Investigating Strategic Renewal of Five Large Dutch Financial Services Firms

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INVESTIGATING STRATEGIC RENEWAL OF FIVE LARGE DUTCH FINANCIAL SERVICES FIRMS

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Abstract

How do large well-established firms renew themselves in an increasing turbulent environment? Is there a generic pattern of change or is each change journey rather idiosyncratic? We posed five questions about the nature of renewal patterns. First, how do firms combine external versus internal initiatives in a trajectory of strategic renewal? Second, how does the balance of competence building and competence leveraging evolve in a trajectory of strategic renewal? Third, what are the sequences of action in a strategic renewal process? Fourth, do firms differ regarding speed of their renewal processes? Finally, do different strategic renewal trajectories give rise to different of similar outcomes? Using a simple framework and new metrics we described and analyzed the strategic renewal journeys of the five largest financial service firms in the Netherlands during the period 1990-1997. We found equifinality in viable trajectories of strategic renewal. In four out of five firms, they result in similar outcomes due to mimetic behaviour. Nonetheless, one firm showed deviant strategic behaviour.

Key words: Strategic renewal; competence building vs. competence leveraging; financial services firms.

Introduction

The tradition of much research addressing issues of strategic change has been oriented towards the examination of the variance of external conditions and an attempt to identify organizational forms conducive towards strategic change (Miles & Snow, 1994). Employing comparative statics, these research efforts typically focus on change as a discrete event, rather than as an ongoing process. However, research based upon comparative statics may often not reflect the real challenges which organizations face in a pluralistic world. Analytical approaches centered on comparative statics are less suited when they are used to explore dynamic, or evolutionary phenomena such as the processes of strategy formulation and implementation (Mintzberg & Westley, 1992), or organizational change (Miller & Friesen, 1980).

This paper explores, evaluates and analyses the strategic renewal paths of five large Dutch financial institutions in terms of five fundamental questions pertaining to the nature of strategic renewal. This is conducted through an analysis of strategic actions undertaken by the management, top management team and organizational changes, and outcomes over an eight-year time period. As the research questions presented in the subsequent section illustrate, many aspects, or dimensions of strategic renewal are resistant to, and irreconcilable with static analyses. As such, the analytical approach used in this investigation builds on a competence-based perspective (Sanchez & Heene, 1996). The competence-based perspective focuses on the question of adaptation and performance of organizations functioning in a volatile and uncertain environment. Focal issues of the competence-based approach, such as decisions about organizational boundaries and the dynamics of actions within and across organizations are investigated in this paper in the context of the financial services sector. This study is tailored intimately to the phenomenon of strategic renewal processes and is based upon the fact that strategic renewal is not a one time event, but is essentially an ongoing process, shaped by top management's strategic actions over time and the evolvement of the environment in which firms operate.

The investigation of strategic renewal processes presented here is based upon an ongoing research program exploring strategic renewal in large European financial institutions (see www.strategyaterasmus.nl). The selection of the financial services sector as the focal point for our analysis is motivated by several considerations.

First, the financial services sector is profoundly important to the economies of many Western European economies. Indeed, financial service firms currently account for seventy-two out of the top three hundred quoted European companies (Financial Times, January 1999) and their importance in market capitalization is even greater. Second, during the past decade, the financial services sector in Europe has been confronted with a *series* of environmental shocks, which have challenged top management to think of strategic renewal as an ongoing journey instead of a destination. The breaking down of barriers between the banking and insurance industries driven by national legislation and European directives, the introduction of new rules of corporate governance (such as the UK financial services act, mirrored in other countries), the introduction of new rules of compliance (such as the Basle agreement), the deregulation of capital markets both the EU and global levels), the introduction in 1992 of the single European market which permits cross border mergers and alliances, the introduction of the single European currency in 1999 and in the year 2002, the prospect of abolition of the national currencies of the majority of the member states of the European Union are some of the major issues faced by European financial institutions as they consider how to renew themselves in the context of a fluid economic, political, and legal landscape.

Our investigation into the nature of strategic renewal processes in this sector looks at the strategic actions which firms undertake over time to counter the forces of the environment and to take control of their destiny. Both researchers and practitioners need theories to inform and metrics to measure how and why firms take actions to renew themselves. The theoretical approach employed here is geared towards providing answers and insights regarding pressing and largely unanswered questions. Consequently, the theoretical approach employed here is necessarily eclectic and is geared towards explaining how strategic renewal processes are developed over time by the top management team's strategic actions, rather than on developing an all-encompassing theory of strategic renewal.

RESEARCH QUESTIONS

External and Internal Bases For Renewal

From a competence-based perspective, firms can be viewed as open systems in which resources flow to and from other firms. This open system view can be applied to explain the application of external parties in building and leveraging competences (Sanchez & Heene, 1996) besides the own organization. Wernerfelt (1984) argues that, as the markets for attractive resources is imperfect, firms often use mergers and acquistions to acquire these resources (Wernerfelt, 1984). Penrose (1959) was one of the first organizational scholars to analyze the growth processes of firms. She certainly introduced the discussion of the influences of managerial resources on the choices managers should make regarding internal versus external growth through acquisitions. Other scholars have further elaborated on these internal growth trajectories in terms of new business development (Burgelman, 1983; Block &

MacMillan, 1993; Day, 1994; Galunic & Eisenhardt, 1996). Economists have debated the merits of internal (hierarchy) versus external (market) development trajectories (Coase, 1937; Williamson, 1975). Their dominant approach is to use transactions costs for explaining the choices (either internal or external) that firms make. More recently, the debate has moved forward. Ghoshal and Moran (1996) have expressed concern at the limitations of the TCE approach. Further, many scholars have emphasized that strategic renewal reflects a continuum of decisions. For example, networks and alliances can be seen as appropriate external avenues of renewal (Thorelli, 1986; Hamel, 1991; Koza & Lewin, 1999). Yet despite these important debates, a fundamental question still arises:

Q.1. In the process of strategic renewal, how do firms combine external versus internal initiatives?

