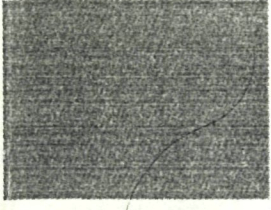


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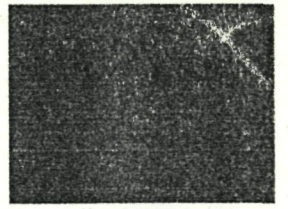
ABN AMRO  
A Company Profile

Jan Willem van Gelder



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stichting onderzoek multinationale ondernemingen  
centre for research on multinational corporations



# **ABN AMRO Holding N.V.**

## **A Company Profile**

Report written on behalf of the  
**FIET (International Federation of Commercial, Clerical,  
Professional and Technical Employees)**

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January 1995

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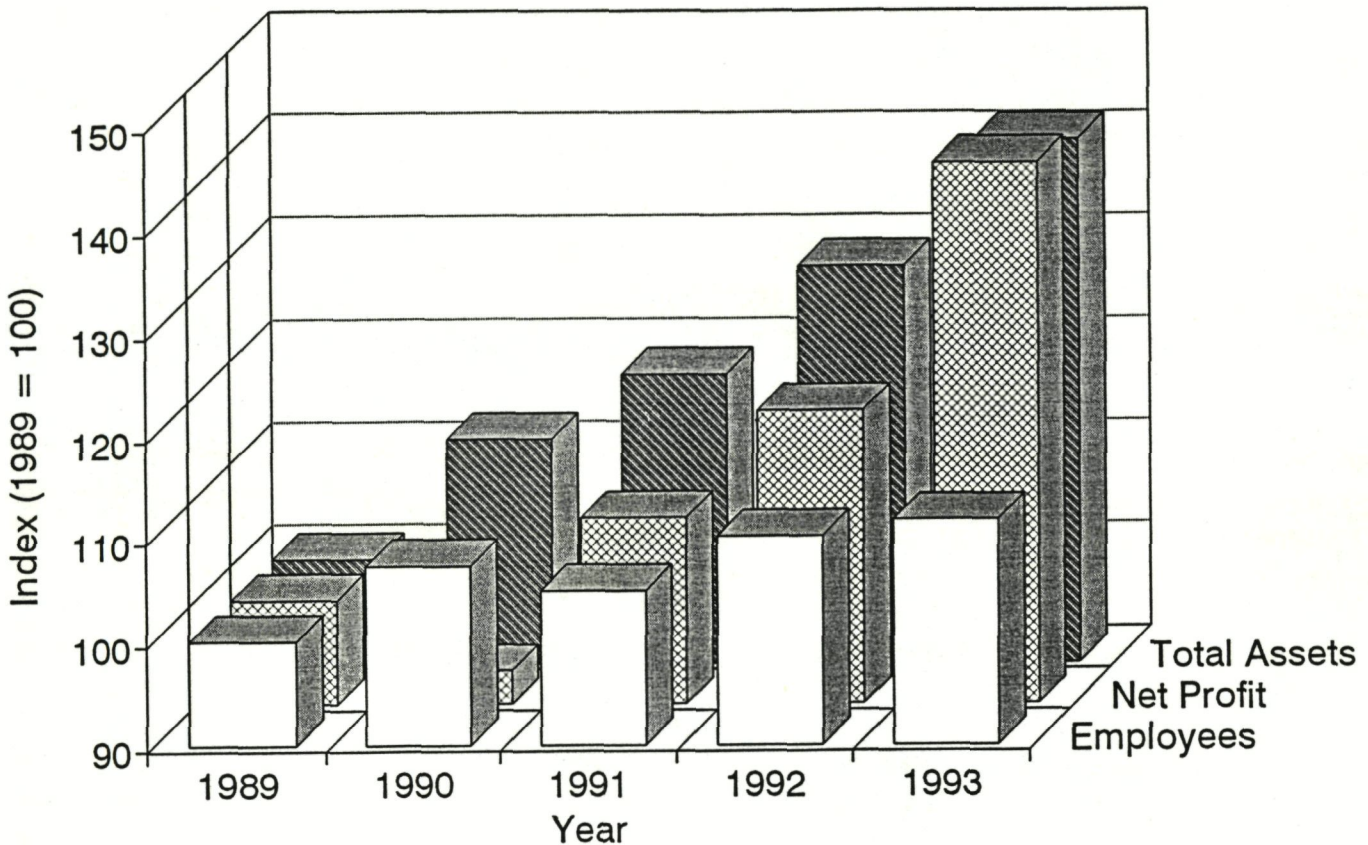
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## § 1 Key Figures of ABN AMRO Holding N.V.

ABN AMRO Holding N.V. was created in September 1990, when two of the largest Dutch banks - Algemene Bank Nederland and Amsterdam-Rotterdam Bank - were merged. Since then, ABN AMRO is the largest bank in the Netherlands, and the sixth-largest in Europe. On a global scale, the group figures among the 25 largest banks.

Since the merger, ABN AMRO is growing very fast in every aspect. Total assets amounted to *f* 491 billion at the end of 1993, up 41% since 1989. The capital increased even faster, with 46% to *f* 19.1 billion in 1993. Net profits also show a steady increase: *f* 2,024 million in 1993, up 42% since 1989.

**FIGURE 1: Key Figures ABN AMRO 1989-1993**



The Netherlands are the home market of the ABN AMRO Holding, and in 1993 the operations in this country contributed 60% to total assets and 62% to operating profits. But ABN AMRO is aiming to become a real 'global player'. Now the bank is represented in 60 countries, and the importance of its foreign operations is gradually increasing. Not so much within Europe (excl. the Netherlands), which contributed 16% to total assets and 14% to operating profits in 1993. These figures are more or less identical to those of 1989.

The growth of ABN AMRO activities is especially located in Northern America. Its share

of total assets doubled from 8 to 16% in the past five years, while its contribution to operating profits rose from 7 to 17%. For ABN AMRO, Northern America clearly is its second home market.

TABLE 1 : Key Figures ABN AMRO 1989-1993						
Figure	1989	1990	1991	1992	1993	Change '89/'93
Total Assets (f bln)	349.2	389.8	411.6	448.4	491.0	+ 41 %
Capital (f bln)	13.1	14.4	15.3	16.1	19.1	+ 46 %
Net Profit (f mln)	1,422	1,325	1,536	1,684	2,024	+ 42 %
Dutch Employees	40,413	40,140	38,670	37,883	37,393	- 7 %
Foreign Employees	13,717	17,912	18,077	21,756	23,058	+ 68 %

The growing importance of the foreign operations of the bank is reflected in the development of the number of personnel. The decrease in the Netherlands during the last four years - down 7% to 37.393 persons - was more than compensated by the increase at foreign offices: up 68% to 23.058 persons. This tendency is expected to continue during the coming years.

**\* Conclusion**

Financially the bank is in good shape. Its ambitious foreign expansion does not prevent a continuous rise of the net profits, the profits per share and the rate of return on capital. Although some weak points remain in its international network - Germany and France in general, and corporate finance activities in the United States - ABN AMRO seems to be well on course to become a global player. But the bank has reason to worry about its home market, which still generates more than 60 per cent of its profits. In the Netherlands ABN AMRO is losing market share, and the growing demoralization of its Dutch employees could easily lead to acceleration of this tendency.

## § 2 History and Structure of ABN AMRO Holding N.V.

### \* Corporate History

In september 1990 the ABN AMRO Holding was formed by a merger between Algemene Bank Nederland (ABN) and Amsterdam-Rotterdam Bank (AMRO).

The two partners were also products of mergers. The ABN was formed by a merger between the Nederlandsche Handel-Maatschappij and the Twentsche Bank in 1964. The AMRO-bank was created in the same year by the merger of the Amsterdamsche Bank and the Rotterdamsche Bank.

The ABN always has been a trade bank, financing Dutch im- and exports in every part of the world. The AMRO-bank at the other hand concentrated more on financing entrepreneurial activities in the Netherlands. Both banks operated as general banks, offering services to all sorts of customers: private and corporate, big and small. Their business centred around the interest-margin: the difference between the interest paid on their savings accounts and to other creditors, and the interest received from loans and credits. In 1975 both banks made an important acquisition in the Netherlands. The ABN acquired control over Bank Mees & Hope, while the AMRO acquired Pierson, Heldring & Pierson. Those two banks did gradually develop into real investment banks, offering financing and asset management services to big corporate and private clients only. These kind of activities are to a large extent commission-driven: for each transactions the bank receives a percentage or a fixed sum.

The four banks together were known as the 'four-leaf clover', which dominated corporate finance in the Netherlands. On the Dutch retail market, ABN and AMRO were less dominant. But their market share on the retail market was large enough to guarantee both banks a steady and profitable source of income.

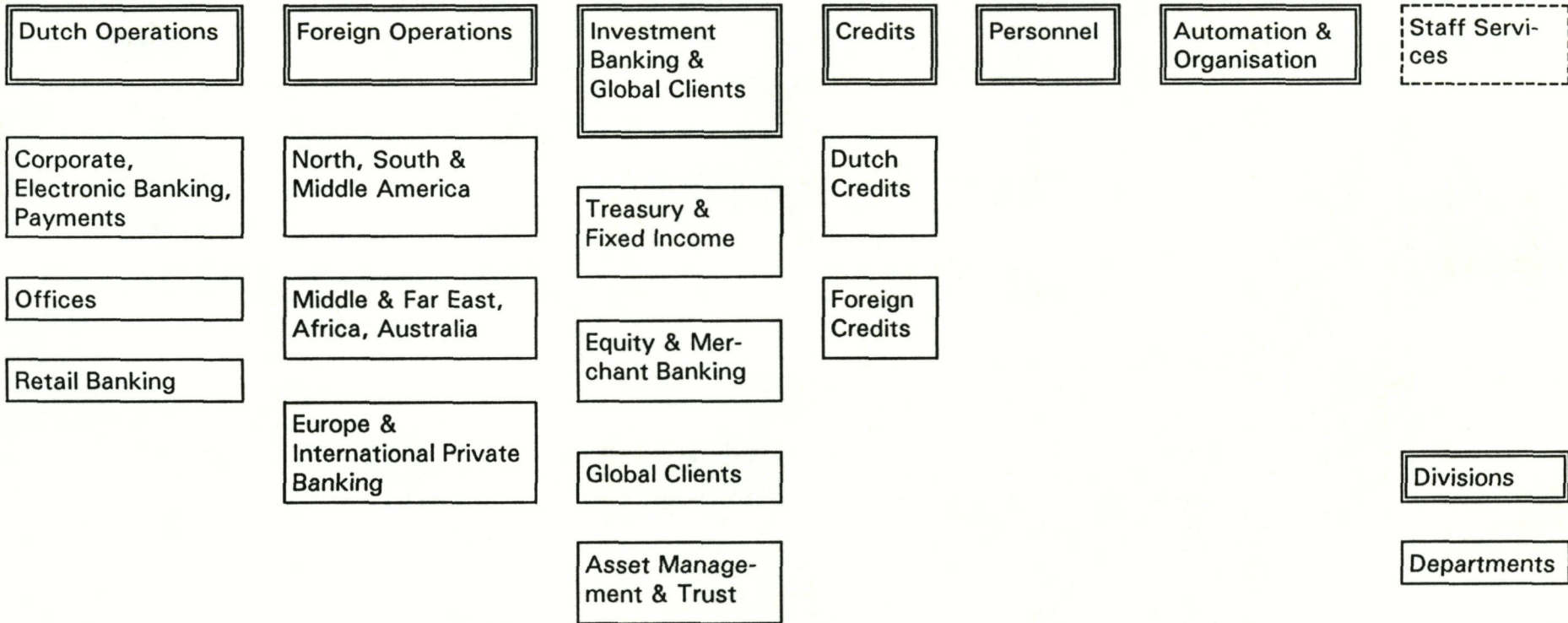
During the 1980s, it became increasingly clear that this comfortable situation could not last forever. The European Commission announced plans to liberalise the European banking market, and introduce more competitive elements. And also on a global scale the competition seemed to be increasing fast. Especially the Japanese banks, which could tap from an enormous pool of cheap savings, seemed to follow the Japanese car and electronics producers in conquering the world.

