

CENTRAL BANK OF EGYPT
Egyptian Banking Institute



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Cross Functional Management

Current Trend



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What is Cross Functional Management?

With the growing competition in the banking sector, the increasing cases of mergers and acquisitions and the introduction of new initiatives to be implemented by various stakeholders in the banking sector, new management styles became needed to gain more focus and attention for successful implementation at the banks. Among various styles, Cross-functional management constitutes an increasingly popular innovative management style. It addresses the need of many businesses to improve their competitiveness and agility by dismantling an increasingly outdated hierarchical and pyramidal architecture. In fact, Cross-functional management means demolishing organizational silos, mobilizing staff, and promoting collaboration among teams from different departments and levels of hierarchy in order to achieve a shared goal: logistics, sales, marketing, accounting, legal, finance, human resources, CFO, etc.

As most of the banks are familiar with the cross functional style of management, however, it's likely that cross-functional teams, which are made up of stakeholders from different departments, are more closely related to projects than to strategy or management. Thereby, creating cross functional team for an ongoing purpose proved to be of various benefits to the financial institutions.

Benefits of Cross Functional Management

Cross-functional management can be a real driver of growth, enabling a company to become more agile, as it leads to:

- **Increasing Employee Engagement:** Including workers in cross-functional teams enhances worker engagement. The reason behind that is that staying in one department over time with peers that do similar tasks over time lowers employee engagement. By getting into cross functional scheme they have the opportunity to interact with colleagues from other departments who have diverse perspectives. Therefore, teamwork, job happiness, and general employee engagement all rise as a result.
- **Streamlining decision making process:** All decision-making procedures are decided within the cross-functional team since each team is given its own project. In fact, decision-making processes are simplified, approval circuits are shortened and responsiveness is increased. Hence, decision-making is faster and more relevant.
- **Encouraging a culture of continuous learning:** Working with peers from different departments allows members to share knowledge and learn how others perform their jobs.

Opportunities for cross functional management in banking

- **Enhancing the managerial abilities:** Members from other departments can learn various approaches to problem solving and conflict resolution from one another through cross-functional teamwork, which enhances their managerial abilities. Hence, problem solving is facilitated by the team's multi-sector expertise.
- **Utilizing each team member's unique strengths:** Since each department's representative has a varied background, their unique strengths contribute to innovation.
- **Enhancing the information transparency across the organization:** Exchanges are more fluid, information moves more quickly, and communication more cross-cutting.

In a nutshell, having cross-functional strategy teams empowers managers, fosters trust, and shifts their perspective from "my department" to "our department".

Forming cross-functional teams to handle enterprise strategy is one of the greatest enhancements aiming at breaking down potential silos in the banking system. As per Nicholas, Chris(2024), among the cross functional teams that may be of benefit to the banks:

- **Employee experience:** it might be one of the most important committees for the bank. This group sets the standard for the customer experience throughout the bank and ensures that each customer touchpoint supports the bank's overall strategy. Some of the responsibilities of the team might be related to build clean customer data, develop the products to meet the expectations of the customers, monitor customer's appreciation and user experience.
- **Operations:** ensuring bank's efficiency may require bearing the responsibility by all the departments through the representatives collaborating in the cross functional team. This group's concern will be related to process improvement throughout the bank. The goal of this team should be to improve efficiency by 5% each year.
- **Generative AI:** despite the fact that banks would be having an AI governance committees, a cross functional team might be needed to focus on the applications as that will be related to almost all of the functions of the bank.
- **Payments:** if the bank is of the ambition to acquire payment heavy customers, then a strategy and a team is needed to monitor and enhance the efficiency of the payments' lines of business including: retail, commercial, mortgage, wealth , loan processing, the clearing house, resource allocation, pricing, user experience and instant payments.

Steps of Implementation

- **Enterprise platform:** figuring out the best platform and building a strategy around the use and the rate of growth of the platforms requires the collaboration through a cross functional team across the bank. Although IT can oversee these platforms from an operational perspective, they might not be the best team to oversee the platform's enterprise business choices because they are unlikely to have a comprehensive understanding of all the bank's functions^[1].
- **Rethinking the way work is organized:** A bank that already uses a collaborative or participative management style will find it easier to adopt cross-functional management. The implementation of cross-functional management requires a complete redefinition of processes and a break with the old managerial structure. Moving from a vertical model and/or a directive management style to a transversal structure is a profound transformation that requires alignment between: the cross functional team member, employee's line manager and cross functional manager.
- **Designate a cross functional manager:** The cross-functional manager has several responsibilities. They have to: Take charge of the multidisciplinary groups, make sure that each team's members are properly coordinating, encourage teamwork, cooperation, and communication, respect each person's efforts, thoughts, and initiatives, use a management approach that involves participation, encourage peer cooperation, show initiative to inspire groups and clearly define the project's goals and oversee its appropriate execution. Cross functional managers must have the vision that information, talent, and knowledge must flow freely across the entire organization.
- **Define the features of the cross functional team:** the area of concern of the team (whether it is a long-term specialization or a short term project), the roles that have to be filled, the appropriate style of management to be applied across the cross functional team , the budget needed, the departments concerned (to have representatives from them), the budget needed (if the team is formulated to serve a specific project) ..e.t.c.
- **Build cross functional committees:** Building cross-functional teams will subsequently be the responsibility of the cross-functional manager. The first step in doing this is to consider each person's line of work. To build cohesive and well-balanced teams, it's also critical to focus on hiring workers with complementary personalities

and skill sets. These strategic committees are responsible for making sure that a ten-year horizon is envisioned and that the vision extends beyond the main executives' careers. Creating a strategic committee guarantees that the vision will be carried out consistently and that it will outlive a single executive.

- **Build cross functional culture:** Strong values are the foundation of cross-functional management, and the business culture needs to reflect these principles. The buzzwords for this include open-mindedness, communication, teamwork, mutual aid, and communal spirit.

4 | Challenges

Challenges of implementation might be related to :

- **Coordination and Complexity:** Leading various teams can be challenging and necessitates close coordination.
- **Potential for Conflict:** Divergent viewpoints could cause disputes within the group.
- **Accountability Issues:** In situations involving shared responsibility, it may not always be evident who has responsibility for results.
- **Challenges with Resource Allocation:** Distributing resources among departments can be challenging.

| Examples

- N26, a German neobank, has effectively utilized cross-functional teams to enhance its product development and market penetration. By integrating product, sales, marketing, and customer service teams, N26 has been able to streamline its processes and respond more quickly to market demands. This collaborative approach has significantly contributed to their rapid growth and ability to innovate within the competitive fintech space.
- Bank of America embarked on a comprehensive Agile transformation journey, featured mainly by implementing cross functional teams.
- ING bank developed Dealwise , as a shopping platform, that gathers cashback deals and great discounts in one place. The implementation was undertaken by an international cross-functional team with representatives from innovation, product development, IT and shopping experts.
- Citi Commercial Bank, improved its lending experience by bringing together the underwriting team, digital experts and servicing specialists in account management.

**Illustrative
Video**

<https://youtu.be/X81kCssaU8E?si=lrXHkKN9UL900C9i>

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