As will be explained in the methods section, we will examine the answer to this question by classifying a firms' strategic actions internally (new product launches, new market developments) and comparing these to external moves (the formation of alliances and mergers).

Competence building versus Competence leveraging

Organizations accumulate know-how in the course of their existence. They become repositories of skills that are unique and difficult to alienate. These skills are the source of both inertia and distinctive competence. Inertia is due to sunk costs in past investments and entrenched social structures, and to organizational members becoming attached to cognitive styles, behavioral dispositions and decision heuristics. The accumulated skills that render firms inert, also provide opportunities for strengthening their unique advantages. The potential benefits include great reliability in delivering a sound and comprehensive product and many economies of efficiency and routine (Miller & Chen 1994: 1). According to the path dependent view of Hannan and Freeman (1984), firms do best by not trying to counter their history, but rather by allowing evolution to take place.

The evolutionary perspective has a close affinity with the resource-based theory of the firm. In their *Evolutionary theory of Economic Change*, Nelson and Winter (1982) describe firms as repositories of routines, which endow them with a capacity to search. Yet, the same routines suppress attention span and capacity to absorb new information by specifying behavior, which limits the search only for new ideas to those that are reasonable and consistent with prior learning. In a similar way, in the *resource-based theory,* the firm is seen as a bundle of tangible and intangible resources and tacit know-how that must be identified, selected, developed and deployed to generate superior performance (Learned et al., 1969; Wernerfelt, 1984).

In response, Teece (1984: 106) has argued that a limited repertoire of available routines severely constrains a firm's available strategic choices. The suppression of choice is a condition for the efficient exploitation of a core competence and many studies show that in highly competitive environments a core competence can become a core rigidity (Leonard-Barton, 1992; Burgelman, 1994; Barnett et al., 1994) or competence trap (Levitt & March, 1988; Levinthal & March, 1993). Firms develop core rigidities together with highly specialized resources in order to enhance profits at the price of reduced flexibility (Volberda, 1996a). Consequently, Teece, Pisano and Shuen (1997) have suggested that the relative superiority and imitability of organizational resources cannot be taken for granted and that, from a normative perspective, the firm must always remain in a dynamic capability building mode.

In the language of the competence approach, firms have to balance competence building and competence leveraging. In a process of competence building, new strategic options are created, whereas existing strategic options are exercised in a process of competence leveraging (Sanchez & Heene, 1996). Firms which exploit their capabilities and resources to the full, avoid up-grading and fall into the competence trap (Leonard-Barton, 1992). Thus, Teece, Pisano and Shuen (1997), have suggested firms which wish to develop over time need to maintain the balance between exploiting old capabilities and developing new ones. We therefore pose our second question:

Q.2 How does the balance of competence leveraging and competence building evolve in a strategic renewal process?

Sequencing in Renewal

Chandler's famous dictum that structure follows strategy, inspired a debate about the levers which connected managerial prerogatives to organizational action (Chandler, 1962). His view reflects the dominant perspective of many managers that there is a linear relationship between (1) strategy, (2) structure and (3) actions. Yet, this view of the world has been often challenged. Mintzberg and Waters (1985) see strategy as emerging from a pattern of decisions, and suggest that this is more common than the deliberate path of structure following strategy. Weick (1979) goes further and asserts that strategy can only exist after the event, emphasizing that action is the starting point of the process. Those who adopt a network perspective argue that the separation of structure from strategy is often incorrect (Lorenzoni & Baden-Fuller, 1995). In networks, the structure is the strategy and the same maybe true for organizations as well.

The debate between the contrasting views of the sequence of events falls over into interpretation. Studies of renewal, such as those of Bartlett and Ghoshal (1993) on ABB, Hamel and Prahalad (1989) on strategic intent, and Baden-Fuller and Stopford (1994) on rejuvenation suggest that singular renewal is often preceded by concerted action at the top. In contrast, Burgelman's (1994) story of Intel and Mintzberg and Waters' (1985) study emphasizes the role of serendipity and accident. Perhaps the differences of opinion stem in part from the distinct environments which individual firms face. As much of the existent research on strategic renewal processes has taken the form of case studies, which cannot control for the heterogeneity of firm-specific environments, it is difficult to ascertain a priori which explanation is most useful. In this study, we have a sample, which controls for industry effects and hence the possibility of comparing firms facing similar circumstances.

Q.3. What are the sequences of action in a strategic renewal process? Specifically, do changes in top management team precede or follow changes in organization structure?

Our data collection will allow us to examine several of these issues, as we construct proxies for strategy change, organization change, and strategic action.

Speed and Acceleration in Renewal

Much research in strategic management is devoted to issues pertaining to comparative statics. As such, questions of speed of adjustment and acceleration in renewal processes are rarely dealt with. D'Aveni (1994), in his discussion of *Hyper-competition*, emphasizes that success is often tied to speed. Still, it should be emphasized that contrary to popular opinion (cf. Dumaine, 1989; Stalk, 1988), too short a reaction time may lead to overreaction and excessive information searches and even results in chaos. The reality is that many managers act prudently and wait until the impact of external turbulence reaches a certain level before responding; this results in organization inertia (Hambrick & D'Aveni, 1988; Hannan & Freeman, 1984). Inertia results in longer delays and in more muted actions, reducing speed and acceleration. Thus, speed is a function of the required time and the acceleration of the process of change.

Models of speed of response in strategic management come from reactions to crises (Hambrick & D'Aveni, 1988; D'Aveni, 1994), and from the capacity of boards of directors to respond to capital market pressures. For instance, Jensen and Meckling (1976) have formally modeled the agency problem, which highlights the role of financial incentives.