Both ABN and AMRO realised that they were too small to compete on a global level. However, a merger between the two was ruled out, because of the long-established rivalry, the differences in corporate culture, and the huge amount of adjacent offices in Dutch towns. The ABN therefore embarked upon an independent international expansion strategy, while AMRO started negotiations about a cross-border merger with Société Générale of Belgium in 1987. But the difficulties in creating a truly multinational bank proved to be too great, and this merger was called off in 1989.

By that time, ABN had discovered that its autonomous growth was too slow to turn the bank into a 'global player'. And while the annulled merger had bruised AMRO's selfconfidence - sometimes described as arrogance - the time seemed right for a merger between the two largest general banks in the Netherlands. The overlapping network of branch offices in the Netherlands, which at one time was seen as a barrier to the merger, was now treated as one of the main advantages. By closing and integrating offices, the merged banks would be able to operate cheaper and more efficient. 'Synergy' became the password.

**FIGURE 2: Organisational Structure ABN AMRO**

Board of Directors ABN AMRO



**\* Works Councils**

Within the Dutch operations of the ABN AMRO Holding N.V., several Works Councils (Ondernemingsraden) are installed. Within the ABN AMRO Bank, there are three: one for the division Dutch Operations; one for the divisions Foreign Operations, Investment Banking & Global Clients, and Credits; and one for the divisions Personnel and Automation & Organisation plus the Staff Services. Mees Pierson has its own Works Council. These Representatives from these four Works Councils are represented in the Central Works Council (Centrale Ondernemingsraad). Elections for the Works Councils were held last autumn. The new Central Works Council started operating this January.

ABN AMRO Lease Holdings N.V. has its own Central Works Council, in which members are represented of the Works Councils of the four leasing companies belonging to the holding. At present, nobody from these companies is represented in the Central Works Council of ABN AMRO Holding N.V.

**\* Ownership**

At the end of 1993, equity capital amounted to f 24.7 billion. This consisted of ordinary shares (f 21.0 billion), preferred shares (f 2.4 billion), and convertible preferred shares (f 1.4 billion). The last category was only issued in the autumn of 1993.

Owner	Ordinary Shares	Preferred Shares	Preferred Convertible
Aegon N.V.	3.31%	9.54%	
Fortis N.V.	0.30%	5.40%	
Commercial Union Assurance PLC	-	5.90%	
Internationale Nederlanden Groep N.V.	7.49%	9.08%	
Rabobank Nederland	0.05%	5.59%	
De Zonnewijzer	-	5.00%	
St. Administratiekantoor ABN AMRO Holding	-	57.78%	
Other Dutch investors	49%	-	
Other U.K. investors	17%	-	
U.S. investors	9%	-	
Other investors	14%	-	
<b>TOTAL (in f million)</b>	<b>20,980</b>	<b>2,338</b>	<b>1,430</b>

The majority of the preferred shares (57.8%) is owned by 'Stichting Administratiekantoor ABN AMRO Holding', which is controlled by the Board of Directors of ABN AMRO. Five per cent is owned by a specialised Dutch investment Trust (De Zonnewijzer), and another 35.5% of the preferred shares is owned by five banking and insurance companies. Four of them are Dutch and one is English: Commercial Union, who owns the large Dutch insurance company Delta Lloyd.

Four of these banking and insurance companies together own 11.2% of the ordinary shares of ABN AMRO Holding N.V.. All together, this underlines the strong links between



the main financial institutions in the Netherlands: the two main competitors of ABN AMRO (RABO and ING), and the four largest Dutch insurance companies (ING, Aegon, Fortis and Delta Lloyd) all have a considerable shareholding in ABN AMRO Holding N.V.

Other Dutch investors own around 29% of the ordinary shares. The other 40% of the ordinary shares is owned by foreign investors: 17% from the UK, 9% from the USA, and 14% from elsewhere in Europe, the Middle East and Japan. In total, around 84% of the ordinary shares of ABN AMRO Holding N.V. is owned by institutional investors from all over the world.

**\* Conclusions**

ABN AMRO Holding N.V. is an independent bank, but has close financial ties with the other main financial corporations in the Netherlands. The bank is the product of a merger, which is still reflected in the organisation structure. The organisation structure lacks a clear concept, and will probably be changed again in the coming years.

### § 3 Business Strategy

The aim of the merger between ABN and AMRO was to give the combination a world-wide presence, and make it into one of the top-ten global players. At this moment ABN AMRO figures among the largest 25 banks of the world.

Rank	Bank	Country	Assets (\$ bln)
1	Fuji Bank	Japan	538.2
2	Dai-Ichi Kangyo Bank	Japan	535.4
3	Sumitomo Bank	Japan	531.8
4	Sanwa Bank	Japan	525.1
5	Sakura Bank	Japan	523.7
6	Mitsubishi Bank	Japan	487.5
7	Norinchukin Bank	Japan	435.6
8	Industrial Bank of Japan	Japan	414.9
9	Crédit Lyonnais	France	337.5
10	Bank of China	China	334.8
11	Mitsubishi Trust & Banking	Japan	330.5
12	Tokai Bank	Japan	328.7
13	Deutsche Bank	Germany	320.0
14	Long-Term Credit Bank of Japan	Japan	315.0
15	Sumitomo Trust & Banking	Japan	305.3
16	HSBC Holdings	United Kingdom	304.5
17	Mitsui Trust & banking	Japan	269.9
18	Crédit Agricole	France	281.8
19	Asahi Bank	Japan	277.7
20	Bank of Tokyo	Japan	273.9
21	Daiwa Bank	Japan	262.6
22	Société Générale	France	259.1
23	ABN AMRO	The Netherlands	252.2
24	Banque Nationale de Paris	France	249.1
25	Barclays Bank	United Kingdom	245.3

## \* Global Strategy

To realise its international ambitions, ABN AMRO has the objective to generate at least 50 percent of its profits outside the Netherlands (now 38 percent). This requires strategic choices regarding 'how' and 'where' to grow internationally. In this chapter we will take a closer look at the possibilities and difficulties for international growth in the banking sector. Consecutively, we will examine how ABN AMRO has dealt with these possibilities and difficulties.

The international strategy of ABN AMRO of course reflects to a large extent the international strategies pursued by the two partners before the merger. Especially the ABN has been involved in international activities for a long time. This was a reflection of the strong international orientation of the Dutch economy. The ABN has always been strong in financing the import- and export-activities of Dutch companies. This objective often required the establishment of international branch offices. For instance, the Nederlandsche Handel-Maatschappij (one of the predecessors of the ABN) was the first foreign bank to establish an office in Japan. This was in 1858, directly after the Japanese empire opened its borders after two centuries of self-chosen isolation.

The AMRO only started to expand internationally around 1970. To make up for the lost time, AMRO collaborated with other European banks (Midland Bank, Creditanstalt Bankverein, Deutsche Bank and Société Générale) in 'consortium banks' such as the BEC in Brussels and the European American Bank in New York. Because of different interests among the partners, the consortia did not work out as planned. This forced the AMRO to start its international expansion on its own belatedly at the end of the 1970s.

At the time of the merger, the two banks together owned 413 offices in 49 foreign countries. At the end of June 1994, ABN AMRO owned 548 offices in 60 countries (outside the Netherlands). When taking into account that some overlapping foreign offices have been closed, it is clear that the new bank is undertaking an ambitious foreign expansion-plan. Between January 1990 and June 1994, the number of foreign employees of ABN AMRO rose from 13.717 to 24.975 (up 82%).

## \* International Expansion: How?

The first strategic choice which implicitly underpins this development, is the 'how' of international expansion. Some banks, such as the Dutch Rabobank, explicitly choose for autonomous international growth. They reject growth by means of take-overs, because they fear the unexpected surprises of dubious debtors. Furthermore, integrating another company with its own business culture in your own company, is often very difficult, time-consuming and expensive.

But clearly, autonomous international growth normally proceeds slower than a take-over-strategy. Although ABN AMRO has a very bad experience with a foreign bank it partially took over (European American Bank in the United States), it still sees take-overs as an important means for realising its international strategy. In fact, in 1994 ABN AMRO finished second on the list of Dutch companies with most foreign take-overs. Philips ended first with 20 take-overs, followed by ABN AMRO with 14 take-overs.

The number of potential take-over-partners seems to be unlimited. The only limit comes from the self-restraint of ABN AMRO, which does not want to jeopardize its profit- and other ratios by spending too much money on take-overs. These ratios determine the possibilities for ABN AMRO to attract capital from (new) shareholders.

The take-overs of ABN AMRO seem to be geographically concentrated in Western countries. In other countries, ABN AMRO is mostly growing by establishing new offices itself. An important exception was the take-over of the Polish Interbank in December 1994.

