literature, and reviewed for terminology and coverage by two information systems industry analysts who work with large organizations in the area of strategic information developments. While the Schedule was structured, most questions were open-ended in order to provide maximum flexibility for responses.

Three senior managers in ABC Oil were interviewed for periods of between sixty and ninety minutes in August 1987. The three managers included the most senior manager who reported to the Board on information matters, another senior information manager responsible for office automation and systems, and the marketing executive manager.

Interviewees were given minimal information about the study prior to the interview sessions but were aware that they were participating in the trial of a data collection procedure. Each interview was taped and later transcribed for analysis.

The Draft Interview Schedule was successful in identifying some areas where the company considered that it had developed, or was developing, information-based competitive advantages. One of these was an outcome of the normal ABC Oil planning processes. The second was 'imported' from the parent company. The second development was referred to by all three interviewees as 'someone's bright idea' which was being operationalised, and had not been identified as an outcome of regular planning processes. Participants readily provided further written material in confidence to the researcher which described in more detail the structure of the organization and the mission, goals and objectives of the information services area.

As part of the trialling process, at the conclusion of the formal part of the interview, respondents were asked to indicate their views on the adequacy of the Draft Interview Schedule, particularly in two areas: the nature and extent of disclosure about areas pertinent to the investigation, and, secondly, ways in which the process could be more efficient and effective.

Two respondents indicated that they would have been able to give better quality and quantity of data, if they had been able to indicate certain basic information prior to the interview. This information was of the type which is not available outside the organization, but which could be provided to a researcher who had been granted access to executive managers. This would improve the data collection process and maximise outcomes from the Interview sessions. Such information related to factual matters concerning the planning processes of the organization and
preliminary responses about the uses of information and information technology in and by the organization.

This trialling process also highlighted the importance of the credibility of the researcher to the interviewee, participant confidence in confidentiality, and the need for careful planning and persistence to ensure access to the highest level of managers.

As a result of the trialling of the Draft Interview Schedule, data collection procedures for the case study sites were redesigned as a two stage process: a short self-administered questionnaire, followed by the interview session. In this way, better use could be made of the interview sessions with more time to explore key areas in depth from an informed base.

In the first instance, then, interviewees received a 'Preliminary Response Form' (herein referred to as the 'Form'). The Interview Schedule was revised to build on the prior information which would be available from the results of the Form.

5.3 Preliminary Response Form: Conceptual Base

Each part of the Preliminary Response Form was based in the literature of strategic planning processes and/or information-based competitive advantage to strengthen its content validity. A copy of the four page Form and its covering letter is included as Appendix 1.

The form aimed to provide some initial information concerning the dominant strategic thrust of the organization, strategic planning processes and input about the range and extent of information-based competitive advantages of the organizations. The form was designed to take no more than 15 minutes to complete, using almost solely set response categories for participants to mark.

A major concern in the development of the Form was the extent to which the phrasing of questions and category choices might influence later responses during the interview process. Thus, questions to be included had to meet several criteria: those which were necessary as an 'information base' for the Interview; those which were most suited to a considered written response; and those where the response sets could be categorised in an 'a priori' manner.
The first part of the Form listed eight statements on strategic planning processes. Participants were asked to indicate to what extent each was true of the 'actual situation of the bank as a whole' at present. These statements were developed from Steiner's 14 criteria which constitute 'first-rate strategic planning' systems (Steiner, 1983a). In order to minimise the length of the Form, the number of criteria was reduced to the eight most pertinent to the financial area. Two were excluded because they were more appropriately pursued as part of the interview process, and two others were expressed in only very general terms and not suited to the response mode or the purposes of the study. In order to reduce the problem of 'response set' answers, statements three, four and five were negatively expressed. The Form included a literature-based definition of strategic planning in order to clarify the meaning of the phrase in the context of this study.

Question 9 was open-ended and sought information about participants' perceptions of the major strengths and weaknesses of the planning processes of the retail banking area. This question was further pursued at interview and provided a cross-check for reliability.

This question about the firms' strategic planning processes and outcomes had two purposes: to identify participants' perceptions concerning the level of sophistication of the planning; and, secondly, to determine the variation in views concerning the extent of agreement about particular organizational strengths and weaknesses (after Hrebiniak and Snow, 1982).

Section B focussed on the strategic orientation of the organization as a whole and of one particular business area, retail banking, which was present in each of the firms in the population. The strategic orientations were drawn from Wiseman's 'theory of strategic thrusts' (Wiseman, 1985a), which in turn has its base in the work of Chandler (1962) and Porter (1980). The six 'strategic thrusts' were: 'Product or serviced differentiation', 'Overall cost leadership', 'Segmentation or innovation', 'Growth', 'Alliances' and 'Some combination of these'. More than one thrust could be marked, as, in the words of one participant, the firms concerned were a 'portfolio of many activities and components (where) most strategy paradigms were present'. These strategic orientations were 'means' rather than 'ends' in the sense used by Bourgeois (1980) and Dess (1987).
Research interest in the responses to these questions was threefold: firstly, the content of the responses themselves; secondly, the level of agreement amongst executive managers in the one firm concerning the strategic orientation of their firm; and, thirdly, the extent to which the perceived strategic orientation was reflected in areas of information-based developments. The Chi-square values and significance were calculated to give some indication of a measure of agreement. Though the tables reported do not meet the normal criteria for calculating the Chi-square statistic, the significance levels give some indication of the comparative differences.

The final questions in Section B sought an indication of the extent to which the details of these strategic thrusts were documented in written statements.

Section C of the Form focussed on questions related to information resource and technology usage. Questions 13 to 16 sought responses concerning the extent to which the 'bank as a whole' and the retail area are dependant on information services and systems both for their strategic orientation and their day-to-day operations.

Two subsequent questions asked participants to rank their firm's use of information-based comparative advantage (IBCA) when compared to competitors on a scale of 1-5 (low through average to high) both for the 'bank as a whole' and for the 'retail banking' group. This question gave an overview response which was pursued both in the succeeding question and at interview.

Question 19 listed 18 areas of potential information-based advantage for financial institutions. These areas constituted 'realized strategy' in Mintzberg's terms (Mintzberg, 1987), and were drawn from two major sources: the 'financial institutions' section of Galliers' report of information systems applications claimed by British and Australian organizations to have provided a competitive advantage (1988/Sing); and, secondly, a detailed analysis of references to information services and systems developments from recent Annual Reports (1984-1987) of the top ten financial institutions listed in the 'Banking and finance' category of Australia's Top 500 for 1986 (Australian Business, 13 May, 1987).

The 18 categories included areas which utilized both the use of information and the use of information technology for comparative advantage. The areas covered all three of Weill's IT categories: 'transactional', 'informational' and 'strategic' (Weill, 1988). The list aimed to be comprehensive and there is overlap between some of
the categories. Question 20 gave participants the opportunity to add areas not covered by the 18 listed. The final question sought an open-ended response concerning those areas of the bank's activities in which information services and systems are best utilized and developed.

Again, research interest in Section C was both on the content of the responses and on the extent of agreement amongst executive managers in the same organization.

5.4 Interview Schedule: Conceptual Base

As with the Preliminary Response Form, the questions in the Interview Schedule were drawn from the business and information strategy literature in order to ensure content validity. They were amended and adapted to suit the needs of this study and from the experiences of the preliminary interviews. A copy of the Interview Schedule is included as Appendix 2.

The Interview Schedule was designed to canvass the following areas:

1. the firm's environment and its response to that environment

2. strategic planning and decision making processes (pursuing matters referred to in the Form)

3. the firm's major information problems, assets and areas for further investment

4. satisfaction with the firm's organizational structure

5. organizational arrangements for information services and views about those arrangements (including structure, centralisation and decentralisation and IS development processes)

6. perceptions of major information services units and key personnel

7. further details on the areas where the firm was considered to have gained an information-based comparative advantage (IBCA): in particular, the nature of the advantage achieved and the process of
initiation, justification, design, implementation and benefits tracking for the IBCA.

The interview began by ensuring accuracy of the participant's title, position in the organization and major responsibilities. Question B4 pursued the matter of organizational structure, initially at the corporate-wide level, and provided an opportunity for the researcher to check publicly available details with recent changes. (On more than one occasion, changes had in fact taken place a matter of weeks, and in one case, days, prior to the interview session). This question enabled participants to make general evaluative comments about the firm's structure before questions related to the information services infrastructure were raised.

The initial questions on company environment in the Trial Interview Schedule were based on Porter's categories of customers, competitors, suppliers, new entrants and substitute products or services (Porter, 1985). To this was added 'national/international impacts and activities' and 'technology'. As prompters or response categories, these were found to be too cumbersome and the answers repetitive. These were redeveloped, refined and simplified for Section C of the Interview Schedule using questions drawn from Inkson's 1986 study on New Zealand management (Inkson and others, 1986), and Levinson and Holley's US based study of information systems managers (Levinson and Holley, 1987).

Section D of the Interview Schedule sought to elicit further information based on the responses to the Preliminary Response Form in the areas of the strategic thrust of the organization, and the way in which strategic business decisions were made and documented. The strengths and weaknesses of the firm's planning processes were further explored, together with the nature and extent of references to information and information technology in strategic planning documentation.

The perceptions of information issues or problems and assets were probed in Section E. These questions aimed to identify the whether or not the participant's view of information was expressed in terms bounded by information technology (the conduit), or whether they also embraced the content of the information itself. At the same time, research interest was on whether executive managers in the same firm identified similar or different information problems and assets.
In the Preliminary Response Form, participants were asked to indicate areas where their organization had gained some information-based comparative advantage over competitors. These examples, their development and implementation were probed in Section F. Information was sought concerning the nature of the significant or sustained advantage achieved, and the process of initiation, justification, design and implementation and benefits tracking. The inclusion of the 'tracking of benefits' provided an opportunity for participants to further indicate the nature of the 'advantage' given by the particular example.

Further background information on the organizational infrastructure for information services was sought in Section G. This included views about the mix of centralization and decentralization of information services in the firm, encompassing structure, function and process aspects. Priorities for management attention, using an industry developed diagram (G7), and preferred areas for investment (G8) in the information services area are questions where the responses would be expected to be linked in some way to the earlier identification of information problems and information assets (Section E). They were included towards the end of the Interview Schedule to separate them from the earlier section.