Q.4. Do firms differ regarding speed of their renewal processes? Do firms, which have tight financial incentives for performance, react faster than others in undertaking renewal patterns?

We develop metrics for measuring both the speed of response to changes, as well as indicators of financial incentives.

Equifinality of Renewal Trajectories

Is there one best path of renewal? Alternatively, are there many paths, which reach the same goal? We deal with this question at greater length than the others because the management literature diverges rather fundamentally. Many argue from a single perspective, few are multifaceted. For example, Schumpeter (1934) and Chandler (1962) suggested that corporate management is the primary initiator of strategic renewal actions, while front-line managers implement the top-down decisions. This implies that renewal is a *top-down, deliberate managerial process*, where competence building created by heuristics, skill development, and fundamentally new insights or double-loop learning (Argyris & Schön 1978) takes place at the corporate management level, while the leveraging of these competencies in terms of routine proliferation or single-loop learning takes place at the business-unit or lower levels. This top-down, deliberate managerial perspective finds support in the work of Prahalad & Hamel (1990), who argue that organizational renewal depends on the strategic intent (Hamel & Prahalad 1989) of the CEO or corporate management and can be based on superior industry foresight.

By contrast, evolutionary perspectives (cf. Cyert & March 1963) suggest that strategic renewal in large complex firms is often less centralized in top management, more multifaceted, and generally less integrated (Van Cauwenberg & Cool, 1982). That is, strategic renewal is an organization-wide activity in which each level has to contribute in its own way. Building on Bower's work (1970) on the management of the resource allocation process, a rich body of literature has suggested that perhaps the most effective process of strategic renewal is through originating, developing, and promoting strategic initiatives from the front-line managers (cf. Kimberly, 1979; Burgelman, 1983; Quinn, 1985; Bartlett & Ghoshal, 1993). This research finds that renewal typically emerges from autonomous strategic behavior of individuals or small groups in lower levels of the organization. Front-line managers, it is argued, typically have the most current knowledge and expertise and are closer to the routines and sources of information critical to innovative outcomes.

Within the *reactive bottom-up, emergent perspective*, the role of top management is described as retrospective legitimizer (Burgelman, 1983) or judge and arbiter (Angle & Van de Ven, 1989) and that of middle management as supporter and intermediary of lower-level initiatives. The process of renewal and the building of new competencies takes place at the lowest level by double-loop or generative learning (Senge, 1990); the interactions with the market and demanding clients spur front-line managers to call into question their norms, objectives, and basic policies (Baden-Fuller & Volberda, 1997). At the upper managerial levels, the leveraging of already developed competencies takes place by single-loop or adaptive learning, which helps the firm to exploit previous experiences, to detect causalities, and extrapolate to the future. It permits top corporate management to persist in its set policies and achieve its formulated objectives

By contrast, in the *proactive bottom-up, emergent perspective*, the role of top management is considered to be more than retroactive sense-making of bottom-up initiatives; it is the creator of purpose and challenger of the status quo of the firm (Bartlett & Ghoshal, 1993). This creative tension (Senge, 1990) at the level of corporate management forces the firm to balance leveraging existing competencies with the cost of adaptability to new competence development. One could argue that in the proactive bottom-up, emergent perspective, top management is involved in single-loop and double-loop learning at the same time, sometimes called deutero-learning (cf. Bateson, 1936; Argyris & Schön, 1978). In other words, top management's exploration of unknown futures and its exploitation of known pasts balance each other (Hedberg & Jönsson, 1978: 50).

In an empirical study of strategic renewal processes, Day (1994) shows that the roles of various management levels were diverse. Strategic initiatives arose from lower levels as well as middle and upper levels. Moreover, she argued that when top management followed only a reactive bottom-up, emergent perspective of strategic renewal, the chances of survival of the multiunit firm were reduced (Day, 1994: 168). The direct role of corporate top management was crucial, especially in case of strategic renewal projects, which required substantial resources during development and co-operation across multiple business units.

Given these divergent views on the dominant trajectory of strategic renewal, it is difficult to provide a "one best way" of strategic renewal. Smith and Zeithaml (1996) and Volberda (1996b, 1998) showed even multiple effective trajectories of strategic renewal within the same firm. Based on evidence within the Regional Bell Operating Companies, KLM, TNT Post Group, they argue that there are several viable ways of renewal. We therefore pose our final question:

Q.5. Do different strategic renewal processes give rise to different or similar outcomes?

We will compare paths of strategic renewal, defining archetypes by means of measures of actions. We also utilize measures of renewal success, looking at aspects such as stock market performance, industry rankings and other factors.

FRAMEWORK FOR STRATEGIC RENEWAL PROCESSES WITHIN FIRMS

We describe strategic renewal as a set of processes that an organization undertakes to cope with environmental changes. By processes, we mean actions taken by parts of the organization which are likely to have an impact on the overall behaviour of the organization and its performance. Such processes may include mergers and joint ventures (external actions) and new business venturing in existing and new markets (internal actions). These processes can be categorised into competence building or competence leveraging (Sanchez & Heene, 1996). For example, a greenfield start-up in a new market points to competence building, whereas actions that devote resources to existing activities refer to competence leveraging.

Environmental changes refer to both institutional and stakeholder changes. Instances of institutional alterations include the emergence of a single European market, the passage of banking directives, and changes in regulations. Stakeholder changes include the emergence of greater shareholder influence, and moves made by major competitors (e.g., a major merger of two competitors).

Building on the previous discussion of what we mean by strategic renewal and environmental changes, we have constructed a framework, incorporating insights from the diverse set of theories addressed in our research questions. The nature of the five questions suggests various constructs and possible relationships between them. E.g., we assume that a pattern of environmental changes make the top management react, coact, or proact using strategic actions of varying modes and character.