**\* International Expansion: Which customers?**

The second strategic choice connected to a strategy of international expansion concerns the customers one wants to aim at. The answer to this question of course determines which products one has to offer, but also to a large extent in which countries one has to be involved.

TABLE 4 : Product-Market Combinations in Banking			
	Banking	Financing	Services
Corporate	Payments, Trade Credits	Stockbroking, Loans, Flotations	Financial Advise, Trust Management, Stock Research
Retail	Payments, Savings, Loans, Currencies	Mortgages, Insurances, Stockbroking	Trust Management, Travelling

In banking, six main groups of product-market-combinations are being discerned. One important distinction is between 'corporate' (or 'wholesale') banking, aimed at companies and corporations, and 'retail' banking, aimed at private customers and small businesses. The other distinction is between 'banking', 'financing' and 'services'. 'Banking' concerns payment transactions, savings, and credits: financial transactions which have to do with day-to-day buying and selling. The income from 'banking' activities for banks is mostly interest-related. 'Financing' concerns stockbroking, flotations, mortgages, and loans: financial transactions which have to do with raising capital for long-term investments. The income from 'financing' for banks is mostly based on commissions. Finally, 'services' concerns all banking activities which are not directly connected with financial transactions. For 'services' the plain price has to be paid.

Of course, finer distinctions can be made. Often a difference is made between normal private customers, and large private clients. The latter group is primarily interested in a bank which can manage their investment portfolios on an international scale. This is called 'private banking'.

Something similar applies to institutional investors, who need banks to advice and assist them in managing their investment portfolio. And within the corporate banking and financing activities, an important distinction is to be made between companies operating locally (within one country) and international companies. Banking and financing requirements of the last group are much larger and more complicated.

'Trade Banks' mainly engage in corporate banking; '(Mutual) Loans and Savings Banks' mainly in retail banking, and 'Mortgage Banks' in retail financing. 'Investment Banks' or 'Merchant Banks' mainly engage in corporate financing. 'General Banks', like ABN AMRO, operate in all these fields.

During the past few decades, only two types of banks were able to survive in most countries: investment banks and general banks. The investment bank can survive because it offers very complicated, knowledge-intensive products to a limited number of big clients. It does not need much offices, has low overhead costs, most of its income is on a provision-basis and not dependent on interest-margins, and therefore economies of scale are relatively unimportant.

The general bank on the other hand thrives on large numbers of customers, economies of scale, and a balance between the different product-market-combinations it is engaged in. Especially for banking activities, more than for financing activities, the rate of return on capital is very dependent on the interest-margin. This makes it very interesting to combine

retail banking and corporate banking activities. In general, retail banking offers a net source of capital, against a lower interest rate than capital attracted on the capital market. This capital can be used for corporate credits and other corporate banking activities, which in general raise more interest income than simply lending out on the capital market would do.

#### **\* Global corporate banking**

What has all this to do with internationalisation strategies? Much. Not in every product-market-combination the need and possibilities to internationalize are just as strong. For most general banks the first phase in their process of internationalisation is connected with corporate banking activities. Banks go abroad to satisfy the trading needs of the big corporate clients in their homecountry. Those companies operate on an international scale, and expect their bank to supply them with payment, currency and credit services overseas. Establishing a full-scale banking office in a foreign country is however very expensive. To make it more profitable, banks will have to attract international corporate clients from other countries as well. This of course applies more to ABN AMRO than to its American or Japanese competitors. Relative to the size of the Dutch economy the number of Dutch multinationals is rather high, but the absolute number of Dutch companies in - say - Hong Kong or Saõ Paulo is much lower than the number of American or Japanese companies there. A Dutch bank in Hong Kong or Saõ Paulo will therefore not limit its corporate banking activities to the Dutch companies active there, but also to big local companies, and to Swedish, German, English or Japanese companies. All can be called the first phase of internationalisation.

#### **\* Internationalisation rarely profitable**

Even when a foreign bank is successful in this first phase, international banking rarely is a profitable business. Competition in corporate banking is tough everywhere in the world, because every bank tries to attract big multinational clients. Margins are therefore very tight. Especially for a foreign bank the situation is difficult, because it does not have access to cheap sources of local capital. The balance between retail banking activities (incoming capital) and corporate banking activities (outgoing capital), which existed in the national situation, will be gradually disturbed when the bank expands its international corporate banking activities. This means the bank will have to lend more and more expensive capital on the capital markets. This will of course squeeze its profit margin. Furthermore, this exposes the bank to the risk of currency losses.

In principle there are three ways out of this dilemma:

- 1 The first is aiming more of the foreign corporate banking activities at high-risk sectors (films, real estate) or at illegal activities (drugs trade), which generate a higher interest rate. However, the risks connected to this strategy are very high. The collapse of many banks all over the world during the 1980s had much to do with these high risk activities. For this reason, the 'Basle-ratios' limit the amount of high-risk bank loans (see Chapter 4).
- 2 The second way out is complementing international corporate banking activities with international corporate financing activities. These kind of activities are demanded by the same customers, wishing to invest internationally. The advantage of this strategy is that it produces income independent of interest-rates. The main disadvantage is that it is a very complicated and knowledge-intensive field of activity, which makes it hard to compete with banks specialised in this field.

- 3 The third option is to expand into retail banking and retail financing activities in other countries as well. This would not only give the bank access to local sources of cheap capital in various countries, but would reduce currency risks as well: locally raised capital can be lent locally in the same currency.

**\* Global retail banking?**

In the long run, the third strategy - expanding into retail banking overseas - is inevitable for any international bank wanting to become a truly global player. But at the same time it is the most difficult step to take on your own. Opening a banking office in for instance Tokyo and offering corporate banking services to foreign companies is not easy, but entering the retail banking market in Japan is something far more difficult. One reason is lack of scale. Retail banking products can be seen as mass products. This means the margins on these products are low, and a profitable exploitation requires advantages of scale. To obtain these advantages of scale in a specific country, huge investments in for instance branch offices are needed.

Furthermore, in many countries the banking sector still is an industry with a high level of state-regulation. This makes it often very difficult for foreign banks to start a full-scale business. Finally, to attract local clients you need to know the local culture, which in itself often requires large investments. In a huge country like Japan, with the highest savings accounts in the world, only one foreign bank - CitiCorp from the USA - is trying to enter the retail market. CitiCorp now has twenty offices in and around Tokyo and Osaka, and still is making big losses.

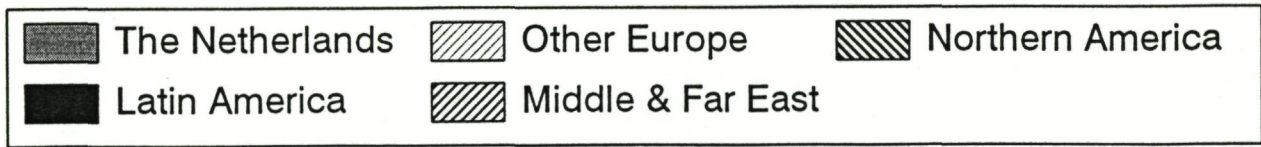
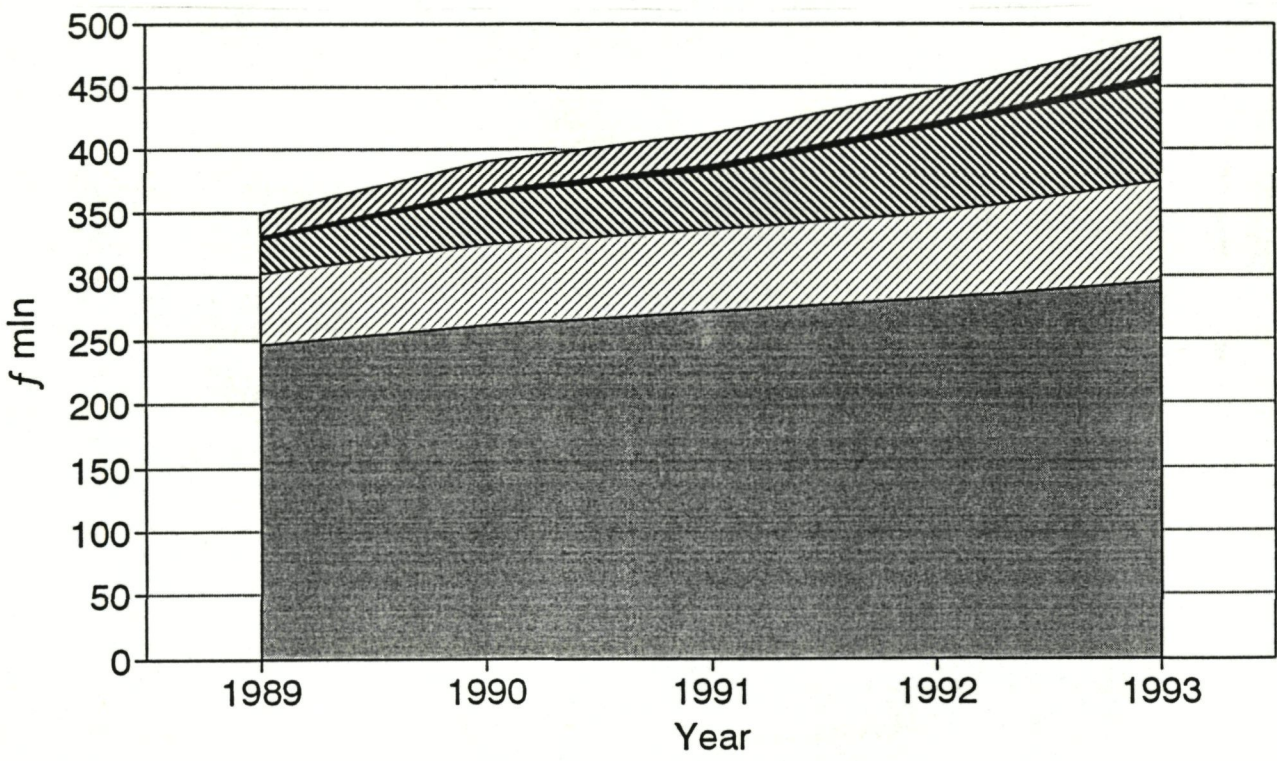
**\* Strategic Choices of ABN AMRO**

Having identified the strategic options which are open to banks embarking on a path of internationalisation, we return to the global strategy of ABN AMRO. This strategy fits in with the general picture painted above: most of the international operations of ABN AMRO are primarily undertaking corporate banking activities. These are aimed to a large extent at Dutch and other multinational corporations.