Final questions (G9 and G10) sought responses from participants about anything they would like to add or clarify, and other details which might be relevant to the purpose of the study. A further question concerning the interviewee's views about future developments in the industry and their firm was also usually included, as it became clear from the initial interviews, that participants had expectations that this area would be pursued and appeared to be disappointed if more free-ranging final questions were not included. These final comments often added considerably to the context of the responses to the preceding questions.

In preparing the data collection instruments, it was realized that the executive manager participants in the one organization might not have consistent views in areas such as the strategic orientation of the firm and the information-based advantage gained to date. This would be a finding in itself. Another possible finding was that one or more of the firms might consider that it had not made any uses of information and/or information technology which could be categorised as having given it some comparative advantage. This too, would be a finding to place alongside those of other organizations, in order to identify why some organizations had not developed such uses or had only developed certain types of uses to date. Because of the nature of the organizations and the study, together with the level of
executive participation sought, a major challenge was to gain adequate access to the case study sites.

5.5 Case Study Site Data Collection

Initial contact with three of the case study sites was made on an individual and personal basis by the researcher, through a senior officer who had had some prior positive contact with the researcher's host institution. This was not possible for the fourth and fifth firms and the researcher made initial approaches to executive managers in the Planning and Information Systems areas. In each firm, considerable groundwork was required to explain the nature of the study and gain the confidence of the participant organizations. As indicated previously, the nature of the data sought was of a complex and commercially sensitive nature.

At the outset, it was planned to approach one site at a time in order to complete the data collection process in a concentrated period of time. It soon became clear, though, that the process of gaining entry to each firm, and access to the executive managers sought, was generally going to take some months and at least two or three 'clarification' visits to other executives. In all cases, the request for the firm's participation had to be cleared by some combination of the CEO and Executive Committee of the firm's most senior managers. In the long term, the additional preliminary interviews were very helpful in extending the researcher's interactions with senior managers at an early stage.

However, once approval at this level was given, the extent, level and nature of cooperation in four of the firms was high. Access was requested to the most senior managers responsible for Information Systems/Technology, Strategic Planning, and two divisions which could most nearly be described as 'Retail' and 'Commercial and/or Corporate Banking'. A senior manager was usually designated to assist in identifying the relevant participants. Once participants were identified, they were alerted internally (if they were not already aware) of the firm's approval and support for their participation. A copy of the Preliminary Response Form was sent to each named participant with a covering letter as indicated in Appendix 1. As far as the researcher is aware, the managers did not discuss the Form, their response to it, or their Interview session before the conclusion of the Interview process for all participants.
One of the five firms approached, referred to in this study as Bank Five, declined to provide access to anyone other than the most senior manager responsible for Information Systems/Technology. The major reasons given were the time commitment required of senior managers, concerns about confidentiality, and the fact that the firm had already participated in a number of research projects in conjunction with tertiary institutions that year. This firm was one of those which had to be approached directly and a contributing factor might have been lack of previous contact with the researcher's host institution.

Part of the agreement with participating firms, and a significant factor in their willingness to participate, was the promise of feedback to the firms in several forms. A brief synopsis of the results of the Form and Interview data, indicating major areas of consensus and disagreement, was promised and provided to the firms within six weeks of the completion of interviews in each firm. A draft paper reporting initial comparative findings was made available to the firms before it became publicly available, and this was followed by more detailed firm-specific findings. In this way the firms saw some incentive for their participation, and provided informal access to a wider range of managers than those identified as executive manager participants.

While considerable negotiations were required to gain entry to the firms at the level required, the researcher was generally given ready and willing access both to people and to documents in Banks One, Two, Three and Four.

In the first three firms for which the full results are reported, Banks One, Two and Three, all interview sessions were held on a face-to-face basis in the offices of the participants. Due to distance and scheduling problems, compounded by a long running airline pilots' dispute, four of the five interviews in Bank Four were conducted by phone. The fifth was done on a face-to-face basis. (Later visits to Bank Four resulted in personal meetings with three of the five participants.)

Notes were made at interview, and, in addition, each interview was recorded on tape for later reference. The tapes were later transcribed to assist in recording and analysis results. The interviews included in the executive manager data ranged from 60 to 120 minutes. While scheduling appointment times which were acceptable to both the executive managers and the researcher was not an easy task and several were postponed on more than one occasion due to the manager's commitments, the participants were sufficiently committed to the study (and the
researcher sufficiently persistent) to ensure that all interviews agreed to in the four firms, and one in the fifth, were completed.

5.6 Strategic Planning Documentation

In completing the Preliminary Response Form, participants were asked to indicate the extent to which details of the strategic thrusts of their firm were documented in written statements. Responses were evenly shared between 'some extent' and 'great extent'. As part of the data collection process, strategic planning documentation was sought from Bank One, Two, Three and Four. Banks One, Two and Three provided ready access to 1989 Board level formal strategic planning documentation for the firm as a whole as well as that of business units, and this is detailed in the Chapters Six, Seven and Eight. Bank Four was not willing to provide access to the full range of material and the documentation for this firm was limited to that for the Information Systems strategy area. However, this did, in fact, contain the major components of Bank Four's strategic plans.

In each firm, access to this confidential and sensitive material was made available under certain conditions: the documentation had to be examined on site in the organization. Notes could be made from the documents, but photocopying was not permitted.

The strategic planning documentation was examined from several perspectives: firstly, to identify intended strategies and to see to what extent this content reflected the executive manager responses and perceptions; secondly, to identify the role and tasks attributed to information and information technology in the development and implementation of the firm's strategic planning process; and thirdly, the format, extensiveness and length of the strategic plans was reviewed.

All firms provided access to at least one senior strategic planner (other than the executive manager participant) who was available to explain the documentation and the process involved in its preparation and implementation. This proved a valuable way of confirming and clarifying earlier input from executive managers concerning the process and its outcomes.

The analysis of this high level documentation enabled a reasonably complete and detailed study of the way in which firms developed their strategic planning and
decision making processes, and of the nature of information and information technology considerations that formed part of these plans. This documentation provided an invaluable perspective through which to view each firm's intended strategy and its perception of its realized strategy.

5.7 Annual Report Analysis

For each of the five firms, the CEO's letter to shareholders or 'review of operations' in the annual reports of the five years from 1985 to 1989 was analyzed using a methodology adapted from Jarvenpaa and Ives (1990). The year 1985 was chosen as the starting year as it marked the commencement of the first phase of development after deregulation and the entry of foreign banks into Australia.

Jarvenpaa and Ives undertook a preliminary methodology check to indicate if well-known strategic applications of IT were referred to in the relevant firm's CEO's letter. They found that CEO's letters from all of the ten organizations they examined included statements of the application and its organizational implications in one or more of the annual reports examined. For the purposes of this study, the annual reports of ABC Oil were examined for references to examples of information-based advantage which were raised in the Preliminary Interviews. Each of these developments were recorded in ABC Oil's annual reports.

The unit of analysis in each letter was an IT related phrase. This was defined as the instance of a word or set of words which 'discusses the management, application, investment, organization of computer, communications, or office technology for improving or modifying operations, establishing linkages with customers, suppliers, competitors, channel partners, or the development of new products... Each IT related phrase referred to only one instance of an IT related event, opportunity, or problem' (Jarvenpaa and Ives, 1990:7).

The coding scheme developed by Jarvenpaa and Ives (1990) was used and is included as Appendix 3. This coding scheme consisted of two levels: firstly, the context in which IT phrase was discussed in the letter (Level 1); and, secondly, the nature of the phrase (Level 2). Thus each IT phrase was first classified into a 'Level 1' code based on whether it was mentioned in the context of 'financial performance', as 'major event of the year', or as part of 'future outlook'. 'Financial performance' phrases were those which were mentioned in the review of
the financial position of the company and provided explanation for results. These were then further classified into one of three categories of Level 2 code based on whether the IT phrase stated the expenditure in a neutral, favourable or unfavourable manner.

The 'major event of the year' referred to phrases which appeared in the context of discussions about the year's major happenings in the firm and in the industry, while 'future outlook' included IT phrases about future short and long-term activities of the firm. Phrases identified in each these contexts were then classified into one of eight categories, some of which were modified from the Jarvenpaa and Ives coding scheme after a trial content analysis of other Australian financial firm annual reports. The revised coding scheme is included as Appendix 4. The eight categories used are listed below, with the Jarvenpaa and Ives categories in parenthesis where they differ.

1. Investment in IT to offer products

2. Investment in IT to change production or production economics

3. IT executive change

4. IT organization and reorganization (IT reorganization)

5. IT consolidation and security (IT consolidation)

6. IT positioning in the firm

7. IT positioning in the industry and industry agreements (IT positioning in the industry)

8 Investment in health, safety and training related to IT (This category was absent from the Jarvenpaa and Ives coding scheme)

The annual report analysis, then, included a frequency count of the number of IT related phrases in each of the annual reports, as well as classification of these into context and nature. As the length of annual reports varied from firm to firm, and within firms from year to year, a count of the number of paragraphs in each letter
was made. This was used to calculate the ratio of phrases to paragraphs in each year's report.

There were also some qualitative aspects of the annual report analysis of relevance to I and IT which are referred to in the section on report analysis for each firm. These included overviews of a year's highlights where IT developments were mentioned, special IT features and pictorial representations.

The annual report analysis provided a CEO-endorsed perspective on strategic developments plus a temporal analysis of the firm's considered public statements related to the role of information and information technology.

Consideration was also given to the inclusion of publicly available financial data in this study. While this was collected by the researcher, this, and other financial performance information available from the annual reports was not directly used in the empirical investigation. Reporting of the financial situation, or even its comparative ranking in a range of indicators, would automatically identify the bank concerned. This would have negated the confidentiality agreement the researcher had with each of the banks. Thus, this pertinent source of data could not be used in this study.

5.8 Strength of the Research Design

The research design of the empirical study took into account the need for different forms of validity and reliability, as listed by Kidder (1981), utilising the approach suggested by Yin (1984). The study's construct validity was based on three tactics: the use of multiple sources of evidence, establishing a chain of evidence and having key informants review material (Yin, 1981:36-37).