Further, as previous research on strategic change suggests, three essential dimensions of strategy have to be analyzed: the strategy process, content and context (e.g. Pettigrew & Whipp, 1991). In order to cope with these dimensions and to show to what extent this is the case, a framework is helpful.

Our framework covers the constructs raised in the research questions. The first question is reflected in the block internal versus external actions of renewal. In the second question, the balance between competence building versus competence leveraging is raised. Based upon the theoretical distinction between these two (Sanchez & Heene, 1996) we will classify the renewal actions into competence building or leveraging. In the third question, top management team and organizational structure are introduced, as we will do in the proposed framework. In the fourth question, the speed of response is central. This construct is not explicitly incorporated into the framework but follows from the time delays in the renewal processes. In the framework, the issue of financial incentives will be considered as belonging to the firm's internal context (or organizational structure).

In choosing a firm's strategic renewal process as the unit of analysis, we build on previous contributions to our understanding of strategic change. For instance, Pettigrew and Whipp (1991: 26) aimed "... to link competitive performance of British firms to their ability to adapt to major changes in their environment" using three levels of analysis; the firm, the sector, and the economy. Our proposed framework explores the firm level in more detail, capturing the other two levels of analysis with a building block referring to the external environment.

The framework for describing and analyzing strategic renewal processes is depicted in figure 1. The upper block of the framework refers to the changing external context or environment operationalized by a pattern of environmental shocks. In our empirical analysis, we assume that established firms are all confronted with the same generic pattern of environmental shocks.

Insert Figure 1 about here

Regarding the second and third block in figure 1, top management team characteristics and organizational structure, we assume that changes of key characteristics such as the composition of the management team, change of CEO, industry tenure, and the degree of internationalization indicate a changing internal context of renewal processes. This also applies to changes in the organizational structure. The last two blocks relate to the mode and character of renewal actions, respectively internal or external-driven actions, and and actions of competence building or competence leveraging. Examples of internal renewal actions are new business development and product/process innovations. Acquisitions and joint ventures are examples of external renewal actions. The last block of the framework, outcomes, captures both internal outcomes such as acquiring new capabilities and external outcomes such as changes in performance. Financial performance, however, is rather difficult to operationalize. For instance, the use of ranking data (based on balance sheet) will be distorted by merger and acquisition processes. Having explained the building blocks of the framework, it is important to stress that the framework is not a model, but only a representation of how these building blocks fit together.

Two aspects of the framework deserve special attention: the temporal dimension and the attributes of the strategic renewal process as raised in the first two research questions. In describing and analyzing strategic renewal processes 'motion pictures' of the process are clearly preferred to making a couple of snapshots (Pettigrew & Whipp, 1991: 31). We therefore geared our research methodology towards analyzing the report of the Management Board in the annual reports. The annual reports represent the perceptions of top management regarding key events taken place during the reported year. For each firm, we detected and categorised the actions reported in their annual reports and in Financial Times articles of the years 1990-1997. This rather fine-grained time path allows analyzing the mode and character of strategic renewal processes longitudinally and cross-sectionally.

METHODS

Sample

In this section, we will elaborate on the research methodology, in particular the sample, data sources and the measurement of the constructs of the framework. We chose the largest five Dutch companies from the European financial services industry: ABN Amro, Aegon, ING, Rabobank, and Fortis. Four are publicly quoted, one is not.

Name	Total assets	Main business
ABN Amro	543bn Euro	Bank
Aegon	244bn Euro	Insurance
ING	650bn Euro	Bank-Insurance
Rabobank	343bn Euro	Bank-Insurance
Fortis	438bn Euro	Bank-Insurance

Source: Annual Reports, 2000

We chose to examine the period 1990 to 1997, which spans a period of increasing turbulence for the financial services industry.

Sources of data

Our data collection strategy was motivated by a desire to find contemporaneous accounts of actions of renewal in order to understand the journeys of change as well as to overcome the problems of interviews which create retrospective sense making (Weick, 1988; Weick & Daft, 1983). We were also concerned about the difficulties of using different case writers to study different banks, which leads to problems in making cross-firm comparisons. We therefore chose to examine publicly available data from contemporaneous events to document renewal trajectories. The data reported here are based on two sources: annual reports, in particular the report of the management board, and articles in the Financial Times covering reports of strategic actions. We were concerned that our data facilitated an effective interpretation of the data. We therefore employed various experts to check our classifications, either in individual interviews or in-group discussions. We found that there were some differences, and these are reported in our results.

Internal and external actions

All the firms examined in this study are large and complex, and to sort out the key internal and external actions we relied on statements made by top management in the Report of Management Board in annual reports and by the financial press (the London based Financial Times). These provided contemporaneous documentation of strategic actions, which from two perspectives appeared to be significant. An appendix is available on request in which we explain how we captured our information using the

NUD*IST technique. This method allowed us to categorize a large amount of information from the various data sources. We established an intercoder reliability of 92%.

We defined an internal action as any action taken by the firm which was essentially internally driven, such as expanding a division, contracting a division, launching a new product or moving into a new market by organic growth. We defined external actions to include all acquisitions, joint ventures and alliances, that is, actions undertaken in co-operation with outside parties. These measures allowed us to evaluate the moves within a single firm (ratio of internal versus external) as well as to make comparisons across organizations (the ratio of firm A versus the other firms' average at a point in time). We recognize that there are potential biases in our data. The London Financial Times paid more attention to Dutch banks in later years than in early years, and paid more attention to quoted banks rather than the unquoted bank.

