

Information and Communication
Technologies in the Banking Industry: The
Emergence of the Agora of Techno-
Organisational Change

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ISRF seminar

May 6th, 2010

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Engaging the Agora of Techno-
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Institute for the Study of Science, Technology & Innovation University of Edinburgh

- PICT-Programme on Information and Communications Technologies (1987-95)
- The Network Enterprise: the Shaping of Institutions & Standards in E-Business
- The Biography and Evolution of Standardised Software Packages
- The Social Study of the Information Technology Marketplace (ongoing)

Agora of Techno-Organisational Change

- Spatial metaphor and an organising concept to capture social and economic relations surrounding the development, distribution, implementation and use of IT in organisations
- Not the complete history of the IT supply industry
- Story of its emergence in the context of FS industry has special “crisis flavour”

Technological Development in Financial Services (Emergence of the Agora)

- From Legacy Systems to Integrated Software
- Commoditisation & marketisation of IT solutions
- Deregulation of FS industry 1980s & 1990s

Crisis in Banking

- “The most serious bank crisis since the Great Depression” [Furash, 1993]
- “The decline of banking” [Wheelock, 1993]

Why?

- Deregulation increased competition
- “although banking still plays an essential role in the economy banks are not” [Furash, 1993]

Banks' response

- Re-organisation efforts
 - operational improvements: efficient processes
less cost
 - Re-orientation of business marketing
strategies: more aggressive customer-
focused marketing
- IT have a central role
- IT-related organisational changes in banks
became a global phenomenon

IT supply & experts

- Mobilized to respond to the demand in FS
- Integrated IT (i.e. ERPs) promising:
 - operational benefits and enhanced efficiency by streamlining operations
 - Effectively support needs of marketing strategies (ie through supporting product differentiation, flexible product configuration, CRM etc.).

Emergence of the Agora of T-O change

- Emergence of a global supply-use chain for integrated IT in banks
- Cycle of development, distribution, implementation and use of IT solutions in banking organisations
- New emerging actors (banks=users, IT firms=software suppliers, consultants=suppliers of specialist knowledge) engaged in relationships comprising market networks
- Systematic engagement on a global scale gave rise to the Agora of Techno-Organisational Change

Engaging the Agora of Techno-Organisational Change

Choices when actors decide to engage the Agora

- Do we need new IT or not?
- What to buy?
- Who from?
- How to implement it?

- Criteria to help make these choices are based on formal technical assessments but also driven by micro-politics, interests, prevalent rhetorics and fads [Pollock & Williams, 2007]

Theories of the IT marketplace and choice

- Choice: from rational efficiency to innovation-design
- Political process approaches on choice
- Better spatial metaphors needed to analytically capture choice within the broader environment of the Agora of T-O change (ANT? Neo-Institutionalism??)

Actor-Network Theory

- Uni-dimensional conception of actor
- Restricted conception of action and choice
- Limits & boundaries of an actor-network are not handled analytically

Neo-Institutionalism

- N-I concepts too rhetorical, lacking a material, durable basis, for example:
 - Rationalised environment
 - Organisational field
- Poor in conceiving boundaries of what concepts represent and of the field of research
- Action as routine standardised activity leaving no room for creativity, surprise and ambiguity

The Agora approach

- **Agora metaphor**
 - Marketplace for products (material)
 - Space for gathering (ageiro-αγείρω): gather or assemble) (spatiality)
 - Exchange of ideas and be engaged in politics (rhetorical)
- **Choice** as rationalities not as routines or completed actions (i.e. go beyond after-the-fact analyses – Ciborra, 2002)
- **Viewpoint** understanding to handle its boundaries and a cognitive space in which rationality behind choices develops

Interest maps

- “Reductionist simplifications of a complex social world [...] they are working maps and not full representations of reality”
[Callon & Law, 1982]

Viewpoint and Choice

Instead of “following-the-actor” while they are pursuing their interests and enrol other actors in their projects, we are “**following-an-actor’s-viewpoint**”, we examine how it is shaped as it develops over time and as it offers legitimacy on choices of IT procurement and implementation.