The sources of evidence included both written and interview based material from executive managers and formal examination of two different forms of documentation: strategic plans and annual reports. In addition, less formal interviews and opportunities for interactions with participants and other senior managers was utilised to seek alternate explanations, and access was obtained to a variety of other internal documentation in each organization. This also facilitated the gathering of a chain of evidence, with the result that some forms of evidence, such as the strategic planning documentation, was examined more extensively than
originally planned, based on the outcome of the data collection from the executive managers. The case study chapters have been written in a purposely detailed manner, on a firm by firm basis, so that the evidence from the different data sources can be tracked.

As part of the agreement with executive managers interviewed, each of these participants received a report of 2000-3000 words on the results of the executive manager written and interview-based data. This was prepared and sent to the managers (and some other senior executives) within six weeks of the completion of the interview in a firm. While feedback on this was not required, there was continuing contact with each of the firms after this was received. It was not until the firms had received this report that access to strategic documentation was sought. It is difficult to believe that these firms would be willing to provide access to such sensitive and high level material if the initial report of their firm's situation had contained inaccuracies, or provided a less than sound diagnosis.

While internal validity was not entirely relevant to the empirical study, as causal relationships were not being claimed at this stage, the evidence gathered did allow for some pattern matching, and the annual report analysis provided a temporal perspective to support some of the recall sought from executives.

Some evidence for external validity was sought by seeking to match the findings developed in Chapter Eleven with an explanation of how these mesh with the situation of each of the cases. The case study sites were selected because they had features, by way of information intensity and anticipated 'leading edge' examples, of information based advantage. As these features permeate other industries, the findings would have some generalizability to other large firms in industries where information and information technology was of similarly strategic importance.

The procedures followed in the case studies have been conveyed in some detail, both in this and subsequent Chapters and through the appendices so that it is possible for replication to be done in other firms. The instruments used are documented and written and/or taped accounts exist for the executive manager data.

Replication at a later point in time for the organizations in this study would not be expected to indicate the same results or position for each firm. There are two reasons for this: firstly, both the internal and external environments of the firms are changing; and, secondly, the researcher would claim that the participation of the
firms in this study has had a catalytic effect on the planning processes and approaches to alignment in at least two of the firms. The thought required to answer both the written and interview questions, and the subsequent discussion created by the report sent to each participant, has had some impact on the perceptions and processes of all of the firms. However, replication in other large information intense firms is possible and results could be expected to be similar.

Thus, though the issues of validity and reliability of case study research design are often seen as problematic, the design and implementation of this study has sought to include tactics which provide for a strong research design.

5.9 Reporting of Empirical Study Results

Chapters Six to Nine detail the findings for each Bank for each form of data collection and analysis: executive management empirical data, examination of strategic planning documentation, annual report and other documentary analysis. These are drawn together for individual firms in part five of each section. Chapter Ten provides a discussion and comparative analysis of the firms and conclusions are drawn and hypotheses developed in Chapter Eleven.

Chapters Six to Nine contain sensitive and confidential material pertaining to each firm. It would not have been possible to obtain this material without the guarantee of non-disclosure.

In these chapters, generic titles are given for business units and areas, as well as job titles. For example, the most senior manager in the Information Systems and Technology area is referred to as the Information Systems and Technology Manager, or IS/T Manager even though the position with these responsibilities had different titles in different firms. Similarly the corporate centre or group of the firms had varying titles. In discussing the results these are referred to as Group Headquarters or GHQ.

Each of the subsequent four Chapters are organised by Bank and within each Bank, under five headings: executive manager data collection results, strategic planning documentation analysis, information services infrastructure, annual report analysis and chapter summary.
6. BANK ONE RESULTS

6.1 Executive Manager Data Collection Results

6.1.1 Introduction

Three participants in Bank One completed the Preliminary Response Form (PRF) and were interviewed within a three week period in March-April, 1989 and one in February, 1990. The fourth interview occurred later because of the internal circumstances of Bank One during 1989. Three respondents held the most senior positions in the areas of Strategic Planning, Retail Banking and Corporate and International Banking. The fourth was currently deputising for the head of Corporate Services (absent on leave) and his substantive position was as head of Information Systems.

In the reporting of results in this section outcomes from the Preliminary Response Form and the Interview session, have been integrated.

6.1.2 Critical Environmental Issues

All participants readily identified two dominant environmental issues which the bank had faced over the past five years. These were deregulation, which had had a dramatic effect on all Australian banks, and changes to government legislation in the early 1980s which enabled the Bank to function fully as a trading bank. This combination of events meant that Bank One had had to deal with a radically altered set of circumstances.

The Bank had responded to these changed circumstances by the introduction of full trading Bank facilities, with consequent growth in Treasury functions and a Corporate and International grouping. Considerable effort had gone into a major image change in terms of products and properties. One participant indicated that the changes within the Retail area were not yet as significant as they should be. The impetus for change had generally come from Board or Senior Executive level.

The present and immediate future environment required more professional management skills and approaches and a concentration on customer service.
6.1.3 Strategic Planning Processes

In responding to the eight statements about the Bank’s strategic planning processes, participants were in agreement that the CEO recognised strategic planning as being a major component of his task and that, in the strategic planning process, proper attention was still paid to current operations. There was near agreement that the Bank’s strategic planning processes had taken into account the unique characteristics of Bank One and its managers.

Five areas, questions 1, 3, 5, 7 and 8, elicited a spread of responses across more than two response categories. This indicates differing perceptions by the executive managers. The area of greatest spread was found in the extent to which it was perceived that capital allocations were linked to strategic planning processes (‘not at all’ to ‘great extent’).

**Figure 6.1 Strategic Planning Process Outcomes**

Note: For the purpose of consistency responses to negatively expressed questions were reversed.

<table>
<thead>
<tr>
<th>Strategic Planning Process</th>
<th>Not at all (1) to great extent (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 Mn SD</td>
</tr>
<tr>
<td>1. Strategic planning (SP) woven into management</td>
<td>* ** * 4.0 0.71</td>
</tr>
<tr>
<td>2. SP seen as major component of CEO task</td>
<td>* *** 4.7 0.43</td>
</tr>
<tr>
<td>3. SP purposes identified and explained</td>
<td>* *** 3.5 0.87</td>
</tr>
<tr>
<td>4. SP systems recognise uniqueness of Bank</td>
<td>*** * 4.2 0.43</td>
</tr>
<tr>
<td>5. Balance in SP between intuition &amp; processes</td>
<td>* ** * 2.5 0.87</td>
</tr>
<tr>
<td>6. SP focus but attention to current operations</td>
<td>* *** 4.7 0.43</td>
</tr>
<tr>
<td>7. Careful attention given to implementation</td>
<td>* *** 2.7 0.43</td>
</tr>
<tr>
<td>8. Capital allocations linked to SP processes</td>
<td>* * * 3.2 1.48</td>
</tr>
</tbody>
</table>

While different strengths and weaknesses of the Retail Banking area’s planning processes were listed in the open ended question 9, there was no inconsistency in these responses between participants. Major strengths were seen to be the presence of branches, regional structure, knowledge of the market, market share and government links. The major weaknesses listed were the continuing lack of absolute focus, cohesion and clear accountabilities, lack of vision at some levels (not upper levels), lack of management expertise at some levels and the cost of
operations. The Retail Banking area was seen as not sufficiently or clearly 'business' or 'business line' oriented and change processes were difficult.

6.1.4 Strategic Orientation

There was a reasonably high level of agreement amongst participants concerning the strategic thrusts and orientation of Bank One as a whole. The Bank was pursuing a combination of strategies. All four respondents marked 'Product or service differentiation', 'Overall cost leadership' and 'Growth' was marked by two of the three.

**Figure 6.2 Bank One Strategic Thrusts**

<table>
<thead>
<tr>
<th>Strategic Thrusts: Bank as a whole</th>
<th>Participants</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Product or service differentiation</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>2. Overall cost leadership</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>3. Segmentation or innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Growth</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>5. Alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Some combination of these</td>
<td>*</td>
<td>*</td>
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</tr>
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</table>

Chi Square Test: $df=5$, $X^2 = 7$, Significance level: $0.2 < p < 0.3$

<table>
<thead>
<tr>
<th>Strategic Thrusts: Retail Banking</th>
<th>Participants</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Product or service differentiation</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>2. Overall cost leadership</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>3. Segmentation or innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Growth</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>5. Alliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Some combination of these</td>
<td>*</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

Chi Square Test: $df=5$, $X^2 = 5.5$, Significance level: $0.3 < p < 0.5$

There was a lower level of agreement in relation to the strategic thrusts being pursued by the Retail Banking area, as can be seen in the lower value and lesser significance of the chi-square statistic. While each participant marked two or three strategic orientations, these were spread over four categories: product or service differentiation (3); overall cost leadership (3); growth (2), and 'some combination
of these' (3). The Retail manager indicated that though the Bank's articulated strategy was 'product and service differentiation' it was difficult to achieve this in the area of retail banking and that the strategic thrust of Bank One should really be that of a low cost provider.

6.1.5 Strategic Decision Making Processes

The Bank now had agreed goals and a corporate plan, an annual planning cycle, and meetings of senior managers. Two of the participants, however, expressed frustration in relation to the gap between agreement on overall strategic directions (eg 'Excellent customer service') and the explication of these in terms of further documentation and implementation strategies. There was seen to be a gap between the 'strategic view of life' and 'reality'. In a competitive environment, the reality was a lack of management experience in many of the Bank's middle management who had been accustomed to operating with a different set of circumstances. The CEO had a pivotal position in terms of setting directions, but bankers at other levels were not good planners.

6.1.6 Information and Information Technology (I&IT) in Planning Processes

There were differences of opinion amongst participants in relation to the extent and nature of references to I&IT in planning processes and strategic documentation. One respondent believed that I&IT were mentioned 'quite a lot' with the emphasis on telecommunications and networking. A second respondent felt that I&IT were not mentioned very much, and when they were, the emphasis was on 'processing' rather than strategic aspects.