Competence building and competence leveraging

The same data allowed us to categorize the actions which the firms took into competence building or competence leveraging. Sanchez (2000: 12) described competence building as: "any process by which a firm achieves qualitative changes in its existing stocks of assets and capabilities". Competence leveraging is denoted as: "applying a firm's existing competences to current or new market opportunities in ways that do not require qualitative changes in the firm's assets or capabilities". Using a coding procedure (explained in appendix which is available on request), we classified all the actions a firm took which involved consolidation and growing scale as those of competence leveraging. On the other side, we classified actions of diversification (e.g. a bank acquiring an insurance company) as those of competence building. It is important to note that there is no one to one connection between internal and external classifications and those of competence building and leveraging.

Sequencing

We were concerned to measure the sequence of strategy, structure and action, as indicated by the Chandler debate. We had no direct measures of strategy, but utilizing the theories of dominant logic of Spender (1989), Bettis and Prahalad (1995), and Calori, Johnson and Sarnin (1994), we chose top management team characteristics as a proxy variable. We measured the arrival of a new chief executive as a signal of a new strategy, and the change in the structure and composition of the board of directors as another measure. The data on CEO turnover and on board composition was obtainable from 'Who's Who' reports as well as the annual report of the companies involved. To gain data on changes in the structure of the company, we found that banks are not organized in the traditional Chandler manner, with clear divisions. On the contrary, most financial service firms do not portray organizational structures in the reports. We therefore used the text reports of the board to identify when significant organizational changes had taken place. In general, our sample showed few signs of change, but there were significant exceptions.

Speed

To measure the speed of changes, we observed the time lags between actions on one plane (e.g. the arrival of a new CEO) and actions on another plane (e.g. changes in the structure of the company). These strings were fairly self-evident. To measure the financial incentives we tried, but failed, to identify data on share ownership. To measure structural financial incentives, we wanted to capture variables which focused on the combination of organization structure and agency. Unfortunately, it was not possible to obtain reliable evidence on structure which could be comparable across firms, as financial service firms do not consequently publish organization structure.

Regarding share ownership, we noted that one of our firms was a co-operative and so did not face shareholder pressure. Details of the shareholdings of the other firms were not available. However, we did note that some of the annual reports often talked explicitly about issues relating to the financial incentives for the company to respond quickly. Therefore, we used as a proxy the relative number of text units in which the Management Board emphasized the need for a comprehensive financial perspective, i.e. a shareholder value orientation, in its annual report. We noticed that there were significant differences between the firms on this point, and our expert gave strong confirmation that we had used a sufficient proxy.

To measure acceleration, we tried to observe if the sequence of actions was speeding up or slowing down over time. We admit to difficulties in being sure about our measures of speed. Our rather fine-grained time intervals allowed us to track specific events. Maybe an even longer time period is necessary to be certain, such as that adopted by Pettigrew (1985).

Outcomes of Renewal Processes

We distinguish both internal outcomes such as capability development and external outcomes, which are subdivided into two types. External outcomes are captured by financial indicators such as price-earnings ratio, return of investment and share in new wealth creation, and by non-financial indicators such as competitive position.

RESULTS

The five Dutch companies in our sample control more than 90% of the Dutch financial services market. We first present the overall data (i.e., aggregated data of the individual companies) to get an impression of the overall pattern of change in the Dutch financial industry. Figure 2 presents the development of internal versus external actions, and figure 3 depicts the evolvement of competence building/leveraging type of actions over the eight-year time period.

Insert Figures 2 & 3 about here

Figure 2 displays the evolvement of the balance between external and internal actions over time in The Netherlands. This balance remains rather stable, although we note a a shift towards internal actions in 1994 and 1995. Overall, our data show a preference for external over internal moves over the time period.

Figure 3 shows that in the early stages of our study, the level of competence leveraging remains highly stable, despite noticeable changes in the Dutch financial sector in 1990. In that year, a change in regulations permitted Dutch financials to pursue competence building activities stemming from the Allfinanz-concept, resulting in the merger of NMB/Postbank and Nationale Nederlanden into ING and of Amev/VSB and AG into Fortis. These competence building activities are counterbalanced by a large number of leveraging-type of actions (e.g., the merger of ABN and Amro into ABN AMRO). After this turbulent year, the economy slipped into recession, which coincides with a high degree of leveraging in the 1991-1993 time period.

Analysis per question per firm

Question 1: In the process of renewal, how do firms combine internal versus external flows?

Actions of strategic renewal can be undertaken by the firm autonomously or in co-operation with other organizations, respectively referred to as internal and external actions. We retrieved and coded renewal actions for being either internally or externally driven for each data point. We have computed the proportion of internal actions as opposed to external actions to answer this first question. Scores near to 1 indicate an extensive use of external actions, whereas scores close to 0 refer to using predominantly internal actions. To allow for cross-section analysis, we have also plotted the average of the other Dutch firms in our sample.

Averaged over the eight-year period, ABN AMRO has a preference of external over internal actions. Its ratio is over 0.5 for all years, except for 1993 in which year all actions are executed in co-operation with external organizations. On average, Aegon has a bias towards using external actions, most significantly in 1990, 1993 and 1997 in which all actions were externally driven. Notable exception is 1994, in which more than 0.8 of the actions were internally driven. Fortis' pattern is rather fluctuating, starting with only external actions in 1990, shifting towards a balanced portfolio of actions in 1992, going back to exclusively external actions in 1993, followed by another drastic shift towards internal actions in 1994, and then back again towards mainly using external actions in 1995 and 1997. Please note that we did not detect any renewal actions in 1996. In the first two and the final year of investigation, ING particularly made use of external actions. However, for most of the years in the period of investigation, its pattern of actions was slightly biased towards internal actions. Rabobank on average is biased towards using external actions. This is illustrated by the fact in all but one year (1995) it favours external over internal actions. We did not observe any renewal actions in 1993.