EMPIRICAL CASE

Extreme make-over and deep engagement of the Agora

- Case of a Greek Bank deciding to engage the Agora of T-O Change more deeply as opposed to previous inconsistent engagements

Deregulation hit Greek financial services

- Institutional specialisation required by law rather than dictated by market forces was abolished by the Second Banking Directive in 1992
- Greek Bank one of the 7 previously specialised institutions
- Choice to make changes was necessary

From product- to customer- centrality

- Product-centered model up to that point
- Inconsistent & incremental tech changes
- A few in-house built applications
- Choice to change in 1997 to customer-centered model
- Buy & implement integrated software package and make org. changes around it
- 3-year timetable/ € 14,500,000 / 150 people workforce

Initiation

- Evaluation committee (both internal & external experts)
 - *“I’m one of the people that foresaw and shaped the changes of the bank; we made suggestions to the general director, we argued on the reasons why the bank should change, we designed the changes with the consultants that we hired and today we are bringing them to realization [...] We identified the need, we convinced the central management and the ministry that we have to move on, we mapped out the needs, what needs to be done, we shaped, in a way, the project, and then we informed external supplier firms about it and they started doing presentations to us about what they can offer us”.* (TP1, top manager)

Problematization of existing model

- Operational problems with the existing model were framed as *technological*, *organisational*, and *cultural*.

Technological

- Customer identification & multiple recordings
 - *“The previous system did not put you in the logic of identification. If you went to the bank saying that you’ve replaced your ID card because you lost the old one, the system did not predict the fact that they had to erase you and link you to all the new accounts. Therefore, you were recorded twice. Multiply this by four hundred and seventy branches, times thousands of customers [...] it makes it a huge problem and it’s tragic for us. We’ve been trying to solve it for two and a half years but we haven’t succeeded yet”.* (PM, overall project manager)

Technological

- Old and antiquated system
 - *“We are talking about a bank that had an antiquated system, developed in-house, the loans were not in the system, only the pure deposit products. In fact there was nothing! You had a loan and you wanted to ask for your account balance and they couldn’t tell you. They had to fill an application, in paper to the central office and then to send you back your card after a week and a half, if you knew the director (sarcastic). [...] When the card was ready, the clerk, if he remembered it and he liked you personally, he would give you a call to let you know. To put it simply, when I started with the bank in 1997 it was unbelievable. We’re talking about an antiquated system, of the most antiquated systems, in every sense, in Greece”.* (PM, overall project manager)

Technological

- Holding back marketing development
 - *“The bank didn’t have the infrastructure to provide modern banking products, to design a banking product and offer it. They also didn’t have the informational infrastructure, and the process and the marketing channel to do that”.*
(SCF, manager subcontracting supplier firm)

Organisational

- Messy processes
 - *[...] there were not processes, organizational structure at a central level and at a branch level. They existed, but it was chaos. Nothing was working. The situation was so ‘twisted’!... (PM, overall project manager)*

Cultural

- “Public servant” and “corner-store” mentality
 - *“All these years, by serving specific customers, the bank had been adjusted to the demands of the customers, the behavior of the customers [...] now, there’s need for a new attitude, new personality, new mentality. The bank had never “gone outside” for the development of its market. Today, they are asked to go outside, for the first time. This is a big step. It needs different kind of people”.* (TP1, top manager)

Selection of consortia

- *From the four competing consortia we chose this one because they had a lot better know-how on Greece while firms in other proposals had serious problems which we saw during on-site visits. The consortium from Spain could not convince us that they would do a good job in Greece, they had a project with another bank which was a complete failure. The consortium of the bank with the in-house solution had not a very good representation in Greece. The system proposed by the next consortium had not installed it nowhere else apart from one bank in Greece, which was still in the process of development, while the one we chose, at least had two banks in Greece plus two or three banks abroad, so we were convinced that in terms of technology we could get a good project. Additionally, the rest of sub contractors in the consortium were in a very good level in relation to competition, thus, we selected these ones. (PM, overall project management)*