A third participant indicated that, in his view, the I&IT area was not adequately operationalized in planning processes: though there was now an Information Systems strategic planning position, the extent to which this development was able to realise its potential was uncertain as the IS Planner's position was not sufficiently high in the organizational structure and it was embedded in the IS area. There was a need for Business Units to have IS planners as part of their units to ensure a strong business focus in any IS planning and to assist in the ongoing education and technological understanding of business managers.
6.1.7 Information Problems and Assets

Participants indicated different major information problems facing the organisation, though those they mentioned were not necessarily conflicting or internally inconsistent.

One participant listed three areas: improving transactions, management information feedback (e.g., for Interest Rate decisions) and the need for an office technology strategy which emphasised the needs of individuals. A second participant felt that the most pressing problem was the need for a Customer Information System, where customers had one account number only. This was echoed by a third participant who cited the higher expectations of the community and client companies, in addition to management information which was never available exactly as required. The third participant indicated that the major problem was lack of an Information Systems plan. At present, too much emphasis was often placed on micro-level decisions without an ability to place these in a wider context. This relates back to the gap between overall strategic directions and their successful operationalisation and timely implementation.

The major information resource assets of the Bank were seen by two participants to be the information held on customers (names, addresses etc) and loan information. One of these also mentioned the Bank's transactional and financial data on computers (as without it the Bank could not function) and the personnel information system. The third participant indicated that the Bank had a very reliable branch online system which he saw as the major information asset of the Bank, while the fourth saw people in Bank One as its major information asset.

Using a standard IS development cycle diagram as a prompt, participants were asked to indicate which area of IS developmental processes most required senior management attention. One participant indicated the 'Tracking of Benefits' which was not really in place at all. The second indicated that all parts of the process need considerable improvement as the current process was not working well enough. The third participant stated that the major problem in this area was lack of Project Development skills to ensure that projects were completed in '2 months rather than 2 years', while the fourth indicated the conception of developments as the major problem.
6.1.8 New Investment in Information Resources

When asked to indicate priority areas for investment in the Bank's information resources, one participant listed electronic communications (which were somewhat Telecom dependant). Two were very strongly of the view that their first priority would be for a 'Customer information system/service' which would require customers to have one basic account number and would link accounts. This would require reconstruction of the Banks' accounting system, but would provide the type and nature of customer service that was now expected by consumers. The fourth suggested that there needed to be better interfacing between the Bank's equipment.

6.1.9 Key Information Service Units and Personnel

There were some differences in relation to participants' views on the major information service units within the Bank. One saw each Divisional Head as representing major information providers. A second participant named the Finance area; the third named Information Systems, Treasury and Personnel while the fourth named Economics and Finance, indicating that the Information Systems group was a facilitator not a provider.

When asked to name the three most senior information personnel, there was some overlap. One named the heads of Division; the second indicated the heads of Finance and Accounting, Information Systems and Strategic Planning; the third named the heads of Treasury, Information Systems and Personnel; and the fourth identified two different types of 'senior information personnel: those who 'know' and those who were 'driving the information'. Those who 'know' included the heads of Management Accounting, Personnel and Retail Banking. Those who were 'driving' were the Deputy Chief Executive Officer and head of Information Systems. In all cases the notion of 'information personnel' was quite widely interpreted.

6.1.10 Organizational Structures, Centralization and Decentralization

The Bank had a complex set of arrangements in relation to organizational structures and functions, with three business-oriented divisions. These were supported by the Chief Executive's Division and Corporate Services (in which resides the Information Systems group). The level and nature of IS support differs in each of the three business divisions. In regard to Retail Banking there was a centralised
transaction processing, which was a necessity for any such operation, and a regional branch network which devolved and decentralised decision-making to some degree.

One participant thought that the present structure and system, in relation to IS support, worked well, while two felt that there was need for the Divisions to have expertise within the Divisions, able to undertake IS planning functions for the Divisions. This should result in more adequate operationalisation of relevant IS developments and better communication and understanding between the Divisions and Information Systems concerning technological possibilities and scheduling. There was a lack of management experience and expertise in IS and IT matters in the business units. The fourth saw a gradual evolution of better integration of all the Bank's IS developments with the help of technology.

6.1.11 Information-Based Comparative Advantage (IBCA)

All participants agreed that the Bank's use of IBCA was average for Bank One as a whole when compared with competitors. However, there was a spread across three of the five possible categories ('low/average' to 'average/high') in relation to the Retail Banking area.

**Figure 6.3 Information Based Comparative Positioning**

<table>
<thead>
<tr>
<th>Section of the Bank</th>
<th>Participant responses Low (1), Average (3) to High (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bank as a Whole: compared to competitors</td>
<td>**** 3 0</td>
</tr>
<tr>
<td>2. Retail banking: compared to competitors</td>
<td>* ** * 3 0.7</td>
</tr>
</tbody>
</table>

When selecting from 18 areas of potential competitive advantage for financial institutions, participants differed in the number of areas they marked. One marked only one, the second marked three, the third marked five and the fourth marked two. However, within these there was some agreement in that the participant who marked five areas included the same areas as those who marked less. Three listed 'Differentiated customer products' as an area of IBCA; three marked the related areas of 'number and availability of ATMs and ATM interchange links'; the third also marked 'Differentiated customer service' and 'centralised transaction processing centre'. An additional one was added by one participant: cheap branch systems.
### Figure 6.4 Number and Range of IBCAs in Bank One

<table>
<thead>
<tr>
<th>Information-Based Comparative Advantage</th>
<th>Participant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>a. Differentiated customer services</td>
<td></td>
</tr>
<tr>
<td>b. Differentiated customer products</td>
<td></td>
</tr>
<tr>
<td>c. Electronic home banking</td>
<td></td>
</tr>
<tr>
<td>d. Electronic Funds Transfer/Point Of Sale Terminals</td>
<td></td>
</tr>
</tbody>
</table>
| e. Number and availability of auto/d teller machines (ATMs)            | * |   | *
| f. ATM interchange links with other financial institutions             | * |   | *
| g. Integration of customer data                                       |   |   |   |
| h. Centralised transaction processing centre                           |   |   | * |
| i. Consolidation of applications onto a uniform product base           |   |   |   |
| k. Market analysis, marketing                                          |   |   |   |
| l. Competitor intelligence                                            |   |   |   |
| m. Internal networking systems                                         |   |   |   |
| n. Office automation, records management                              |   |   |   |
| o. MIS Planning and control                                           |   |   |   |
| p. Cost accounting                                                    |   |   |   |
| q. Risk management techniques                                          |   |   |   |
| r. Inventory or Stock control, asset management                       |   |   |   |
| s. Investment and Financial planning                                  |   |   |   |
| **Total**                                                              | 3 | 5 | 1 | 2 |

Discussion with participants at interview focused on two of these areas: differentiated customer products and the prevalence of ATMs. For three of the four participants the 'Differentiated customer product' focused on a customer-oriented personal Banking system which provided customers with linked account statements. This product was initiated by the Retail Banking Division and was heavily championed within that group (and by one individual in particular). It was not seen to have evolved as part of the Bank's normal planning processes. This product was not seen, yet, to provide any real or readily identifiable financial return to the Bank as it was used as a 'loss leader', and the product was underpriced.
In contrast, the decision making processes concerning the number and availability of ATMs and ATM interchange links with other institutions had evolved as part of the Bank's regular senior level planning cycle.

None of the participants saw Bank One as a leader in the I&IT area, but rather as a follower. There was a limit to the extent that this type of Bank could expend funds in the IT area.

6.1.12 Summary

In Bank One, executive managers exhibited some differences in perception concerning the Bank's strategic planning processes and their outcomes, and of the Bank's strategic thrusts and orientation, particularly in the Retail Banking area. Two participants saw the need for much greater integration of I&IT planning with business planning, but this would seem to require a further elaboration of strategic plans with a consequent need for further documentation and implementation strategies.

There was a moderate level of agreement in relation to major information issues, problems and investments required between the senior managers in Retail Banking, Corporate and International and Strategic Planning, while the head of Information Systems tended to focus on slightly different, though related, matters. The same dichotomy was evident in the dissatisfaction expressed by the Retail Banker and Strategic Planner in relation to the adequacy of the current planning processes and the need to further decentralise some expertise (or at least to have some decentralized expertise) and services to the Business Units. The need for and importance of a centralised transaction processing system was acknowledged by all participants.

The difficulties of assessing, planning and investing in future technologies was seen as a major concern by all participants. The Bank had undergone a period of considerable change over the past five years in terms of its operation as a full commercial banking service in a very competitive environment. Further changes, particularly improvements in management expertise (at middle levels) and quicker responses to continuing environmental changes, were needed for the Bank to survive and grow.
6.2 Strategic Planning Documentation Analysis

6.2.1 The Development and Documentation Process

The strategic planning documentation reviewed in Bank One comprised the Bank's one volume Corporate Plan 1989/90, dated August 1989. This 63 page Plan was the outcome of the Bank's annual planning process, which began in March with discussions between the CEO, the Strategic Planning group and sometimes the General Management group. General guidelines were distributed to Divisions so that there could be discussion at Divisional levels and some input on Divisional plans provided to the Strategic Planning group by the end of May. Various financial models were developed, discussed again with the Corporate Management group and a set of financial targets established by the end of June. The Plan was then submitted to the CEO and to the Board for consideration and approval.

6.2.2 Scope of the Plan

Bank One's written Plan contained the following components in its first 13 pages: corporate objectives, summarised review of the previous year, and synopsis for the year ahead, including corporate strategy and priorities. Divisional performance reviews took the next 30 pages, followed by seven pages of highlights of the 1989/90 Plan. New lending targets and capital expenditure commitments were listed and finally the 1989/90 year financial plan.

The stated aim of the Plan was fourfold: to review the Bank's 1988/89 results and competitive position; to define the expected economic and competitive environment in both short and long term; to establish the Bank's strategic goals and priorities; and to set out the financial results expected to be achieved for 1989/90.

The Bank's expected 'one year outlook' for economic and banking environments listed implications of these for Bank One. 'Key issues occupying management attention' which were included in the section on corporate strategy and priorities were focused on economic and management matters.