Insert Figure 4.1 – 4.5 about here

Question 2: How is the balance of competence building and competence leveraging evolving in a strategic renewal process?

To answer this question, the coding of actions into **B**uilding or **L**everaging categories was computed into an B/L ratio on a scale from 0 to 1. Scores close to 1 indicate a high proportion of competence building; scores close to 0 indicate a high occurrence of competence leveraging-type actions. Again, we have plotted the sample average of the other firms (excluding the score the referenced company).

ABN AMRO's portfolio of actions is rather stable over the entire period. Scores range around 0.2, in 6 years, peaking at 0.5 in 1993 and having a low of 0 in 1994. The data clearly indicate Aegon's quite fluctuating pattern of respectively leveraging and building. Its wave pattern has two building peaks in 1992 and 1995, which are enclosed and divided by periods of leveraging. Fortis starts out with an entirely building-oriented action portfolio, after which we detected a highly leveraging-oriented set of renewal actions over the rest of the period. ING is the most competence building-oriented firm of this sample. As Aegon, its set of actions fluctuates between leveraging and building over the entire time period. The co-operative Rabobank shows a relatively constant path over the entire time period. Its portfolio of actions is constantly and strongly biased towards leveraging over the 1990-1997 period.

Insert Figure 5.1 – 5.5 about here

Question 3: What are the sequences of action in a strategic renewal process? Do changes in top management team precede or follow changes in organizational structure?

For each firm, we present the sequence of actions along the lines our data suggest by indicating changes in the year of investigation. Each year is referenced against the previous year. Thus, we cannot detect changes for 1990. The measures to detect changes in Top Management Team (TMT) are TMT turnover, measured as the percentage of newcomers in the TMT in t+1, and/or a change of Chief Executive Officer (CEO) in t+1. A change in Organizational Structure is evaluated by measuring the percentage of text units devoted to Organizational Structure in the report of the board. A marked increase in this percentage is assumed to be indicative of a change in the firm's organizational structure (confirmed by expert interviews). An additional dimension of organizational structure change is a merger, which is supposed to have a significant bearing on the way the organization operates.

ABN AMRO originated from a merger in 1990, indicating a major organizational change in that year. This is reflected in the OS measure of the report of the board. This organizational change was followed by two CEO changes in 1992 and 1994. There were no significant TMT changes. To recap, the organizational structure was changed in 1990 and 1991, followed by TMT changes in 1992 and 1994.

Regarding Aegon, our data indicate a significant change in TMT structure in 1992, reflected by a TMT turnover of 43%. Consequently, in 1993 a new CEO was inducted. The OS measure shows a marked increase in 1993 and 1994 relative to the other data points, which indicates a change in OS. In conclusion, Aegon changed its Top Management Team Structure in 1992 and 1993 and its organizational structure in 1993 and 1994.

Fortis' data do not show any marking TMT changes. Over the eight-year period, the two CEOs remained in office and TMT changes topped only 27% in 1992. We did not detect any organizational changes, although Fortis resulted from a merged in the course of 1990. However, it did not publish an English annual report in that year which hindered us to determine our OS measure.

In 1990, ING was established through a merger of Nationale Nederlanden and NMB Postbank. This is reflected in a relatively high score on the OS measure in this year, implying an organizational change. The OS measure also increases in 1992. Top Management Team changes occurred in 1991 and 1992, in which years a new CEO was inducted. Moreover, in 1991 half of the TMT was replaced. Our data thus indicated an organizational change in 1990, TMT changes in 1991 and 1992 and another organizational change in 1992.

The data of the Rabobank do not indicate any significant changes in either the organizational structure or the TMT in any one of the time periods. This co-operative bank thus resembles the case of Fortis which also did not alter its organizational or TMT structure.

Insert Figures 6.1a/6.1b – 6.5a/6.5b about here

Question 4: Do firms differ regarding speed of their renewal processes? Do firms which have tight financial incentives for performance react faster than others in undertaking renewal patterns?

To measure financial awareness, we measured the percentage of text units in the report of the board devoted to financial statements. A high proportion of text units referring to financial results is assumed to indicate a high level of financial awareness. The financial awareness is compared to the number of flows undertaken by a firm in the same time period.

Over all but one years, ABN AMRO's financial awareness was above the other firms' average. Its flows were also above the others' average for all years, although the number went down in 1992 and 1993 to peak in the last two years. Especially in 1996 and 1997, the number of flows was significantly higher than the average.

Aegon's financial awareness was below the others' average over the entire time period. The number of flows was also below the average in all years but 1994.

Fortis' financial awareness parallels the average in the 1991-1995 time period, after which it significantly exceeds the other firms' average. The number of flows is above the others' average in three years. It is remarkable that in the 1994-1996 time period the number of flows is far below the average whereas the financial awareness is higher.

The number of flows of ING was below the others' average in the first three years and then goes up significantly. In 1995, the number of flows peaks, after which the number declines towards the average in 1997. ING's financial awareness winds around the others' average and declines in the last two years.

Rabobank has the lowest score on our measure of financial awareness. It is below the others' average in all years but 1990. Remarkably, the number of flows also peaked in this year and exceeded the average. In all but one of the other years, the number of flows was below the other firms' average.

Insert Figures 7.1 – 7.5 about here

Question 5: Are there differences in the process of strategic renewal between firms?

As a way to typify the variety of renewal processes, we plotted our sample companies on two dimensions. The first dimension reflects the balance between internal versus external moves, and the second dimension shows the balance between competence building and competence leveraging types of flows.

Insert Figure 8 about here

As a measure of outcomes, we used the five-year average of price/earnings ratios. This measure reflects the expectation of the market of the future revenues of firms, and is indicative for its future potential that among other things depends on its renewal capacity (table 1).