Design

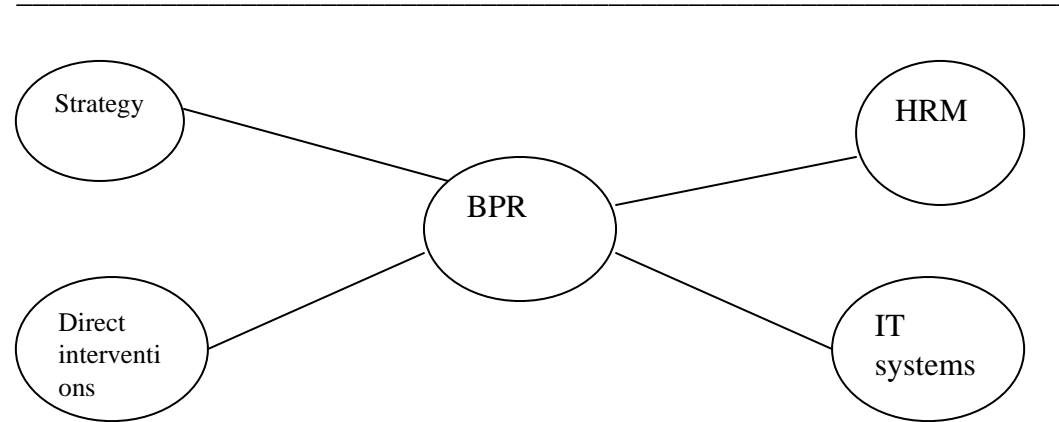


Figure 1: Overall restructuring program

Source: power point presentation by PM, 22/10/1999

Design phase

- Reorganisation division was established for total supervision of the project. This is where changes were designed and choices made.

Design choices-examples

- Choice to mobilise large branch network for the implementation of new marketing strategy
 - *Bank of Cyprus, for instance, without having such a wide branch network they might want to follow such an approach via phone banking, e-banking etc. GB has the branch network, so I'll make sure that my approach of the customer will happen through the branch. Other banks that have no network but they have good technological infrastructure might choose to approach customer-centrality in different ways.*
(OPF1, senior manager)

Design choices-examples

- Design of new org. roles-no interference with hierarchy
 - *We're looking at how things were before change [...] each branch has specific personnel, with specific experience, specific hierarchy. This is very important because although the bank has entered the stock market, it maintains some structures of public law, which means you cannot mess with the hierarchy easily, [...] so, we take the existing personnel, and based on their experience and their position in the hierarchy, we embody them into the new organizational structure, according to the demands that every new role has. (OPF2, director)*

Expert power- “sharpening” GB’s viewpoint

[...] the customer rarely knows what they want. And it makes sense. The customer wants to get as many things as possible. It’s our job to explain to them that in relation to the time and the cost, this is what you can get! There is always something better; there is always something more [...] we did not suggest them the most sophisticated ways, we told them that in their condition they should start with something simpler and then move on to something more complicated (DIF, general manager)

Approving choices

You design a new organizational structure, and this structure, before it gets approved by the bank, you have to inform all branch directors, the totality of the employees, the central management [...] these stages are very painful and everyone says their own thing, they give their own opinions on everything. Everyone thinks is an organizer! (TP2, BPR project manager)

Links to the government

- Powerful general manager had final say-political cost
 - *The general manager had powerful, the most powerful bonds possible, with the whole specific political party. He was ‘the law’. There was no room for dispute. Whatever he was wishing [...] it was happening. That simple. It’s a unique case; there are two or three people that can have such an access to the government. (SCF, manager subcontracting supplier firm)*

Implementation

- *It was not lack of communication. It was disagreement on the project and also conflicting interests. For example, the firm responsible for the IS did not want to have clearly recorded processes because clear processes meant clear technical specifications, and thus, more work. The firm that brought the strategy part from abroad didn't want to put much effort in order to customize it in the bank. They were saying 'this is what you have to do'. (SCF, manager subcontracting supplier firm)*

Implementation

- Employee resistance
 - *Everyone thinks that they'll modify their new role to fit their liking. There has to be a homogeneous way of operation. And it has to be the way that the central management decided. There is no negotiation. If they argue something, you counter-argue by saying: 'what you said was taken into account and the bank decided this'. So there is nothing else to negotiate. (OPF2, director)*

Implementation

- External experts vs bank executives
 - *There was difficulty in harmonization between the consultants and the executives of the bank; thus, there were many conflicts and many exchanges of people. The best diplomats survived because they were mild as personalities and could harmonize situations, in contrast with others who were more qualified but also more aggressive. (SCF, manager subcontracting supplier firm)*

Conclusions

- Actors engage “slices” of the Agora
- Multiple Agora configurations possible
- Agora: dynamic environment shifting according actors’ choices
- Shifting nature of choices: political instead of technological
- Viewpoint: choice as contemplating different alternatives but not an esoteric process, rather a social terrain for political negotiations and pursuit of interests
- Implications for management decision-making

Further work

- Agora of T-O change: a new unexplored field
- More empirical research will provide more references to describe and comprehend it
- Explore how different actors engage it (suppliers, consultants, analysts, the state)
- How is the recent financial crisis affecting the Agora networks?