

# Business in Central and Eastern Europe

## Reflections on BNP/Dresdner

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# Reading

- Chapter 10 – Business in Central and Eastern Europe.
- Itschert, J., ul-Haq, R., International Banking Strategic Alliances: Reflections on BNP/Dresdner, Palgrave Macmillan: England and New York, 2003.
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# Complementary Interests

- Strategic consensus centred around shared pool of corporate customers.
  - Cooperating foreign subsidiaries.
  - Loan and other product extensions.
- Difficult to implement.
  - Impossible to prevent personal tactical idiosyncrasies.

# Alliance II: CEE Joint Ventures

- Chronology
  - 1988 Istanbul, Turkey
- 1989 Directors Exchange
  - 1991 Budapest, Hungary
  - 1992 Prague, Czech Republic
- 1993 Cooperation Agreement Approved by Shareholders
  - 1993 St Petersburg, Russia
  - 1995 Warsaw, Poland
  - 1995 Sofia, Bulgaria
- 1995 EU Clearance of Cooperation Agreement by EU
  - 1996 Santiago de Chile, Chile
- 1996 Cooperation Agreement Signed by Boards
  - 1997 Zagreb, Croatia
- 1998 BNP acquires Paribas
  - 1998 Bucharest, Romania
  - 1999 Vienna, Austria
- 2001 Dresdner merges with Allianz Versicherungen
- 2001 Agreement to dissolve Joint Ventures
- 2002 Cooperation agreement officially terminated

**Source: Appendix 3 (p. 147), Itschert, ul-Haq 2003.**

# Priority Given to Investment Banking

- Worldwide push to improve the supply of companies with equity via global capital markets.
- Emerging markets and CEE target areas.
- Commercial banking in BNP/Dresdner cooperation agreement.
- Investment banking via BNP Paribas and Dresdner Kleinwort Benson subject to strong rivalry and independence from cooperation agreement.

# Central and Eastern European Commercial Banking

- Competitor banks acquiring shares in CEE banks as market entry strategy.
- BNP/Dresdner JVs lost market share and scope for expansion severely reduced.
- 2001 Joint Holding Company in Vienna liquidated.
- Ownership of JVs passed one of the two partners.
- Each bank received back its original units, outgoing bank from each JV established its own operation.

## CEE – Binational/Bilingual

- Local country language became main language of command.
- Recruitment of local staff increased with expansion and flattening of organisational hierarchy resulted.
- Broadening of contacts with local corporate customers occurred.

# Budapest, Hungary

- BNP Initiative.
- BNP/Dresdner JV established 1991 with KH and JV split in 2001 by transfer to BNP.
- Now: BNP Paribas Hungária Bank (former BNP-KH-Dresdner Bank).
- Now: Allianz Bank Zrt., (former Dresdner Bank [Hungary], a new operation post 2001).



# Involuntary Parting

- Alliance 1 – Cross Border Activity.
  - Consensus on purpose at the transactional level.
  - Mutual comprehension based on inter-cultural and internalized organisational precepts.
  - Understanding between International banker – domestic banker.
- Alliance II – CEE and Emerging Markets JVs.
  - Disbanded from 2001 due to changing market rationale.

# End of an Alliance

- BNP/Dresdner press release 4<sup>th</sup> October 2002:
  - ‘BNP Paribas and Dresdner Bank have reached an amicable understanding to terminate the cooperation agreement between the two institutions in the fields of banking and bank-related business, which has been in place since 1996. In a recently signed rescission agreement, both partners concluded that the objectives of the cooperation agreement were no longer valid in view of subsequent changes in market conditions and in view of the divergences in strategic development of the two institutions. It is therefore agreed that the accord should be formally terminated. The possibilities of future cooperation in specific business areas, built on the special relationship of trust built up over the years, will be explored. One example of this is the joint venture Cetelem Bank GmbH. Mr Michael Pébereau will step down from the Dresdner Bank Supervisory Board at elections scheduled for the coming year. At the same time, Dr Bernd Farholz will resign his position as a member of the Board of Directors of BNP Paribas.’

**Source:** P91-92, Itschert, ul-Haq 2003.

# Success in Transnational Alliances (1)

- A master plan, with specific objectives and contents, is an absolute prerequisite.
- The implementation of the master plan is – for reasons of credibility – a purpose in itself and not a means of fulfilling some other purpose.
- Parts of the project to be carried out consecutively should follow a previously agreed timetable.
- The project should not be started until the objectives have been sufficiently established.
- Setting up findings committees is unsuitable for finalizing points if results are up to achieving under pressure of fire.
- Rotating committee meetings foster the procrastination of decisions that cannot be put off.

**Source:** Page 121-122, Itschert, ul-Haq 2003.

# Success in Transnational Alliances (2)

- Decision-making committees whose members are appointed according to the principal of parity are inefficient. Stalemate situations are the result, and too many problems are disregarded because everything has to be delivered on the basis of the lowest common denominator.
- Dualistic tendencies must be curbed by establishing specific actions.
- Pleasant-sounding declarations of intent usually have an ‘alibi’ function.
- The creation of new words is appropriate when thought-provoking impulses with a transnational slant have to be communicated.

**Source:** Page 121-122, Itschert, ul-Haq 2003.

# Success in Transnational Alliances (3)

- Managerial responsibility should be indivisible and assigned to individuals (if possible, individuals from outside).
- The transnational project manager is like the conductor of an orchestra who conveys a uniform picture of the score.
- The cornerstone of PR work is transparency – also transparency of difficulties – towards a knowledgeable and interested public that is willing to be understanding.
- Dialogue with antitrust authorities helps to prevent legends and myths ('power of international banks').
- The phrase 'equal rights' should be replaced by 'equal obligations'.
- Communication internally and externally should not be hampered by prescribed, official language.

**Source:** Page 121-122, Itschert, ul-Haq 2003.

# BNP/Dresdner Alliance Achievements

- It started to build a shared international brand with the positive characteristics of care-free, optimistic, cosmopolitan, hungry for action, steadfastly encouraging, absolutely devoted.
- It developed a method of operating – global strategic objectives by fields, sector, geography, identification of concrete projects, feasibility studies, teams and function-specific preparations, budgeting and evaluation systems.
- It developed an ‘international alliance brand’ and left open the possibility of a full merger later.
- It converted a diffuse desire to cooperate into a specific set of outcomes of joint ventures in new territories, co-operation desks in each other’s head offices, cross-border business generation functions at branch level, joint IT system development and links, intensification of the mutual provision of information.
- It established joint ventures in a number of Eastern European countries.