TABLE 5 : Distribution of Assets ABN AMRO per Region, 1989-1993 (in f mln)						
	1989	1990	1991	1992	1993	Change '89/'93
The Netherlands	246,9	261,5	272,0	282,9	295,4	+ 20 %
Europe (excl. the Neth.)	55,9	64,0	65,0	67,0	80,6	+ 44 %
Northern America	27,5	39,8	48,4	68,3	78,6	+ 186 %
Middle & South America	3,7	4,0	4,7	5,0	5,9	+ 59 %
Middle & Far East & Africa	18,9	24,0	25,0	25,2	30,5	+ 61 %
Total Assets	352,9	393,3	415,1	448,4	491,0	+ 39 %

One of the strongest assets ABN AMRO has to offer to corporate clients operating internationally, is its very strong international presence. The number of countries ABN AMRO is active in, is only surpassed by CitiCorp from the United States. This makes ABN AMRO a very attractive choice as 'second company-bank' for many multinational corporations. Almost exclusively, multinational corporations have chosen a bank from their home-country as 'first company-bank'. This bank will be involved in practically all financial arrangements of the company. Most multinationals do however prefer to have close ties with more than one bank, for several reasons. One of them is avoiding too much dependence on one bank. Another is that the 'first company-bank' does not have offices in all countries with which the multinational has to deal. For this reason, it is very attractive for many multinationals to establish ties with another international bank which is not only present in its own home-country, but also in (almost) all countries the multinational has to deal with.

**FIGURE 3: Regional Distribution Assets ABN AMRO**



Its strong international presence therefore is a very valuable asset to ABN AMRO, in its wish to expand internationally. For a long time already, almost all Dutch multinationals have ABN AMRO (or one of its two predecessors) as their 'first company-bank'. In this market-segment, expansion therefore is hardly feasible. (Rather, ABN AMRO has lost some marketshare in this segment among companies who did business with both ABN and AMRO, and now have switched to another 'second company-bank').

For ABN AMRO growth on an international level therefore has to come primarily from non-Dutch multinationals. As these kind of multinationals will not be tempted easily to leave their 'first company-bank', ABN AMRO has to aim at becoming the best contender for the position of 'second company-bank'. Having to offer the widest international net of foreign offices, clearly enhances its chances.

A very important consequence of this strategy is the fact that the foreign offices cannot be treated as distinct 'business units', responsible for their own profits and losses. The ABN AMRO operations in Japan for instance are clearly loss-making on themselves. ABN AMRO's presence in Tokyo is however of crucial importance for the foreign operations of ABN AMRO as a whole. Japanese multinationals wishing to do business in countries where Japanese banks are absent, such as Bangladesh or Kenya, are brought into contact with the local ABN AMRO-offices in these countries by the Tokyo-office of ABN AMRO. The deal (and the profit) then is made by the ABN AMRO-office in Bangladesh or Kenya, but would not be possible without the strong presence of ABN AMRO in Japan itself.

#### **\* Market specialisation**

There is one other crucial element in attracting international corporate clients: knowledge of the market in which the client operates. Big corporate clients need big international banks to talk with on an even level. The bank has to understand the (cyclical) nature of the market and the specific loopholes in investment projects, and has to offer customer-tailored solutions.

Sound knowledge of a certain market, and a good reputation in this market, is an important asset in international expansion. For instance Rabobank, the big Dutch cooperative bank, started internationalising only ten years ago. It has focused primarily on the agribusiness sector, and now has 64 offices abroad. In the United States it already is the most important foreign bank in this sector.

For ABN AMRO the specialisation in certain markets is less apparent, but none the less very important. The sectors in which ABN AMRO has a strong presence are mostly connected closely to the Dutch economic history: the diamond trade, airlines, transport, energy and telecommunications.

- ⇒ Diamond trade: ABN AMRO is the biggest bank in this sector, and has a strong presence in all main diamond trading centres: Antwerp, New York, Hong Kong, Israel and India.
- ⇒ Airlines: Internationally, ABN AMRO is the second important financiers of the complicated buy- and lease-constructions for airplanes. Between 1990 and 2000, airlines will have invested \$250 billion in new airplanes, mostly with outside capital. In this kind of financing projects, there are always parties from several countries involved. Because of its many foreign offices, ABN AMRO is a good choice to play the coordinating role.
- ⇒ Energy: ABN AMRO is the fifth largest bank in this sector worldwide. It for instance played an important role in establishing the Energy Charter for investments in Eastern Europe.



⇒ Telecommunications: ABN AMRO was involved in flotations of KPN (the Netherlands) and Telefónica (Spain), and makes a good chance to do the same for Deutsche Telekom.

#### \* Reaching the limits of international corporate banking

As described, international expansion in the banking sector generally starts with corporate banking activities. But the international expansion of corporate banking activities also tends to bring the bank in unbalance. These two points both apply to ABN AMRO: the very success of its corporate banking expansion, creates new strategic problems. The more corporate credits are granted, the more capital has to be attracted. And as the retail banking activities of ABN AMRO are limited to the Netherlands and some parts of the United States, only a limited part of this need for capital can be covered by savings money. An increasing amount of expensive capital has to be attracted on the capital market, which also enhances currency risks.

Of the three strategies described to solve this dilemma, ABN AMRO uses two. One is expanding into international corporate finance, and the other is expanding into global retail banking. The third strategy, expanding into high-risk ventures and sectors, is not common to ABN AMRO. In this respect, the more prudent attitude of the former ABN is determining the strategy of the bank.

Before describing the (forthcoming) efforts of ABN AMRO to expand into global retail banking, we will first describe the activities of ABN AMRO in the only two countries in which it is engaged in retail banking: the Netherlands and the United States

#### \* ABN AMRO in the Netherlands

The retail and small and medium corporate banking market in the Netherlands is dominated by only three large banks - ABN AMRO, ING and RABO - who together control 80 to 90 percent of crucial market segments as mortgages and savings accounts. ABN AMRO is the biggest of the three, but its dominance is mainly based on equity trading and corporate lending. On the private retail market (payment transactions and savings accounts) ABN AMRO is lagging behind the two other big banks. ABN AMRO has therefore started a strong marketing offensive to win private and small corporate customers in the Netherlands.

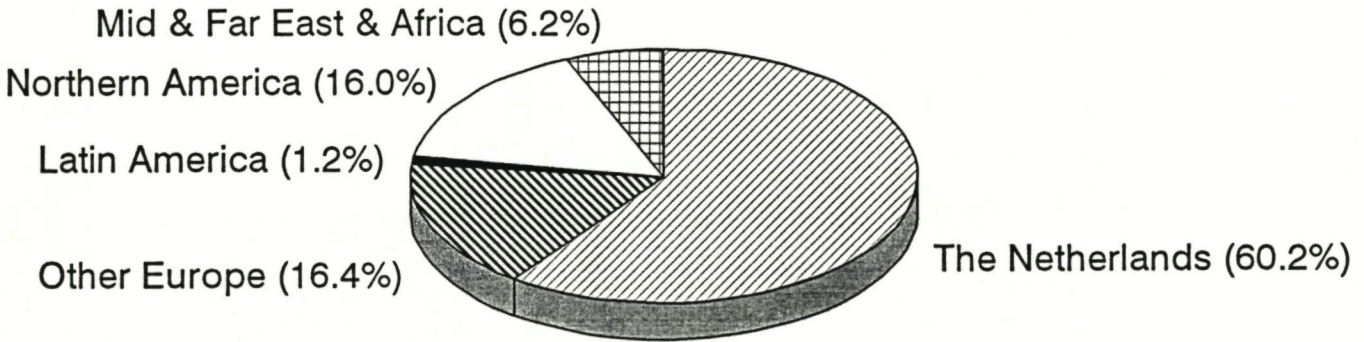
One of the main aims of the merger between ABN and AMRO was reduction of the costs of the Dutch operations. In the Netherlands, both banks were general banks, offering services to a very large number of customers, ranging from big corporations to small private households. To keep this operations profitable in an increasingly competitive market, cost reductions are necessary. As the offices of both banks in many villages were adjacent, it seemed logical that cost reductions could be reached by diminishing the number of offices and employees.

At the time of the merger, almost 42,000 people were employed by the ABN AMRO in the Netherlands. A large number of them was working in one of the 1,477 branch offices. When the merger was announced in March 1990, a plan was made public to reduce within four years the number of offices with 300, and the number of workers with 4,500. It is expected that these objectives will be reached this year, but this doesn't mean the end of job reductions is in sight. The coming years many thousands of extra jobs will be lost, because of outsourcing, automation, and other efficiency operations.

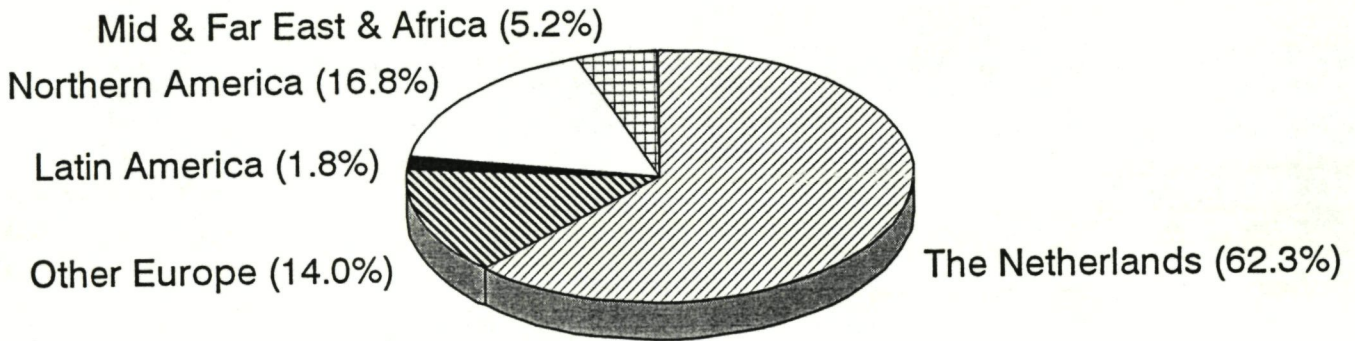
A major source of concern among the Dutch operations are the loss making private payment transactions. In the past private accounts (used mainly for receiving wages and paying expenses) were seen primarily as a means to attract new customers for saving