Bank One's corporate strategy was to place greater emphasis in 1989/90 on consolidation and less on diversification and expansion. This included the intention to improve the existing product range and to critically examine all present operations in terms of costs controls and productivity gains.
The Divisional Performance Reviews provided a summary of achievements and then listed objectives for the business units for the 1989/90 year under four major headings: priority market segments, risk management, productivity and quality of service. The Group Headquarters (GHQ) units used a more unit-specific group of headings.

6.2.3 Information Strategy Content

Each part of the plan was examined for references to Information and Information Technology (I & IT).

In the 'One Year Outlook' for Banking, four implications were listed for Bank One. In one of these, 'Customer Service', planned systems improvements within the Bank to upgrade service quality was seen as a competitive response to investment in new technology by the non-bank financial institutions.

The GHQ Performance Review made references to ongoing work to complete a computerised human resource management system, and the installation of a computerised administrative system.

I & IT developments were mentioned in three of the six areas listed in the Retail Banking performance review. Increases in ATM and EFTPOS outlets were listed under 'priority market segments' together with increased card usage and the development of additional income producing services, which were all IT based. In the 'productivity' area, continued development and enhancement of loan system packages had taken place, there was more accurate product costing information on competitor products and prices, and assistance was given in the development of a customer information system.

Two of the six major Retail Banking objectives for 1989/90 featured I & IT. The first of these, under 'quality of service' listed a series of developments focusing on forms of electronic banking aimed at reviewing the structure of the delivery network to ensure that the service needs of customers were met. The second, under 'productivity' listed similar developments where the objectives included a more cost effective processing network and optimum customer service. The Retail Bank also aimed to develop a cost effective Customer Information System involving a complete evaluation of CIS software.
The Performance Review for the Corporate area included I & IT considerations in one of its seven areas, under 'risk management'. These related to continuing developments to improve management information, the development of a software interface with the retail area to facilitate 'total relationship management', and the development and enhancement of PC based software as a business management tool to produce management information on a timely basis.

Objectives for the forthcoming year emphasised these needs and developments, by seeking to significantly improve computer based systems to provide more efficient processing, more timely and effective management information, better trading support and analytical capabilities in respect of market and budget performances. Risk management objectives sought significantly improved systems, management information and business data to facilitate better risk and management control.

The GHQ Performance Review and Objectives section contained the Plans for the Finance area and Information Systems, with the latter comprising the bulk of the section. In the Finance area, a previous objective had been to continue to improve profitability and costing schemes so that new products could be appropriately costed. The 1989/90 Plan reported that 'very little progress' was made on this ongoing objective' and that satisfactory completion was dependant on developments in the Retail systems area.

The performance review for Information Systems listed achievements and ongoing activities under the previous year's objectives. These focus on upgrading systems and personnel capabilities, addressing the risk of system failures and the development of back-up systems, the improvement of planning functions with the introduction of a capacity planning process, establishment and upgrading of systems, the retail lending package, linking of the branch and ATM database, telecommunications network developments, support for regional offices, improved branch systems, office automation and continued development of an integrated personnel system.

Four major objectives for Information Systems were identified for 1989/90. The first three of these referred to ongoing support and general developments. The fourth was to proceed with major systems initiatives and lists seven of these. Each of these initiatives was mentioned elsewhere in the Plan under the relevant business or service area.
6.2.4 Discussion of the Plan

Bank One's Corporate Plan 1989/90 could not be categorised as providing a long, or even medium term strategic planning framework. The Plan is a short-term document reviewing the activities of the previous 12 months and developing objectives for the next 12 months. This was in fact acknowledged in the Plan by one of the 1989/90 objectives. The Strategic Planning area had been charged with developing a five year planning horizon and introducing into the planning process more key non-financial items.

The Plan reinforced the executive manager perspective that the predominant strategic thrust sought by Bank One was 'Product or service differentiation'. The Bank was seeking to achieve this through improving the existing product range and the servicing of high net worth individuals, company and government sectors. This approach was dependant on the development of better customer and management information so that new products could be appropriately developed and targetted. Electronically based banking, improved productivity and customer service were seen to support this thrust.

Business unit objectives in the Plan were stated in very general terms and lacked a strategic focus. Where there was specificity, it was operational and tactical, rather than strategic in nature.

The organizational structure of Bank One was clearly a continuing concern. Under priorities for 1989/90 the role and structure of the support divisions were to be 'fully reviewed' to ensure that they are able to provide the core services required by the operating divisions 'in a timely and efficient way'. This followed an earlier restructuring of the Retail and Corporate areas. In the objectives for 1989/90 the Strategic Planning group was to work with all areas of the Bank to review organizational structures and enable them to plan more efficient structures.

While the Plan made substantial references to I & IT (on which the desired business developments were dependant), there was no overall long term plan for the development of Information Systems and the ways in which these were linked to objectives in the business units. The 'objectives' were general in content and did not clarify roles and responsibilities between Information Systems and the business units. There was no timeframe indicated for the achievement of the objectives listed.
Thus, the strategic planning documentation indicated that a limited strategic planning process is in place in Bank One. While the objectives of the business units and the Information Systems areas were consistent, they were not well integrated and implementation responsibilities were not clear. Information systems plans and developments appeared to be less than adequate to meet the expectations and demands of the strategies of the business units as articulated in the Plan.

6.3 Information Services Infrastructure

This section brings together information about Bank One's Information Services Infrastructure from a combination of sources: interview records, annual report data and internal documents related to the organizational structure for the Information Systems and Services areas. The infrastructure reported was as it was in April, 1989 when three of the four interviews were concluded.

As outlined in Section 6.1.10, Bank One had three business units, and two GHQ support units. The Information Systems area was part of one of these support units. This structure had evolved over time, and input both from executive managers and from annual report data indicated that changes would continue to be made. The major structural changes which had taken place between 1985 and 1989 related to the establishment of a regional framework for the management of retail banking operations and the strengthening of centralised GHQ support groups.

The level and nature of IS support differed in each of the business units. The reasons for this are embedded in the historical development of Bank One from its beginnings as a predominantly retail operation. When Corporate and Treasury functions expanded from the mid-1980s, these units recruited their own IT staff and began to develop their own systems. One participant referred to the this as a 'unique structure' because of the 'grafting on' of these other areas.

According to the Information Systems Manager, his responsibilities were to 'oversee the use of information technology in the bank'. The Information Systems Department has two divisions, Operational and Developmental, and had a centralised transaction processing system. The Operational division had responsibility for the two computer centres, operational planning and budgeting, capacity planning, communications work, and areas such as 'accounts payable'. The Developmental division includes new projects, research and development, IS
planning, and security planning and control. The IS planning function was aimed at addressing the IS requirements of agreed areas of the organization and fed into the IS priority development process.

Horizontal linkages were made in specific areas. For example, developments in electronic banking were the responsibility of a manager within the IS department working with the electronic banking manager in the Retail unit. Overall coordination was at the unit (executive) Manager level. While the IS manager expressed general satisfaction with the present arrangements, the Retail manager and Strategic Planner indicated considerable dissatisfaction and a need for greater expertise in the IS area to be located in the Retail division. This would help lessen the current gap between Retail's requirements (as perceived by Retail) and the process of achieving systems developments, together with improving communication and understanding about technological possibilities and scheduling. The Corporate/International manager indicated that changes in development processes and responsibilities were needed so that the bank could respond more quickly to market demands, as well as achieving a greater degree of integration of systems across the three business units.

While Bank One had responsibility lines for information technology and electronic banking developments and services, there were no clear unit or individual responsibilities for ensuring the availability and adequacy of management information. This was named as a 'problem area' in the executive manager interviews. The head of Management Accounting had become the de facto management information resource because of his involvement with the development of the general ledger system. There appeared to be insufficient recognition of the need to clearly identify the content and format of management information required by senior managers.

At present some related responsibilities for external information resources and information about the external environment were shared between the Strategic Planning and Economics groups. Both of these were groups within one of the GHQ units. The Strategic Planning group had responsibility for assessing possible new strategic directions. The Economics group was charged with assisting in the process of interest rate and credit risk management, providing informed advice about the finance industry, economic and monetary forecasting and modelling, providing informed country and political risk assessments, and confidential and public information products and services, based on identified internal and external
needs. The Bank's library service was part of the Economics group, with the major users being business and corporate lenders and economists.

Thus, the information services infrastructure provided Bank One with a centralised information systems department and functions. IS developments were undertaken as a result of Executive Committee level decisions. Ongoing development and implementation of these decisions was shared between the IS and business units. Access to external information resources and advice was provided through one of the GHQ units. The current infrastructure did not appear to provide adequately for management information which requires a combination of both internal and external information. The type of internal information often required from the bank's information systems, was not readily available in a form which met the needs of managers.

6.4 Annual Report Analysis

The annual reports of Bank One from 1985 to 1989 (inclusive) provided a source of publicly available data about the bank. These reports were examined in three particular areas as a source of verification for the findings from the executive manager and strategic documentation data collection processes: the discussion of strategy, organizational and structural changes and references related to Information Technology.

6.4.1 Discussion of Strategy

The 1985 CEO's overview highlighted new strategies for expansion and development which were referred to in the 1986 reports as the transformation of the Bank from a predominantly retail savings institution into a full service bank. The 1987 report indicated that the strategy of growth and diversification was virtually complete. The 1988 report acknowledged that, in the past five years, the Bank had put heavy emphasis on growth, diversification and quality of customer service. There was sustained and consistent emphasis throughout the reports on the Bank's strategy concerning the development of innovative, competitive and flexible retail products and extending its range of business and commercial packages. This strategy was aimed at targeted market segments in the household, business and corporate sectors.
6.4.2 Organizational and Structural Changes

References to the increased importance of corporate planning and the need for the clear definition of long-term objectives appears, in some form, in each report. In order to carry out its initiatives, major organizational and operational changes were signalled in 1985 and then mentioned, with varying degrees of emphasis, in each of the subsequent reports examined. In the 1986 report, the aims of changes listed included the centralisation of planning, direction and control through better grouping of GHQ functions and the decentralisation of operations through the development of a system of regional management. Delegations could then be made on the basis of customer needs and staff capabilities. The 1988 report claimed that customer service had been improved by the decentralisation of branch administration and management of resources. A further reorganisation of the retail division was highlighted in the 1989 report. This was aimed at more clearly defined lines of responsibility.