Insert Table 1 about here

Analysis per question across firms

Question 1: In the process of renewal, how do firms combine internal versus external flows?

Table 2 gives the summary, and shows that all Dutch firms predominantly make use of external actions. In terms of the traditional models of renewal, this suggests a very top-down approach and a strong reliance on external parties to speed the renewal process. All firms but ING have scores between 0.58 and 0.74; that is between 58% and 74% of their actions consisted of external actions averaged over the eight observation points. A notable exception is ING, of which 48% of its actions are driven internally.

Insert Table 2 about here

Comparing the firms' pattern to that of the others' average pattern, we notice from figure 6.1 ABN AMRO's pattern is similar to the others for the first three and final three years and is countercyclical over 1993 and 1994. It is somewhat more externally oriented in undertaking its actions than the others' average. The case of Aegon parellels that of ABN AMRO, also being similar to the others for the first and final three years and countercyclical over 1993 and 1994. Aegon undertakes slightly less external actions than the other Dutch firms in the sample. Fortis acts like the average in the first three years, after which it alternates years of completely externally and completely internally-driven actions. Fortis is the most externally-biased firm of our sample. ING's pattern follows the others'average over the entire time period, being below the average for all years. ING shows a remarkably higher use of internal actions in comparison to the other Dutch financials. Rabobank is quite idiosyncratic, and winds around the others' average except for the last two years. Together with Fortis and ABN AMRO, this co-operative bank makes the most extensive use of external actions of the firms in our sample.

Question 2: How is the balance of competence building and competence leveraging evolving in a strategic renewal process?

In table 3, we present an overview of the flows undertaken by each company, computed into an overview of the firms' B/L ratios. ING clearly is the most competence building-oriented firm in our Dutch sample. The co-operative Rabobank and Fortis are the most competence leveraging-oriented firms in our sample. Aegon and ABN AMRO have similar ratios of 0.21.

Insert Table 3 about here

ABN AMRO's ratio moves quite equally to the others' average. Averaged over the eight years, it is close to the others' average. Aegon displays a pattern of oscillation between periods of leveraging and building, averaging a portfolio of competence leveraging-oriented actions over the entire time period. In all but one year Fortis is below the others' average, illustrating its bias towards using leveraging-type of actions. ING is above or equal to the others' average in all but two years and, as Aegon, oscillates between periods of competence building and leveraging. Despite an entirely leveraging-oriented portfolio of actions in 1990 and 1992, it is the most competence building firm in our sample averaged over the eight years. Thus, the absorptive capacity (Cohen & Levinthal, 1990) of the firms investigated might be different. Rabobank shows a consistently leveraging-oriented pattern over all years, undertaking exclusively competence leveraging-oriented actions in all years except 1990.

Question 3: What are the sequences of action in a strategic renewal process? Do changes in the top management team precede or follow changes in organizational structure?

The sequence of changes in the five companies is summarized in table 4. Our data suggests that firms which operate in the same (Dutch) environment and which face similar environmental changes do not react equally to these changes. Two firms, Rabobank and Fortis, did not change their OS or TMT in an obvious way. ABN AMRO and ING merged in 1990, which coincided with a significant rise in the organizational structure measure. ABN AMRO's OS measure was also raised in 1991, followed by TMT changes in 1992 and 1994. Aegon changed its TMT in 1992, followed by another significant TMT change in 1993. Its OS measure was increased in 1993 and 1994. ING changed its OS in 1990, followed by TMT changes in 1991 and 1992. In this last year, it again raised attention to the OS in its report of the board.

In summary, our data suggest changes in TMT occur simultaneously with OS changes, and do also procede or precede OS changes. In the merger cases of ABN AMRO and ING, our measure indicate a change in the OS. Just as the Rabobank, Fortis also did not significantly change its TMT nor its OS.

Insert Table 4 about here

Question 4: Do firms differ regarding speed of their renewal processes? Do firms which have tight financial incentives for performance, react faster than others in undertaking renewal patterns?

Our longitudinal data do not reveal a consistent pattern of a relation between financial awareness and the reaction of firms in terms of the number of flows. To investigate the relationship further, we summarized our findings in tables 5 and 6, averaging the financial awareness measure and the number of flows over the eight observation points. From this table we observe that ABN AMRO, the most financially aware Dutch firm, ranks first in the average number of flows. Fortis ranks second in financial awareness and fourth in average number of flows. ING, third in financial awareness, places second in the average number of flows. Rabobank, the least financially aware firm, ranks third in the average number of flows. Aegon has the lowest average number of flows and ranks fourth in financial awareness.

In summary, the overall pattern of our data suggest that, indeed, the more financially aware firms are the faster their reaction time, reflected in a higher average number of flows.

Insert Tables 5 & 6 about here

Question 5: Are there differences in the process of strategic renewal between firms?

To answer this question we use the findings of the previous four questions. Differences and similarities regarding the process of strategic renewal are:

1. The average ratio of internal to external flows in strategic renewal processes of large financial service firms is fairly constant. ING deviates from the average quite strongly.
2. The average ratio of competence building versus competence leveraging in strategic renewal processes of large financial service firms is remarkably similar. Again, ING is the exception, being much more competence building-oriented than the other firms.
3. The sequence of changes in organizational structure and top management team in strategic renewal processes of large financial service firms is rather diverse: a change in structure may procede, precede, and coincide with a change in top management team. Not all firms portray changes in the eight-year time period.
4. The speed of strategic renewal processes of large financial service firms differ.

In the following section we will elaborate these patterns.