**FIGURE 4: Regional Distribution ABN AMRO in 1993**

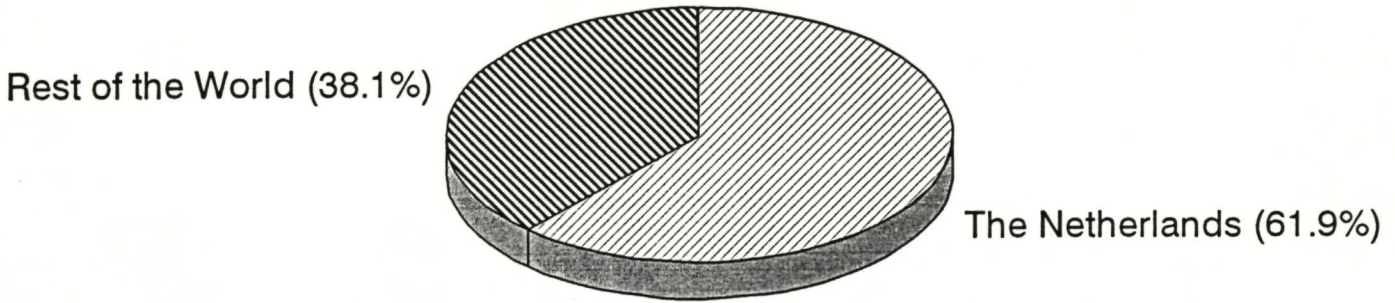
**Assets**



**Operating Profit**



**Employees**



accounts, personal credits, mortgages etcetera. But as payment transactions are very labour intensive, the costs of these rose relatively fast. Gradually all banks began to treat payments transactions as a product in itself, a product on which huge losses were made. To stem these losses, ABN AMRO (along with other Dutch banks) introduced tariffs for payment transactions in 1988. These tariffs have been raised several times now, in what looks like a concerted action of the main banks. The problem with this strategy is that it is punishing 'good' and 'bad' clients to the same extent. Until now, the banks have failed to offer a more differentiated package of payment accounts, aimed at different groups of clients. Smaller banks who do offer this, seem to profit. But bank customers are relatively faithful, so the loss of marketshare was modest. And the banks were successful in reducing the costs of payment transactions by 10% from 1990 to 1993, which amounts to f 250 mln.

To further reduce the costs of payment transactions, the Dutch banks will invest f 500 mln in the coming two years in introducing the chipcard, which can be used for all kind of payments, but also for collecting cash money. This chipcard will be introduced worldwide from 1996.

Another strategy to increase the profitability of retail banking, is selling insurance-products through the same distribution channels. This concept, known as 'bancassurance' or 'Allfinanz'-concept, is relatively popular in the Netherlands. It was given much attention by the mergers of NMB Postbank and Nationale Nederlanden into ING, and of AMEV, VSB and AG into Fortis. However, ABN AMRO is not in the foreground in this respect. The bank has an insurance department, but does not see insurance-products equally important as bank-products. But all branches and fund managers will nevertheless increase their efforts to launch new savings products whereby risks are reduced and elements of life insurance can be added easily.

#### \* ABN AMRO in the United States

The ABN AMRO treats the United States as its second home-market. Both merger-partners have been active here for some time, with very mixed successes.

In 1979 the ABN bought the LaSalle bank in Chicago for only \$1 billion. This proved to be a very profitable investment, which over the years has grown strongly. LaSalle has taken over several other smaller savings banks in Illinois, and continues to do so since the merger of ABN and AMRO. At this moment, it has 116 offices and total assets of \$25 billion.

**TABLE 6 : Acquisitions ABN AMRO in Illinois (USA)**

Year	Bank	Acquisition Price	Cumulative		
			Capital	Personnel	Offices
1979	LaSalle National	\$ 82 mln	\$ 1,100 mln	719	2
1986	Bank of Lisle	\$ 18 mln	\$ 1,700 mln	911	3
1988	Lane Financial	\$ 200 mln	\$ 3,200 mln	1,841	12
1990	Exchange Bancorp.	\$ 412 mln	\$ 7,400 mln	2,706	17
1992	Talman Home Fed.	\$ 430 mln	\$ 16,900 mln	4,680	63
1994	Cragin Federal	\$ 500 mln	\$ 19,700 mln	5,300	90
1994	Home Savings	\$ 130 mln	\$ 25,000 mln	5,530	115

at an Indian local bank waiting 17 minutes for a transaction, my thought is: We can do this better."

Drabbe points at some countries where ABN AMRO on a limited scale already serves the retail market: Morocco (20 branch offices) and Saudi-Arabia (a joint-venture with 30 branch offices). The countries where ABN AMRO thinks to expand its retail business are: Eastern Europe, Argentina, Chili, Uruguay, Ecuador, Brazil, Hongkong, Singapore, Indonesia, India, Pakistan, Malaysia, and (later) China.

Drabbe mentions the following arguments for this shift in direction: the risks on retail-credits are generally lower, the interest-margin in retail banking is generally higher, and retail banking provides a stable source of capital in local currencies. ABN AMRO does not intend to separate its international retail activities from its international corporate activities. In the long term, if this strategy works out, it would make ABN AMRO into a real global bank. But a few remarks have to be made. In the first place: this strategy does not easily solve the lack of 'critical volume' the bank is confronted with in Germany, France and other countries. Secondly, it seems doubtful whether investments in retail banking will generate the desired 12 per cent rate of return within a few years. And thirdly: does ABN AMRO have enough resources to invest substantially in establishing a global retail business? The investment funds are limited, as new investments in international corporate banking and corporate financing also remain necessary. And investments in the international retail business can hardly be financed by external capital, as this would jeopardize ABN AMRO's BIS-ratio.

#### **\* Increasing international corporate finance activities**

As mentioned earlier, another strategy to make the international corporate banking activities more profitable is adding international corporate financing activities. In recent years, ABN AMRO is trying to do so vehemently. One of the problems to overcome in this respect is the strong internal resistance towards increasing investment banking activities. The culture of the bank is centred around the interest-margin, not at stockbroking and participations in industrial companies.

Nevertheless, ABN AMRO now has worldwide 30 specialised corporate finance units which can assist local offices in all countries. ABN AMRO is also present at all main stock exchanges, and is trying to become one of the main international leadmanagers for bond-issues.

Especially in Europe, in the last four years ABN AMRO has bought together a pan-European network of stockbroking operations. It has acquired Hoare Govett in the UK, Massonaud Fontenay Kervern in France and Riada Stockbrokers in Ireland, a 49% share of the Spanish stockbroker CM Capital Markets, majority shares in Alicon in Denmark and Cimo in Italy, and smaller stockbroking operations in Switzerland and Germany.

The jewel in the crown is the British stockbroker Hoare Govett, which ABN AMRO could acquire in 1992 when it was in financial trouble. After a reorganisation the profits returned, and the stockbroker now is called ABN AMRO Hoare Govett. In 1993 ABN AMRO decided to give Hoare Govett a central role in its international corporate finance and stockbroking operations. The number of employees was raised from 420 to 480. Hoare Govett will be responsible for trading the 100 to 150 largest European stocks, mainly to the top-130 of institutional investors (each managing more than \$10 bln). The research activities regarding these stocks will also be centralised in London, while Hoare Govett should play a coordinating role for research on local stocks in different local offices. This centralisation also has to do with attracting top personnel.

ABN AMRO also has the ambition to become a main lead-manager for fixed income bonds on the international market, the domain of specialized banks like J.P.Morgan, Goldman

Sachs and Morgan Stanley. Until recently, ABN AMRO was only engaged in guilder-bonds for Dutch and foreign clients. A few years ago it started to arrange bonds in other currencies for Dutch clients, and in 1994 arranged its first foreign currency bond for a foreign client.

In building a global corporate finance network, another important step was taken in November 1994 with the acquisition of HG Asia. This stockbroker is active in twelve Asian countries, and will play a central role in ABN AMRO's Asian corporate finance activities. The remaining weak spots in its global investment banking network are now the USA and Germany.

#### **\* Mees Pierson**

In April 1993 the two merchant banking subsidiaries of ABN and AMRO - Pierson, Heldring & Pierson and Bank Mees & Hope - were merged as well. The merger was followed by a reorganisation, in which 470 of the 2,800 Dutch jobs will be lost.

The new bank, Mees Pierson, will try to develop into an independent 'European' merchant bank. The bank will specialize in financial advising and stockbroking. Furthermore, the bank will offer services to wealthy private customers, asset and trust management, and credits for traders in options and commodities. Mees Pierson will be independent, but big credits will nevertheless have to be approved of by ABN AMRO.

This independent position of Mees Pierson seems to be somewhat problematic, as merchant banking is one of the main areas of growth for the ABN AMRO. Both banks acknowledge that they wouldn't have created this internal competition if they would have had the choice. But the situation has developed like this, and both banks have their own customers. ABN AMRO now maintains that 'Europe is big enough for both banks', and 'competition is healthy'. But in this situation of 100% ownership it seems more likely that competition will do more harm than good. Economies of scale for both organisations will be poor. And more than once the two banks will compete for the same customer, wasting effort and money of at least one of the two.

It seems obvious that ABN AMRO in the long term has to make a choice: either integrate all its merchant banking activities into one organisation, or sell its interest in Mees Pierson. The first option would increase the problems connected with employment reduction both banks already are facing. More importantly, both banks would certainly lose customers by an amalgamation. The second option would give a competitor an easy flying start on ABN AMRO's home-market.

The chairman of the board of Mees Pierson, Dick van Wensveen, therefore suggested an alternative last August: to float part of the shares of his bank on the stock exchange. This would strengthen the independence of Mees Pierson, and offer it an outside source of capital. Although ABN AMRO until now is opposed to the idea, it certainly will have to modify its relationship with Mees Pierson sooner or later.

#### **\* Conclusions**

ABN AMRO is aiming to become one of the top-ten global banks, by autonomous growth and take-overs. The international expansion of ABN AMRO has been directed in the first place at corporate banking activities, for Dutch and other international companies. Strong assets of ABN AMRO in this respect is its strong global presence - 548 offices in 60 countries - and its knowledge of some international markets: airlines, energy, diamonds, transport and telecommunications. On this basis, ABN AMRO has expanded its corporate banking services to local companies.