6.4.3 Information Technology References

The CEO's letters in the five years of reports were examined for references to phrases related to Information Technology, as defined in Section 5.7. In Bank One's letters, the number of IT phrases averaged 29 per report, with a high of 38 in 1985 and a low of 22 in 1988. (The format of the 1985 report differed from later reports and thus the 2 page CEO's letter was analysed jointly with the 'review of operations' which immediately followed it).

Each phrase was categorised according to its context and then the nature of the phrase, using the categories listed in Figure 6.5, as adapted from Jarvenpaa and Ives (1990). Blank cells indicate that there were no occurrences of that context and nature in the particular year.

These figures indicated that references to Information Technology usually occurred in relation to discussion of past events, with more than half of the references (55%) focussing on investment in IT to offer new or altered products. This is consistent with the predominant strategy articulated by executive managers for the Bank. Another quarter of the phrases (26%) were in the nature of investment in IT to alter methods of production.
From the 1986 report onward there is a regular mention of the way in which 'new technology' is changing the banking industry. The 1987 report had a concentration of references to the reorganization and consolidation of the Information Systems/Technology area. Three of the letters specifically mentioned investment in IT as part of the Bank's future.

### Figure 6.5 IT Phrases in Bank One Annual Reports

<table>
<thead>
<tr>
<th>Context and Nature of the Phrase</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>85</td>
</tr>
<tr>
<td><strong>1. Financial Performance</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 Neutrally stated IT expenditure</td>
<td></td>
</tr>
<tr>
<td>1.2 Favourably stated IT expenditure</td>
<td></td>
</tr>
<tr>
<td>1.3 Unfavourable stated IT expenditure</td>
<td></td>
</tr>
<tr>
<td><strong>2. Major Event of the Year</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 Investment in IT to offer products</td>
<td>25</td>
</tr>
<tr>
<td>2.2 Investment to change production/prodn econs</td>
<td>11</td>
</tr>
<tr>
<td>2.3 IT executive change</td>
<td></td>
</tr>
<tr>
<td>2.4 IT organization/reorganization</td>
<td></td>
</tr>
<tr>
<td>2.5 IT consolidation, incl security</td>
<td>3</td>
</tr>
<tr>
<td>2.6 IT repositioning in the firm</td>
<td>1</td>
</tr>
<tr>
<td>2.7 IT repositioning in the industry, alliances</td>
<td>2</td>
</tr>
<tr>
<td>2.8 Health and safety considerations</td>
<td>1</td>
</tr>
<tr>
<td><strong>3. Future Outlook</strong></td>
<td></td>
</tr>
<tr>
<td>3.1 Investment in IT to offer products</td>
<td>2</td>
</tr>
<tr>
<td>3.2 Investment to change production/prodn econs</td>
<td></td>
</tr>
<tr>
<td>3.3 IT executive change</td>
<td></td>
</tr>
<tr>
<td>3.4 IT reorganization</td>
<td></td>
</tr>
<tr>
<td>3.5 IT consolidation</td>
<td></td>
</tr>
<tr>
<td>3.6 IT repositioning in the firm</td>
<td>38</td>
</tr>
<tr>
<td>3.7 IT repositioning in the industry</td>
<td></td>
</tr>
</tbody>
</table>

**Total occurrences by Year** 38 25 32 22 27 144
To give some indication of the extent of occurrences of IT phrases in reports where the length of the letters varied, the length of the letters in number of paragraph was calculated. The length varied from a high of 252 paragraphs in 1989 to a low of 117 in 1985, with the mean length being 182 paragraphs. Thus in Bank One’s annual reports, an IT phrase occurred, on average, every 6.3 paragraphs, or a phrase to paragraph ratio of 0.17. Figure 6.6 details these figures for each report.

In some reports, the IT phrase report was high because of a heavy concentration of references to particular electronically based products in two or three paragraphs. To overcome skewing which might have occurred because of this ‘density’ of mentions, a subsequent indicator was developed to calculate the number and percentage of paragraphs which included an IT phrase. The percentage of paragraphs which included an IT phrase ranged from a high of 18% in 1985 to a low of 8% in 1989.

Figure 6.6 Concentration of IT Phrases in CEO Letters

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Year</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Aver</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>85</td>
<td>86</td>
<td>87</td>
<td>88</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>1. Number of IT phrases</td>
<td>38</td>
<td>25</td>
<td>34</td>
<td>22</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>2. Length of letter in paragraphs</td>
<td>117</td>
<td>149</td>
<td>202</td>
<td>189</td>
<td>252</td>
<td>182</td>
</tr>
<tr>
<td>3. Phrases per paragraph</td>
<td>0.32</td>
<td>0.16</td>
<td>0.17</td>
<td>0.12</td>
<td>0.10</td>
<td>0.17</td>
</tr>
<tr>
<td>4. Number of paragraphs with IT phrases</td>
<td>21</td>
<td>15</td>
<td>31</td>
<td>18</td>
<td>21</td>
<td>21.2</td>
</tr>
<tr>
<td>5. Percentage of pars with IT phrases</td>
<td>18</td>
<td>10</td>
<td>15</td>
<td>9</td>
<td>8</td>
<td>12</td>
</tr>
</tbody>
</table>

Other parts of the annual reports were also examined for references to Information Technology. The regular ‘highlight’ or ‘year at a glance’ features at the front of the report consistently included a summary of the year’s achievements in electronic banking, as did features on ‘products and services’.

It is difficult to make meaningful comment on the extent of IT references in these reports in isolation from those of competitors. However, the content of these references provide support for the argument that the bank’s realized and intended strategies were heavily dependant on IT to develop and offer differentiated products with the underlying goal of improving customer service. Improvements in
organizational structures and decision-making to support the Bank's objectives and strategy were a continuing concern.

6.5 Bank One Summary Situation

Bank One executive managers considered the Bank to be an 'average' performer in relation to information-based advantage and there were differences concerning areas in which the Bank had gained some advantage. Three of the four managers marked 'differentiated customer products' while two of these and the fourth also marked areas related to the number and availability of ATMs and interchange links with other financial institutions.

For the 'Bank as a whole' the predominant strategic orientation was 'Product or service differentiation' and this was consistent with the data from the annual reports. This indicated too that the executive managers believed that the Bank was gaining some advantage in the area of its predominant strategy. There was a lower level of agreement about the strategic orientation in the Retail area. This was a concern as this is the major component and largest unit of Bank One.

The Bank had initiated and developed a corporate planning process, though executive managers were divided on the adequacy of the process and its outcomes. The review of strategic planning documentation led to a conclusion that the outcomes provided the Bank with a statement of short term objectives in each area of its business and activities. But this did not provide a long or even medium-term strategic planning framework. The 1989 Plan acknowledged this in its objectives for the Strategic Planning group.

Information problems focussed on the need for a 'proper Customer Information System', better management information and the lack of an IS plan. Objectives in two different areas of the 1989/90 Plan specifically mentioned the need for improvements in systems to ensure effective and timely management information. The role and structure of support areas (which includes the IS area) were to be fully reviewed in 1989/90 to ensure that they were able to provide the core services required by the operational divisions in a 'timely and efficient way'.

The Bank had a divisionalised structure, though its activities and support areas were skewed towards the Retail area. The Information Systems group oversaw a
centralised transaction processing system. Though responsibility lines for
developmental and implementation activities were in place, there was some
dissatisfaction concerning the suitability of current accountabilities.
Responsibilities for management information were somewhat unclear and
insufficient consideration appears to have been given to the content and format of
management information required by senior managers.

The lack of IS personnel in the business units had contributed to a communication,
understanding and priority gap between the GHQ IS department and business units.
The IT understanding of many bankers was inadequate for the current and future
 technological base of banking.
7. BANK TWO RESULTS

7.1 Executive Manager Data Collection Results

7.1.1 Introduction

Four participants in Bank Two completed the Preliminary Response Form (PRF) and were interviewed within a three week period in late March-April, 1989. The respondents were the most senior Executives in the areas of Retail Banking, Corporate and Commercial Services, Strategic Planning, and Information Systems/Technology.

In reporting results in this section, outcomes from the Preliminary Response Form and the Interview session have been integrated.

7.1.2 Critical Environmental Issues

Two issues were readily identified in some form by all participants: deregulation and the impact of technology on banking. Deregulation had had a dramatic effect on all Australian banks, though it was generally agreed that its long term effects would take a further five years or more to emerge. There was ready acknowledgment and articulation of the view that the Bank is 'in the information business' and that 'Information Technology (IT) is our technology'. As expressed by one participant, Banks now have to operate in the 'information environment' rather than the 'production environment'; or, as phrased by another participant, 'the superimposition of the technological revolution, along with deregulation, makes for exciting times'.

One participant commented on the changing consumer attitudes to banking, which might, in some way, have been brought about by, or interact with, the combined effects of deregulation and technology.

Other environmental factors referred to by three of the four participants were the consequences of the 'internationalising' of Australian business combined with Australia's small domestic market. In a technological environment, an additional factor in the Australian environment mentioned by one participant was the lack of infrastructure for suppliers and services to support business needs. The Australian market was too small to generate indigenous suppliers across many areas.
The Bank had responded to these critical environmental issues in a number of ways. All participants referred in some way to the 'internationalising' of the Bank, to major structural and organizational changes in the Bank's operations and the developments in the IT strategy and architecture.

Major organizational changes had resulted in a heavily divisionalised structure. These developments had required a number of iterations and would continue to do so. The Bank now had separated out its IS/T planning processes to ensure that the Bank had sufficient 'mind power' for long term IT planning, and to ensure an appropriate architecture was in place for the whole organization.

Two participants mentioned that the changed environment had meant a greater emphasis on cost controls, the need to become a lower cost provider and to utilize market segmentation approaches for greater service differentiation.

There was a high level of agreement amongst participants concerning major environmental factors and the Bank's responses to those factors. Some participants gave more extensive responses than others in this area, though these were more in the form of elaborations rather than indicating differences.

