations.



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