As all international banks, ABN AMRO needs other banking activities to supplement the

growth of its corporate banking activities, and keep the inflow and outflow of capital in balance. For this reason, ABN AMRO is expanding internationally in two other directions as well:

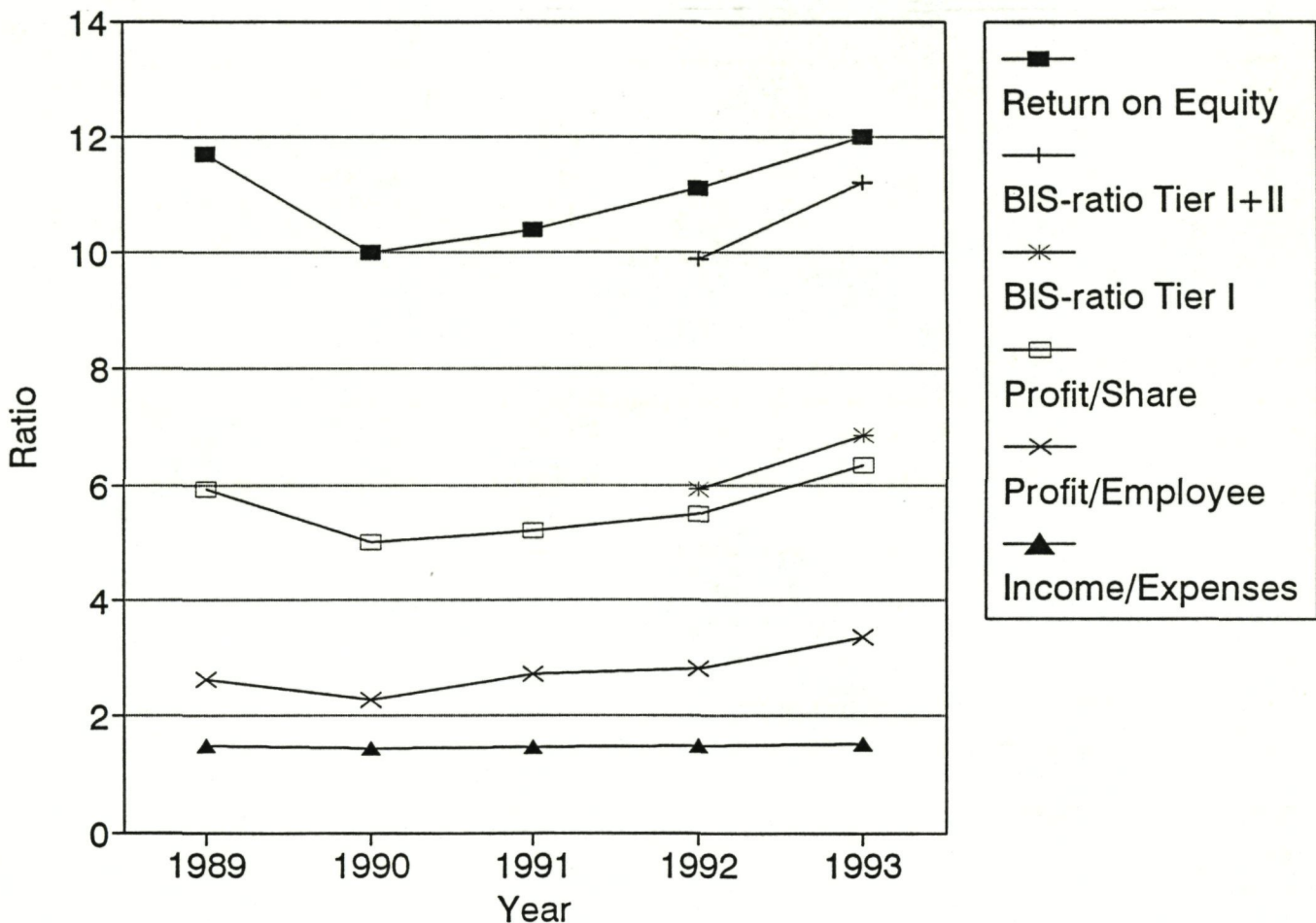
- 1 Expanding in international retail banking: To supplement its retail activities in the Netherlands (still very solid) and the USA (very profitable) ABN AMRO for a long time has been looking for a 'third home market', preferably in Europe. As no suitable take-over candidate could be found in Europe, ABN AMRO has now announced to expand the retail activities of all its foreign offices;
- 2 Expanding in international corporate financing: By take-overs of investment banks, mainly in Europe, ABN AMRO is rapidly building an international investment banking network. Central in this network will be Hoare Govett in London and HG Asia in Hong Kong. Unsolved is the position of Mees Pierson, which is also trying to become an European investment bank, in this network;

Although some weak points remain in its international network - Germany and France in general, and corporate finance activities in the United States - ABN AMRO seems to be well on course to become a global player. But the bank has reason to worry about its home market, which still generates more than 60 per cent of its profits. In the Netherlands ABN AMRO is loosing market share, and the growing demoralization of its Dutch employees could easily lead to acceleration of this tendency.

## § 4 Financial Analysis of the Corporate Accounts

Alarmed by a series a bankruptcies in the banking world, regulators from 12 central banks devised the so-called 'Basle ratios' in Basle (Switzerland) in 1988. (The ratios are sometimes called the BIS-ratios, but formally the Bank for International Settlements (BIS) has nothing to do with them.) The ratios were meant to solve two problems. The level of capital in the world's banking system relative to loans had been falling for decades. That worried them, because capital is the cushion that protects depositors by absorbing losses when loans go bad. Americans fretted about something else: that Japanese banks were trouncing their competitors in international markets partly because they put up scant capital to back their loans. Most national banks agreed to make the minimum-values for these ratios obligatory for the banks in their countries from the end of 1992.

**FIGURE 5: Key Ratios ABN AMRO**



The first Basle-ratio stipulates that banks must hold capital equivalent to at least 8 per cent of risk-weighted assets. The second ratio stipulates that at least half of these capital resources (which means at least 4 per cent of risk-weighted assets) must be so-called Tier I-capital: equity or non-cumulative, irredeemable preference shares. The rest can be Tier II-capital: loan loss reserves, subordinated debt and revaluation reserves.

## § 5 Employment and Labour Relations

This chapter deals with employment policies and labour relations at ABN AMRO. Unfortunately, almost all information applies to the Dutch operations of the bank. This is mainly caused by the fact that ABN AMRO only very sparingly diffuses information over labour relations at its foreign operations. Even a break-down by country of its foreign employment figures, is not provided

### \* Labour Relations and Corporate Culture

Before the merger, both banks were known as good employers, in line with the general picture in the Dutch banking sector. Jobs were very secure, payment was above average, and secondary labour conditions were also very good. Trade union membership was low. Relatively, the AMRO-personnel was paid somewhat better than the ABN-personnel, which induced some problems after the merger.

At the moment, this problem seems to be overcome. More stubborn is the difference in corporate culture between the merger-partners. The corporate culture at the AMRO was more formal and bureaucratic, everything was written down on paper. The AMRO-culture was also more performance-oriented. At the ABN the culture was more loose, agreements were often made only verbal.

At the time of the merger the Board of Directors did not realise the importance of this aspect. Only later, when clashes between ABN- and AMRO-personnel occurred even in the Board itself, courses 'stress-management' were organized for managers and personnel managers. The intention was to create a mix of the good elements in both corporate cultures, but the result is more resembling the AMRO-culture. This has a good side (more performance-oriented) and a bad side (more bureaucracy).

### \* Employment Reduction

From a social point of view the predominant aspect of the merger, at least in the Netherlands, was a substantial reduction of employment. The end of this trend is not yet in sight. At the time of the merger, almost 42,000 people were employed by the ABN AMRO in the Netherlands. A large number of them was working in one of the 1,477 branch offices. When the merger was announced in March 1990, a plan was made public to reduce within four years the number of offices with 300, and the number of workers with 4,500.

In June 1990 a Social Plan was agreed upon with the trade unions, which stipulated that forced lay-offs were ruled out. The bank would do its utmost to replace redundant employees internally at the same salary level, and retrain them appropriately.

At the end of June 1994 the number of branch offices in the Netherlands was reduced to 1,144, a reduction of 333 (22,5%). The number of employees in the Netherlands was reduced by 5,533 to 36,462 (a reduction of 13,2%).

Of this total reduction, 1,582 jobs were a consequence of the sell-off in 1992 of the ABN AMRO-interests in the insurance companies R.Mees & Zoonen Assurantiën and Hudig-Langeveldt. The actual employment reduction connected with the merger and the consequent reorganisation, has been 3,951 in the four-and-half years to June 30 1994. According to ABN AMRO the total will reach 4,500 in 1995. In that year a cost-reduction of f 500 mln will be achieved, of which f 350 mln consists of personnel costs, and f 150 mln of automation (integration of the two old systems into one new).

The management of the ABN AMRO pursues a further personnel reduction, especially in



the Netherlands. According to a report of the investment bank Salomon, savings of f 1.5 to 2 billion on ABN AMRO's annual expenses are still possible! Salomon thinks that savings of this magnitude are secretly pursued by ABN AMRO's Board of Directors. The plans announced thus far, stay far behind this goal.

**TABEL 7: Employment at ABN AMRO Holding N.V.**

Division / Subsidiary	1-1-90	1-1-91	1-1-92	1-1-93	1-1-94	91/94	1-7-94
<b>Dutch Operations</b>				27,897	27,547		
inside the Netherlands		28,700	28,123	27,520	27,151	- 5.4%	
outside the Netherlands				377	396		
<b>Foreign Operations</b>				18,072	18,982		
inside the Netherlands		89	86	75	86	- 3.4%	
outside the Netherlands				17,997	18,896		
<b>Investment Banking &amp; Global Clients</b>				3,437	3,422		
inside the Netherlands		2,525	2,350	2,303	2,318	- 8.2%	
outside the Netherlands				1,134	1,104		
<b>Credits</b>		288	270	270	299	+ 6.8%	
(Foreign/IB&GC/Credits in Nl.)		2,902	2,706	2,648	2,703	- 6.9%	
<b>Personnel</b>		1,312	1,326	1,422	1,548	+ 18.0%	
<b>Automation</b>				1,433	1,442		
inside the Netherlands		1,489	1,426	1,385	1,399	- 6.0%	
outside the Netherlands				48	43		
<b>Staff Services</b>				1,510	1,371		
inside the Netherlands		1,752	1,653	1,510	1,370	- 21.8%	
outside the Netherlands				0	1		
(Pers./Autom./Centr.Serv. in Nl.)		4,553	4,405	4,317	4,317	- 5.2%	
<b>Total Dutch Employees ABN AMRO Bank</b>		36,155	35,234	34,485	34,171	- 5.5%	
<b>ABN AMRO Lease Holding</b>				1,787	2,018		
inside the Netherlands				622	634		
outside the Netherlands				1,165	1,384		
<b>Mees Pierson</b>				3,811	3,822		
inside the Netherlands				2,776	2,588		
outside the Netherlands				1,035	1,234		
(Lease Hold./Mees Pierson in Nl.)		5,567	5,018	3,398	3,222	- 42.1%	
<b>Total Employees in the Netherlands</b>	41,995	41,722	40,252	37,883	37,393	- 10.4%	36,462
<b>Total Foreign Employees</b>	13,717	17,912	18,077	21,756	23,058	+ 28.7%	24,975
<b>Total Employees</b>	55,712	59,634	58,329	59,639	60,451	+ 1.4%	61,437

A new round of cost savings and employment reduction was announced in the summer of 1994. The number of branch offices in the Netherlands will be reduced to 1,050 or even 1,000. The number of employees would be reduced by a further 2,800 between August 1994 and August 1998. This would reduce annual costs with around f 200 mln annually, which makes a total of f 800 mln.