7.1.3 Strategic Planning Processes

There were no areas of complete unanimity and only two with near complete agreement in the eight statements on the Preliminary Response Form (PRF) about the Bank's strategic planning processes (See Figure 7.1 below). Participants were in agreement that, to a considerable extent, in the strategic planning process, proper attention was paid to current operations; secondly, that only 'to some extent' is it accurate to say that most managers gave careful attention to assuring efficient and effective implementation strategies.

Differing perceptions were evident in relation to the pervasiveness of strategic planning (question 1), the extent to which the CEO saw strategic planning as a major component of his task (question 2) and whether strategic planning processes take into account the unique characteristics of the Bank and its managers.

There was a spread in the middle ranges for questions 3 and 5. The area of greatest spread was found in the extent to which it was perceived that capital allocations were linked to strategic planning processes (just above 'not at all' to 'great extent').
Figure 7.1 Strategic Planning Process Outcomes

Note: For the purpose of consistency, responses to negatively expressed questions were reversed.

<table>
<thead>
<tr>
<th>Strategic Planning Process</th>
<th>Not at all (1) to great extent (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1. Strategic planning (SP) woven into management</td>
<td>*</td>
</tr>
<tr>
<td>2. SP seen as major component of CEO task</td>
<td>*</td>
</tr>
<tr>
<td>3. SP purposes identified and explained</td>
<td>*</td>
</tr>
<tr>
<td>4. SP systems recognise uniqueness of Bank</td>
<td>*</td>
</tr>
<tr>
<td>5. Balance in SP between intuition &amp; processes</td>
<td>**</td>
</tr>
<tr>
<td>6. SP focus but attention to current operations</td>
<td>*</td>
</tr>
<tr>
<td>7. Careful attention given to implementation</td>
<td>*</td>
</tr>
<tr>
<td>8. Capital allocations linked to SP processes</td>
<td>*</td>
</tr>
</tbody>
</table>

Thus, there were differing perceptions amongst executive managers about the Bank's strategic planning processes as evidenced by responses on the PRF. There was no discernible pattern amongst the differences (such as, one manager consistently agreeing with another manager's responses while differing from a third's). These responses were further probed in the interview sessions and are elaborated in Section 7.1.5.

While a range of strengths and weaknesses in the Retail Banking area's planning processes were listed, there were no inconsistencies in these responses between participants. Major strengths noted by two participants were an 'agreed strategic vision' of the business, with strategic/qualitative aspects as well as financial. A third participant commented that strategic planning processes were really only just beginning in the Retail area.

Two participants indicated weaknesses: the first listed the severe shortage of management information, lack of information on competitors and the inexperience in planning of most staff, while the second commented on the 'preoccupation with current major change processes'.
7.1.4 Strategic Orientation

Participant responses to the strategic thrusts and orientation of the Bank as a whole showed a range of executive manager perceptions. Responses were spread across five of the six areas listed (See Figure 7.2). Two participants marked only one of these each, and these were different ones: 'Product or service differentiation' and 'Growth'. The other two marked four each, three of which were the same ('Product or service differentiation', 'Segmentation or innovation' and 'Overall cost leadership'). One of the participants who marked four areas commented that the Bank was a portfolio of many activities, and components of most strategy paradigms are present.

![Figure 7.2 Bank Two Strategic Thrusts](image)

There was a much higher level of agreement in relation to the strategic thrusts being pursued by the Retail Banking area. Again, participants marked different numbers of strategic thrusts (from one to four). However, those who marked only one or two
marked the same ones as the two respondents who marked four categories. Thus, all
participants marked 'Overall cost leadership', three listed 'Product or service
differentiation' and the other two both marked 'Segmentation or innovation' and
'Some combination of these'.

7.1.5 Strategic Decision Making Processes

A consistent theme from all participants was that the Bank's formal strategic planning
processes were of relatively recent origin and that they needed to be 'pushed down'.
Strategic planning was seen to be the responsibility of top management, was centrally
controlled, involved looking at the 'big picture' and 'setting the framework'.

Three of the four participants stressed that the process really began only three years
ago with the Business Investment Planning (BIP) process, with one participant
commenting that 'until the last few years, strategic management has just been absent'.
In different ways, these three participants indicated concerns about the breadth and
depth of the present processes, the extent to which strategic planning was embedded in
the functioning of the business units, and the extent and nature of linkages between the
business units and the processes undertaken by the GHQ Executives.

One of these participants emphasized the need to develop mechanisms for rationalizing
and prioritizing developments, and to dovetail processes at different levels. He
indicated that the guidelines currently developed at Group level provided inadequate
frameworks for Business Units to then develop their plans, and, as a result, allowed
for too much latitude in SBU strategic developments. There needed to be greater
consideration of the long term strategic contexts in which SBUs were developing their
business plans, including greater articulation and operationalisation of the 'strategic
thrusts' horizontally and vertically within the Bank as a whole. This was, to some
extent, understandable, as strategic processes 'take several years to actually come to
maturity'. Another participant expressed the view that 'strategic processes were
respected, but not feared' and that there was considerable 'irritation at the work that
goes into preparing business and investment plans (as this) distracts people from
getting on with the job'.

The fourth participant was of the view that the Bank's strategic planning processes had
been evolutionary. Deliberate and high level decisions had been taken over 15 years
ago when it was realized that the Bank could no longer be 'all things to all people'.

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7.1.6 Information and Information Technology (I&IT) in Planning Processes

Participants generally indicated that I&IT requirements were now being identified as part of formal strategic planning processes, though the 'dovetailing' was still in its early phases. Previously the different units had prepared their strategies and objectives without necessarily indicating the technological requirements of these. At the same time, the technology areas put forward their plans without these being part of the business unit processes. Business Investment Plans had begun to quantify technological requirements so that they could be assessed for 'framework fit' and costs. One participant stated that the 'importance to us of information systems cannot be overstated' while another indicated that it was very difficult to predict what should happen in the I & IT area in relation to strategic decisions.

7.1.7 Information Problems and Assets

Information problems mentioned focused on two main areas: the need for 'true customer information' and the 'lousy management information system' together with the need to separate the information functions from the processing functions.

Three of the four participants (same grouping as Section 7.1.5) referred to 'Customer information' and the MIS in the context of the Bank's inability to glean information from the system on the totality of customer relationships with the Bank. The 20 year old processing systems were essentially account based, designed for a regulated era and were 'product driven rather than customer driven'. There was recognition from these participants that this was the motivating force behind reviewing the architecture which governs the Bank's technological infrastructure.

The fourth participant saw the huge cost of changes as the major information problem, as strategic investments were not predictable and had to be based on too many assumptions. The Bank's list of 'things to do' in this area was 'greater than our capacity to do them'.

The list of 'major information resource assets' indicated by participants does not present a very positive picture. After some thought, two managers concluded that the Bank does not have any information resource assets (though one did initially mention the domestic banking system which was currently being replaced). The third believed that the Bank's major information assets were the people in the business with IT understanding ('ordinary people/bankers with IT skills') and the fact that the Bank has
'recognized what is has to do', as evidenced by the work on the global communications network. The fourth participant indicated that the most used information asset was the retailer/merchant information gathered as part of EFTPOS, while the most underused was the information the bank holds on retail consumer banking.

Using a standard IS development cycle diagram as a prompt, participants were asked to indicate which area of IS developmental processes most required senior management attention. Three of the participants indicated that the Bank had problems in the 'Information Systems Implementation' area and specific mention was made of the need for 'good project management'. Two of these participants also noted that 'Tracking of Benefits' was not done and that 'people don't have long enough memories'.

The fourth participant saw a need to see the diagram in two dimensions: 'Information planning' and 'Production planning'. The further separation and delineation of these areas would greatly enhance the Bank's developmental processes.

7.1.8 New Investment in Information Resources

When asked to indicate priority areas for investment in the Bank's information resources, three participants in some way mentioned the need to accelerate the availability of good quality customer and management information, and training in its use. Two of these also mentioned the need to succeed with the new banking system and better pricing and product flexibility. One of these also mentioned 'global technical communications' The third participant also included investment in relational and advanced technology, architecture, and the need to invest in training people to interpret information delivered by systems.

The fourth participant did not identify any areas for further investment, but believed that good cases were funded by the Bank. Those that were not funded were 'chasing rainbows'.

7.1.9 Key Information Service Units and Personnel

All participants identified the same cluster of key information service units and personnel, with one participant including additional groups. The units in common
were all technology related units. The other groups named by one individual were the GHQ Finance and Audit areas.

When asked to name the three most senior information personnel, there was considerable overlap amongst the three participants who mentioned the Technology oriented areas. The Heads of the units mentioned above were seen as the most senior information personnel, to which was added the General Manager of Retail Services (because of his 'systems' background). However, those named by the fourth individual revealed a greater emphasis on 'information' rather than 'technology': the GHQ Chief Executive, Managing Director and the GHQ Executive responsible for Strategic Planning.

7.1.10 Organizational Structures, Centralization and Decentralization

The Bank had a matrix management structure which had been heavily divisionalised into over 40 SBUs in the past five years. The GHQ set strategic guidelines and technology directions on a 5-10 year timeframe. The Business Units were in different stages of evolution and there had been a number of iterations of the organization's structure. In interview all participants were in agreement with the sentiment that 'true matrix management takes time', and that some people were still uncomfortable with the present arrangements. There is ongoing examination of what belongs in the centre and what belongs with the business units, with some units being 'too big or too small'.

In the technology area participants presented a consistent picture of developments. There was still a blurring of 'information planning' and 'production/operational' functions. Business units had their own 'systems shop' and undertook specific information planning, at high levels in these units. The role of GHQ IS/T was the 'gestation of advanced technology' and provision of an architecture for the Bank. The architectural developments were overcoming the situation of some years ago with lack of hardware and software compatibility across the Bank.

Though the process of organizational and structural change had been difficult, participants were positive about the balance of centralisation and decentralisation of different functions, responsibilities and systems in the Bank.
7.1.11 Information-Based Comparative Advantage (IBCA)

Participants' responses to the overall situation of the Bank's use of IBCA when compared to competitors were clustered around the 'average' mark (See Figure 7.3). Agreement in this area in relation to the Retail Banking area was completely consolidated on the 'average' mark.

**Figure 7.3 Information Based Comparative Positioning**

<table>
<thead>
<tr>
<th>Section of the Bank</th>
<th>Participant responses Low (1), Average (3) to High (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1. Bank as a Whole; compared to competitors</td>
<td>***</td>
</tr>
<tr>
<td>2. Retail banking; compared to competitors</td>
<td>****</td>
</tr>
</tbody>
</table>

When selecting from 18 areas of potential competitive advantage for financial institutions, participants differed in the number and spread of areas they marked (See Figure 7.4). The number of areas marked spread from none to six. One participant was firmly of the view that the Bank had no IBCA over its competitors at the present time, and that all the larger Banks were 'plodding'. The only area marked by all three other participants was 'Electronic Funds Transfer/Point of Sale Terminals'. Two participants marked 'ATM interchange links with other financial institutions' and 'Internal networking systems' while six other areas were marked once each.

The strategic thrusts which the participants indicated the Bank is following do not yet appear to be reflected in any perceived IBCA. In interview, some participants indicated that the IBCA they had marked on the Form were more in the nature of 'positioning' advantages at this stage, providing potential 'leadership positions' and 'good investments from an infrastructure point of view'. EFTPOS was specifically mentioned in this regard, providing the opportunity for a 'new generation of facilities'. 'Internal networking' provided the ability to uncouple technology and organizational structures, though the requirements for different behavioural and management skills in this scenario were acknowledged by one participant.

The decision making processes behind the emergence of the perceived IBCA were probed at interview. To date, these had been somewhat unsystematic, though other discussions (see 7.1.5) indicated that this was changing. EFTPOS was given as an example of a development for which a business case was made and then championed.
by an individual. Developments in 'Marketing, market analysis' were mentioned by one participant as receiving initial impetus and support 'from the top'.

Figure 7.4 Number and Range of IBCAs in Bank Two

<table>
<thead>
<tr>
<th>Information-Based Comparative Advantage</th>
<th>Participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Differentiated customer services</td>
<td>1</td>
</tr>
<tr>
<td>b. Differentiated customer products</td>
<td>*</td>
</tr>
<tr>
<td>c. Electronic home banking</td>
<td>*</td>
</tr>
<tr>
<td>d. Electronic Funds Transfer/Point Of Sale Terminals</td>
<td>*</td>
</tr>
<tr>
<td>e. Number and availability of automated teller machines (ATMs)</td>
<td>*</td>
</tr>
<tr>
<td>f. ATM interchange links with other financial institutions</td>
<td>*</td>
</tr>
<tr>
<td>g. Integration of customer data</td>
<td>*</td>
</tr>
<tr>
<td>h. Centralised transaction processing centre</td>
<td></td>
</tr>
<tr>
<td>i. Consolidation of applications onto a uniform product base</td>
<td></td>
</tr>
<tr>
<td>j. Market analysis, marketing</td>
<td>*</td>
</tr>
<tr>
<td>k. Competitor intelligence</td>
<td></td>
</tr>
<tr>
<td>l. Internal networking systems</td>
<td></td>
</tr>
<tr>
<td>n. Office automation, records management</td>
<td></td>
</tr>
<tr>
<td>o. MIS Planning and control</td>
<td></td>
</tr>
<tr>
<td>p. Cost accounting</td>
<td></td>
</tr>
<tr>
<td>q. Risk management techniques</td>
<td>*</td>
</tr>
<tr>
<td>r. Inventory or Stock control, asset management</td>
<td></td>
</tr>
<tr>
<td>s. Investment and Financial planning</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0 4 6 3</td>
</tr>
</tbody>
</table>

In summary, most of the participants saw the Bank as an average performer at present in the I&IT area, which had a number of 'positioning' advantages. However, the Bank had undertaken a number of organizational initiatives to ensure that it had a sound long term strategy and infrastructure for I & IT developments.
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7.1.12 Summary

The executive managers interviewed shared a common vision of the critical environmental issues found by the Bank in the past three years, and of the Bank's response to these. This extended to a positive view of the major organizational and structural changes undertaken and still in process, and the rationale and focus for the GHQ IS/T unit.

While participants portrayed consistent explanations of the Bank's strategic planning processes there were considerable differences in relation to the positive and negative features and outcomes of these processes. All were in agreement that there was still much to be achieved in this area, particularly in meshing activities at the Group level with the Business Units.

Perceptions of the strategic thrusts and orientation of the 'Bank as a whole' were varied, with the level of agreement for the Retail area being higher.

The major information problems identified focused on customer and management information, though there was a greater spread of views concerning the Bank's major information assets.

Executive managers saw the Bank as an 'average' performer in relation to information-based advantages to date and was in a positioning and planning stage in relation to IT developments.

Organizational changes were seen to enhance the probability that objectives in the Information and Information Technology area would be achieved; but this would require more overt linking of group and SBU plans and developments.

7.2 Strategic Planning Documentation Analysis

7.2.1 The Development and Documentation Process

Access was obtained to an extensive range of strategic planning documents in Bank Two covering those at Board level, for the Business Units, for the IS/T area at GHQ level and for the planning process itself. The documents were:
1. Business and Investment Plan, 1990-1992, which is the Bank's Board level and overview and summary documentation.

2. The separate strategic plans for each of the Business Units, comprising over 40 separate volumes.


4. The Bank's 46 page Administration Manual on the preparation of Business and Investment Plans (BIPs).

In addition, senior staff responsible for the Business and Investment Planning process provided verbal reports, comments and a written summary of process.

The strategic planning process in Bank Two operated on a three year planning cycle, beginning each year with a Strategic Review prepared by GHQ Strategic Planning and presented to the Board in February. The Strategic Review included 'Strategic Guidelines' and projected economic scenarios which are issued to Units after approval by the Board.

Business Units then prepared plans and submitted them 'up the line'. Review sessions were held with each Unit, with participation from the CEO, Unit head, Sector Head and Strategic Planning representative. A consolidated BIP, covering all Sectors, was presented to the Board in June.

The Administration Manual identified the three major elements of Bank Two's planning process:

1. GHQ level strategic analysis and planning undertaken by top management and GHQ Strategic Planning. This focused on long-term financial and global developments and their implications for the Bank, and addressed broad issues such as the total business portfolio structure and balance, geographical spread, competitive stance in principal markets and technology, and major product developments.

2. Medium-term planning at the SBU level undertaken by the SBU executive with the Sector Director and support from GHQ Strategic Planning. This
focuses on identifying and monitoring changes in the factors from which the Unit's competitive advantage was derived; and then developing plans, in actionable terms, to respond to those changes particularly in the areas of customer/product mix, volume/pricing/costs mix, balance sheet structure, personnel levels and skills mix, fixed assets support and systems development.

3. Short term budgeting prepared at SBU level and consolidated for the GHQ.

The Administration Manual further advised that BIPs should be thought of as having both qualitative and quantitative components: The qualitative is represented by the strategic analysis and business plans, while the quantitative is represented by the projections of business volumes, profit, performance and capital expenditure. The Manual emphasised that the qualitative component was the more important and BIPs should reflect that relative emphasis.

A suggested structure and major sections for BIPs were listed in the Manual and each unit was required to include a section on its 'technology plans'.

7.2.2 Scope of the Plan

The consolidated summary and overview Business and Investment Plan, 1990-1992 (hereafter referred to as BIP 1990) included five major components: a review of 1989 (16pp), Strategic Review guidelines to Business Units (6pp), a statement of the projected economic environment to 1992 (19pp), a Board Memorandum (6pp), summary of significant strategic issues (22pp) and then a summary for each of the eight sectors. In the case of the Retail sector, 1-2 pages is included for each of the SBUs.

The objectives of the process and the BIP 1990 were twofold: to ensure that individual business unit plans were consistent with the Bank's overall strategic objectives; and, secondly, to provide projections of the GHQ balance sheet and profit and loss account to permit top management to assess and adjust the allocation of resources.

The Board Memorandum provided the key statements concerning the Bank's overall strategy. The thrust of the Bank was described as being directed towards twin objectives: securing its position in the 'home base' and developing other local bases,
so that value to the Bank and the Bank's comparative advantage were derived from the existence of the network itself. Thus, the Bank's strategy was two-pronged: to provide a comprehensive range of financial services and market share in the 'home base'; and, secondly to be distinguished from our competitors by being the home markets' international bank. The aim in home markets was to increase market share, and in local businesses to establish a competitive position by specialised products, markets or superior service. The Bank's strategy involved exploiting its international position and network.

The Strategic Guidelines to Business Units identified the need for a greater focus on controlling cost ratios, particularly cost to income ratios necessary for many units. The Bank's general strategy objectives required an ability to be fast and flexible in responding to change and three ways were indicated for achieving this: a lean cost structure, superior manpower skills, and a technology base capable of adjusting to frequently changing needs without involving long redevelopment lags and incurring large expense. Explicit plans, then, were needed in these three areas.

7.2.3 Information Strategy Content

Both the BIP 1990 and the plans of individual units contained extensive references to 'technology plans'. The SBU plans will be discussed first, followed by the overview document, BIP 1990.

In the case of the SBU plans, the format guidelines had a mandatory section on 'Technology Plans' and the rationale for this was outlined in the Administrative Manual. Three reasons were given for the requirement of a 'thorough description of technology plans' in BIPs: for most business units the use of technology was becoming increasingly critical in maintaining a competitive position; major technology projects took several years to plan and complete and, thus, require early identification; and, finally, technology resources were scarce and costs high and a complete understanding of the Bank's requirements was needed in order to manage developments adequately.

The narrative section under the heading 'Technology Plans' in Business Unit BIPs was to describe the translation of business strategies and plans into appropriate technology plans. Suggested areas for inclusion were given and covered technology plans in general, the relationship of the plans with the Information systems Architecture, any recent or planned Information Systems Planning activities, resource
Author/s: BROADBENT, MARIANNE

Title: The alignment of business and information strategies

Date: 1990


Publication Status: Unpublished

Persistent Link: http://hdl.handle.net/11343/39451

File Description: p.139-188

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