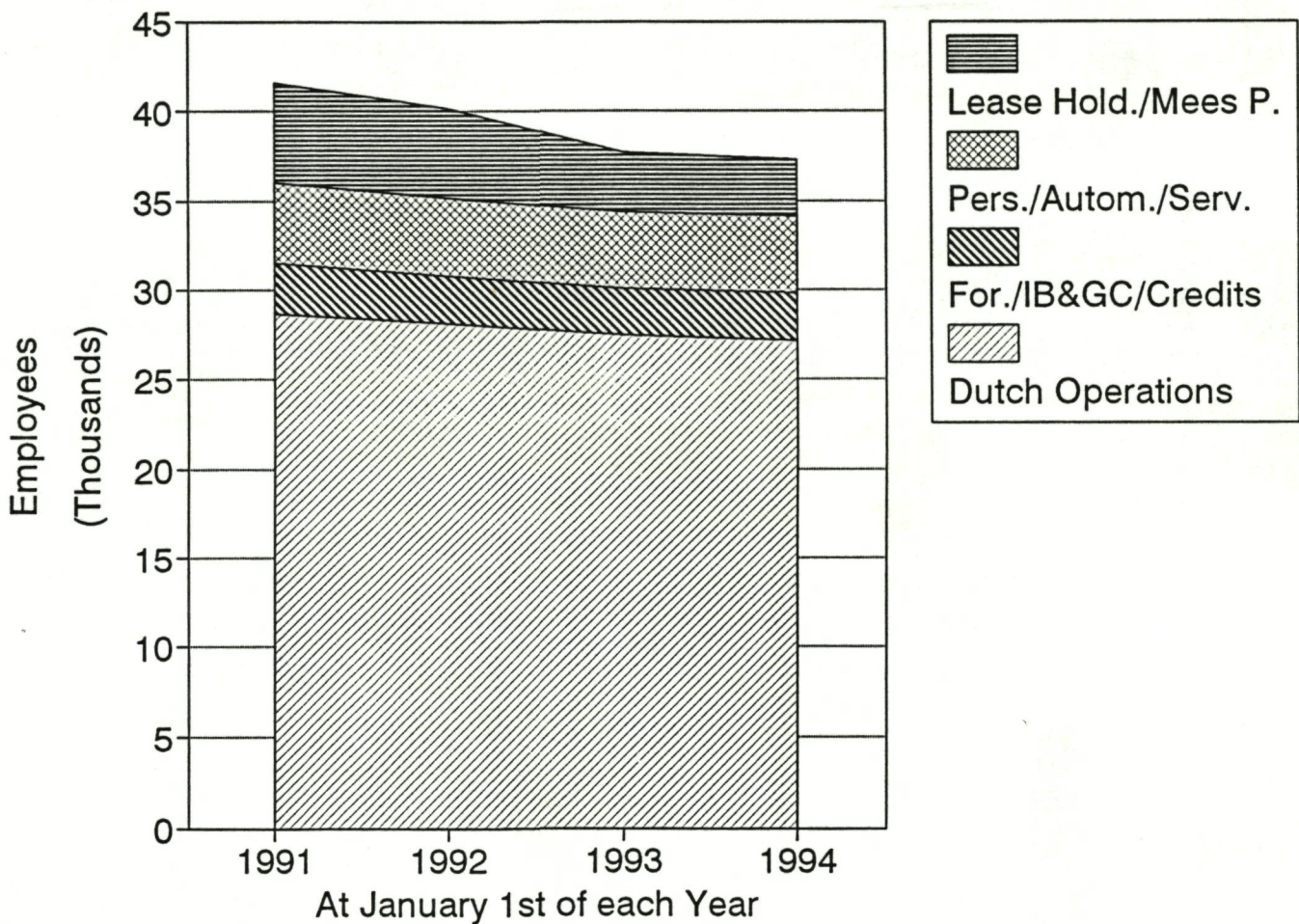
However, ABN AMRO is facing the problem that it is relatively easy to decide which employees are not needed anymore, but that it becomes increasingly difficult to let these workers depart in a social way. Almost all older workers have been sent into early retirement yet, and the possibilities for internal reappointment are greatly reduced. For this reasons, the ABN AMRO proposed to abandon the right on internal reappointment almost entirely. In the eyes of many Dutch ABN AMRO employees, this proposal marked the end

of ABN AMRO as a life-time employer.

In the new Social Plan, which was agreed upon in June 1994, the trade unions blocked this proposal. Involuntary lay-offs are still out of the question. But the guidelines are loosened: one salary scale lower is also seen as an appropriate reappointment. Also a special commission was installed to judge whether the bank has done its best to find a suitable solution for problematic cases.

The 'Ondernemingsraad Nederland' (the Works Council of the division Dutch Operations) in November 1994 tried to provoke the management to mention more accurate figures concerning the employment reduction strived for, by estimating 5,000 job losses in this Division in the period 1994-1998 (on a total of 27,000 jobs). The provocation was not successful, but according to well-informed sources the estimate was certainly not much too high.

**FIGURE 6: Dutch Employees per Division**



Especially if one considers all Dutch employees of the bank. The divisions Investment Banking & Global Clients and Personnel were also confronted recently by plans to reduce employment in the Netherlands considerably. And to a very large extent the Staff Services are to be privatized or sourced out.

At the end of 1993, ABN AMRO announced the outsourcing of the major part of its central

services. Security, printing and transport would be outsourced completely, the warehouse would be reduced considerably, and the archive and restorative services would be privatized. Only the internal post would remain intact. Of the 1,370 jobs in central services, 400 jobs would be lost and 200 would be seconded to external suppliers. In November 1994 the printshop (23 employees) was sold to Roto Smeets De Boer. In January 1995, security and freight transport were sold to KPN. In these two services together 200 persons are employed. Their jobs will remain intact, but the salary paid by their new employer is lower. To partially compensate this, the bank offers each employee a cash payment of five times the difference between his old and new annual salary. The employees can also choose to remain employed by the bank, and be seconded to KPN. This secondment is indefinite in principle. But when an employee wants to benefit from a promotion, he has to take employment with KPN.

#### **\* What drives further employment reduction in the Netherlands?**

The profit of ABN AMRO is rising steeply, as can be seen in Figure 1. And although the reduction of employment in the Netherlands is more than compensated by a rise in foreign employment (Figure 7), the profit per employee is also improving (Figure 5). Furthermore, the share of the Dutch Operations in total operating profits is not lower than its share in total assets and total personnel (Figure 4): this indicates that the efficiency and rate of return of the Dutch Operations is not below that of the bank as a whole. In this respect Northern America scores above average, while Europe clearly scores below average.

So the question is: what drives further employment reduction in the Netherlands? The answer is: global growth. For global growth a lot of resources are needed. By cost and employment reduction these resources can be mobilized, in two ways. Firstly, cost reduction increases the profits, when the income remains the same. And secondly, cost reduction improves the ratios by which banks are judged by shareholders and other capital providers. Better ratios give ABN AMRO access to cheaper capital.

Therefore employment reduction is one of the key goals of ABN AMRO. And at this stage, employment reduction is only possible on a large scale in the Netherlands. The scale and the nature of the Dutch operations make the introduction of more automation viable, and make the joining of different branch offices possible. As the bank managers put it themselves: "The process of cost reduction from now on will be permanent."

#### **\* The drawbacks of employment reduction**

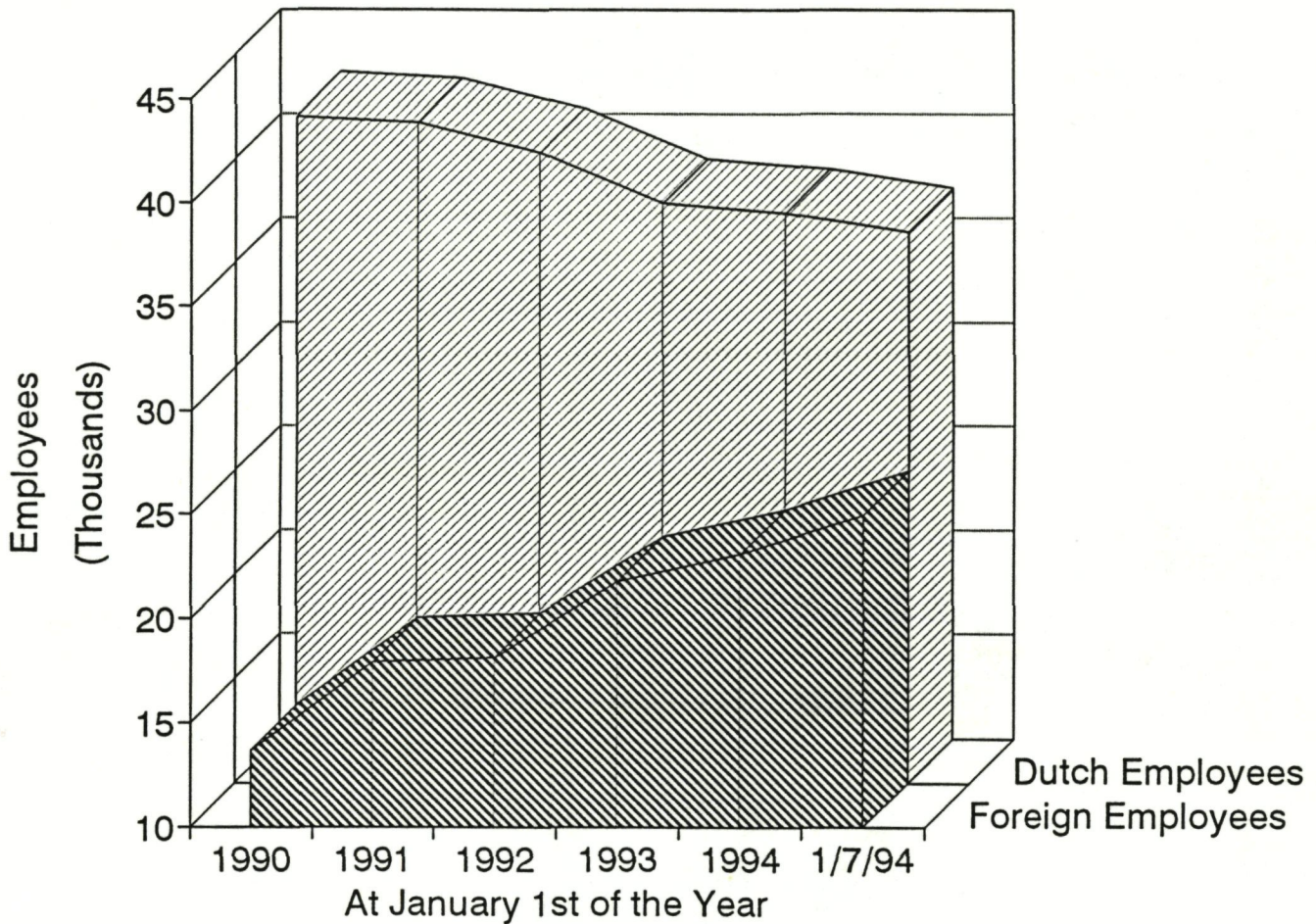
In a few years time, the perception of their employer by most ABN AMRO employees has changed considerably. No longer are jobs secure, and no longer is ABN AMRO perceived as a very good employer. Comparing the labour policy of ABN AMRO objectively with the labour policies of most industrial companies, the bank still contrasts favourably.

But what counts is the subjective perception by its own employees. And the vast majority of ABN AMRO employees in the Netherlands now feels the bank is letting them down. No one can be certain of his job anymore. Retraining is offered constantly, but without a guarantee that it will gain the trainee a job. To a large extent, the Dutch workforce of ABN AMRO is becoming demoralized.

In the longer run this situation might be dangerous for ABN AMRO's position in the Dutch banking market. Until recently, private and small corporate clients almost never changed to another bank. Recently they started doing so, and ABN AMRO admits it has been losing customers since the merger. Now the merger has been completed, ABN AMRO will win back lost marketshare, the bank has announced. To do so, it needs more than heavy advertising. The bank has to offer better service to its customers. But at this moment

demoralized employees are assisted in many branch offices by rarely worked-in temporary workers. When Dutch customers keep getting more cost- and service-conscious than they are today, this situation might easily scare away more of them.

**FIGURE 7: Dutch and Foreign Employees ABN AMRO**



It is clear that this is not the way to win back lost customers. But does the upper management realise this? As in most reorganizations, the middle management has largely been spared by the job reduction schemes. A strong and very bureaucratic layer of middle-managers (the legacy of the AMRO bank) is very busy writing all sorts of reports, in which the demoralization on the office floor is carefully filtered out. The Board of Directors therefore hardly seems to realise how potentially dangerous the present policy of continuously reducing employment is.

**\* Trade Union answers**

This lack of information probably also causes the negative attitude of ABN AMRO and the

other Dutch banks towards the proposals of the trade unions concerning working time reduction. This could save jobs, and at the same time raise efficiency. In the spring of 1994 round of collective bargaining, the trade unions proposed a flexibilising of working hours. On working days all hours between 7 am and 9 pm could be treated as normal working hours, and on Saturdays working would be possible between 8 am and 5 pm with a 25% bonus. Workers in the banking sector would also be prepared to abstain from wage increases between April 1994 and April 1998. In return, within four years the working week should be reduced throughout the banking sector from the present 38.4 hours in five days, to 34 hours in four days.

But the banking employers thought this working time reduction would be unpractical and too expensive. The bargaining deadlocked, and still no collective agreement is reached. (The last collective agreement expired in April 1994). In January 1995 the banking employers proposed that for 30,000 workers in the banking sector whose jobs are threatened, the management would get the right to decide when and how much shorter they have to work. Reduction of salary would only be partially compensated, and if needed these workers could also be asked to work longer again. This means 'partial lay-off', according to the trade unions, who are already preparing strike actions in February. The banking employers however did also propose to reduce the working week for all other banking employees to 36 hours per week. This proposal was welcomed by the trade unions. A social solution to prevent involuntary lay-offs in the Dutch banking sector might therefore still be found.

#### **\* Conclusions**

The policy of employment reduction which ABN AMRO is pursuing in the Netherlands, will be continued for some time coming. If the bank keeps resisting proposals for working time reduction, the chances that employment reduction will be carried out in a social way, are diminishing. As the Dutch ABN AMRO employees perceive this tendency, they get more and more demoralized. As Dutch customers are increasingly asking for better service, this demoralisation threatens to further reduce ABN AMRO's already shrinking market share on its home market. If the Board of Directors wants to maintain the Netherlands as a solid basis for international expansion, it should take this problem very serious.

## APPENDIX 1 : ABN AMRO subsidiaries within the European Union

### \* The Netherlands

- ABN AMRO Auto Lease B.V.
- ABN AMRO Bank N.V.
- ABN AMRO Lease Holding N.V.
- ABN AMRO Levensverzekeringen N.V.
- ABN AMRO Onroerend Goed Holding B.V.
- ABN AMRO Participaties Holding B.V.
- ABN AMRO Projectontwikkeling B.V.
- ABN AMRO Schadeverzekeringen N.V.
- ABN AMRO Trustcompany (Nederland) B.V.
- ABN AMRO Verzekeringen B.V.
- Algemeen Beurs Introductie Fonds B.V.
- Alpinvest Holding N.V.
- CMV-Bank N.V.
- Consultass B.V.
- Finata Bank N.V.
- F.Berger & Co. B.V.
- Hollandsche Bank Unie N.V.
- IDM Bank N.V.
- Interbank N.V.
- IFN Factors B.V.
- Mees Pierson N.V.
- Nachenius, Tjeenk & Co. N.V.
- Nederlandsche Credietverzekering Maatschappij N.V. (44%)
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (min.)
- Nederlandse Participatie Maatschappij N.V. (min.)
- Pacific Investment Holding N.V. (22%)
- Rijnlandse Disconto Bank C.V.

### \* Belgium

- ABN AMRO Bank (België) N.V.

### \* Luxemburg

- ABN AMRO Bank (Luxembourg) S.A.
- Kredietbank Luxembourgeoise S.A. (min.)

### \* Austria

- ABN AMRO (Österreich) A.G.

### \* Sweden

- ABN AMRO Bank (Sverige) A.B.

**\* Denmark**

- ABN AMRO Borsmaeglerselskab (Skandinavien) A/S

**\* United Kingdom**

- ABN AMRO Securities (UK) Ltd.
- ABN AMRO Hoare Govett Ltd.

**\* Italy**

- ABN AMRO SIM, SpA
- Cimo SIM, SpA

**\* Spain**

- ABN AMRO S.A. S.V.B. (90%)
- CM Capital Markets Brokerage S.A. (49%)

**\* France**

- Banque de la Société Financière Européenne S.A. (min.)
- Banque Odier Bungener Courvoisier S.A.
- De Neuflyze, Schlumberger, Mallet S.A. (80%)
- Massonau Fontenay Kervern S.A. (93,5%)

**\* Ireland**

- Riada Stockbrokers Ltd.

**\* Gibraltar**

- ABN AMRO Bank (Gibraltar) Ltd.

**\* Germany**

- ABN AMRO Bank (Deutschland) A.G.
- Frankfurter Kreditbank GmbH.

**\* Greece**

- ABN AMRO branch offices

**\* Portugal**

- ABN AMRO branch offices

## APPENDIX 2 : Information Sources

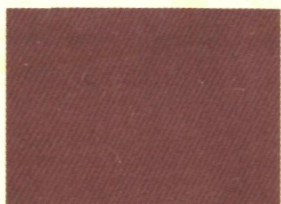
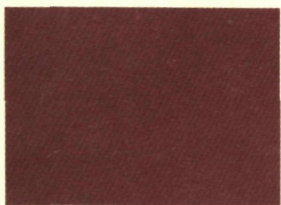
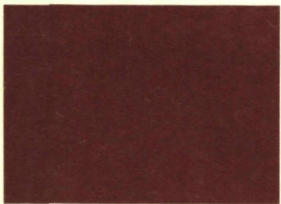
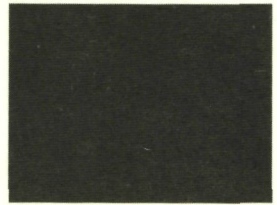
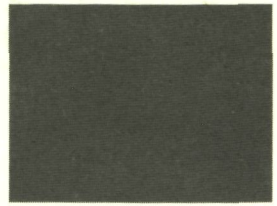
For the text of this report, the following sources are used:

- \* Annual Reports ABN AMRO Holding N.V. 1990-1993;
- \* Semiannual Report ABN AMRO Holding N.V. 1994;
- \* ABN AMRO Structuur en Profiel, Mei 1994;
- \* Verslag Personeelbeleid ABN AMRO Holding N.V. 1990-1993;
- \* Principe-akkoord Sociaal Plan ABN AMRO Bank N.V. Voor de periode 1 augustus 1994 tot 1 augustus 1998;
- \* Arbeidsorganisatie, Kwalificatie en Belangenbehartiging in het Bankwezen - Rapport van een onderzoek voor de FNV Dienstenbond, Maarten van klaveren & Ankie van de Camp, STZ Advies & Onderzoek, December 1994;
- \* Internationalisering van de Dienstensector, Ton van Rietbergen, Jeroen Bosman & Marc de Smidt, Coutinho, 1990;
- \* Recalled to Life - A Survey of International Banking, The Economist, April 30th 1994;
- \* Various press clippings from Financial Times, Financieele Dagblad, NRC Handelsblad and The Banker;

For the tables in this report, the following sources are used:

- Table 1 Annual Reports ABN AMRO Holding N.V.;
- Table 2 Annual Report ABN AMRO Holding N.V. 1994;
- Table 3 Fortune, August 22 1994;
- Table 4 Adapted from: Internationalisering van de Dienstensector, Ton van Rietbergen, Jeroen Bosman & Marc de Smidt, Coutinho, 1990;
- Table 5 Annual Reports ABN AMRO Holding N.V.;
- Table 6 Financieele Dagblad;
- Table 7 Annual Reports ABN AMRO Holding N.V.;
- Table 8 Verslag Personeelbeleid ABN AMRO Holding N.V. 1990-1993;





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