DISCUSSION AND CONCLUSION

In this empirical study, we investigated patterns of strategic renewal within the Dutch financial service sector. No study is without its limitations and biases. Two potential sources of bias related to the nature of our data collection procedures should be mentioned. First, we measure internal and external actions as well as instances of competence building and competence leveraging in terms of their number, and not their magnitude. This means that actions which have a large significance are weighted equivalently to those of less magnitude. While it may have been preferable to weight both internal and external actions as well as building and leveraging actions in terms of their magnitude, this was not possible as the Financial Times and the Annual Reports do not systematically report the significance of these actions. On the other hand, since marginal activities are less likely to be reported than those of greater significance, any bias that does exist will result in the elimination of marginal projects rather than significant ones. Further, since the marginal projects of all firms studied are subject to the same potential bias and since actions are evaluated in terms of their ratios rather than counts, interpretation problems caused by this potential bias are largely avoided.

A second potential source of bias stems from the fact that the Financial Times became increasingly likely to report on the activities of Dutch financial institutions in the latter half of the sample period. As such, the actual numbers of actions are possibly under-reported for the early (1990 to 1994) time periods. Since this bias pertains to all the firms studied, inter-firm comparisons are unaffected. On the other hand, this bias may affect comparisons across time periods and may explain why fewer actions are apparent in the earlier years. Our findings show some strong similarities between the five firms studied over time, but also some interesting differences.

Similarities

To compare our five firms we have plotted their patterns of renewal in a renewal plot (figure 8). The x-axis shows the ratio of internal versus external flows, and the y-axis plots the balance of competence building versus competence leveraging-type of actions averaged over the eight-year time period. From all our observations one feature stand out, that four Dutch financial service firms (ABN AMRO, Aegon, Fortis, and Rabobank) show a preference for using externally over internally-driven actions, and that those same four companies are close in their building/leveraging ratio. The preference of exernal over internal actions of those four companies is very marked, with twice as many external moves to internal ones. Although it is not surprising to find that firms use external moves, we are not aware of any study that explicitly compares and operationalizes their preferences. These companies also have a rather similar mixed portfolio of competence building versus competence leveraging type of actions. In other words, the Dutch financial services sector is strongly determining the outcomes of renewal trajectories of four out of five firms. This key finding illustrates the interplay between industry structures and managerial cognition and learning capacities of individual organizations.

Notable exception in our sample of companies is ING, which balances internal and external actions over the time period, and which has a significantly higher use of competence building-type of actions.

One obvious inference from our results is that these four firms share a common mind-set or shared managerial schema (cf. Dijksterhuis et al., 1999). Such convergence is largely unexpected since our sample includes one large insurance company and three banks which originated in different industries with different regulatory environments. Moreover, the firms in our study differ in another important respect: one firm (Rabobank) is a co-operative, and the others are joint-stock companies. Despite these differences, all four firms have experienced a common journey into the pluralistic world. Weick (1979) suggests that we can infer beliefs from actions, and if this is so, our firms may share a common industry recipe (Spender, 1989), or dominant logic (Prahalad and Bettis, 1986), or top management mindset (Barr, Stimpert and Huff, 1992). We did not evaluate whether the causes of similarity lay in features commonly ascribed to strategic groups (McGee and Thomas, 1986) such as R&D expenditures, but we can say that they share a common location, the Netherlands. In the language of Porac, Thomas and Baden-Fuller (1994), they are colocated, as was the Scottish knitwear industry. The contextual variation of the prevailing management logics in the Dutch financial service sector may be limited (Dijksterhuis et al., 1999).

The findings also suggest that mimetic behavior may play an important role in shaping patterns of renewal in the Dutch financial service industry (DiMaggio & Powell, 1983; Scott, 1995). From this perspective, external actions, which are not driven by necessity or obvious advantage tend to diffuse through an industry group. As increasing numbers of structurally equivalent firms adopt external actions, these patterns become increasingly institutionalized. The fact that four firms in our study preferred external over internal actions and a mixed portfolio of competence building and leveraging-type of actions is suggestive of such institutionalized behavior.

The similarity of the actions of four of the five investigated firms sheds light on how managers try to overcome organizational inertia (Hannan & Freeman, 1984) and their historical legacy (Child, 1972). They appear to choose external levers in order to alter their destiny (Pfeffer & Salancik, 1978). Likewise, in terms of the resource based view of the firm (Nelson & Winter, 1982), they appear to leverage their routines and resources by mergers and acquisitions.

Differences

We started by stressing similarities, here we stress differences. We begin by noting that all of our five firms survived from before 1990 to at least 1999 in a time of increasing turbulence. This was a considerable achievement in an industry where firm failure (usually followed by takeover or breakup) has been quite common. Moreover, our firms have grown in market capitalization. Yet they have not taken similar paths. All five firms have a large number of turning points in the use of external versus internal actions and competence building versus leveraging-type of actions, but it is difficult to point out similar trajectories (see figures 4.1-4.5 and 5.1-5.5). Our findings contrast with theories regarding the balancing of building with leveraging in any long run renewal process. The firms do not take similar paths when confronted with increasing turbulence, and our findings show competence building and leveraging actions of firms can be rather stable (Rabobank, Fortis, ABN AMRO), or highly fluctuating (Aegon and ING). This indicates that, depending on the firm, renewal actions in previous time periods may curtail or promote subsequent competence leveraging and building in later stages.

Remarkable is that four firms show a similar pattern averaged over the eight-year period as appears from figure 6, but that ING deviates from this pattern, both in terms of internal versus external actions as the competence building/leveraging balance. In future research, we hope to study this outlier in an in-depth case study. A comparison of the development of the absorptive capacity of ING with the other four firms might be fruitful. Such a comparison might reveal that in the co-evolution of the firms' absorptive capacity and the knowledge environment of the financial service sector ING is a special case (Lewin & Volberda, 1999; Van den Bosch, Volberda & De Boer, 1999).

We did not notice a single pattern in the sequence of changes. Three of our firms engaged in major mergers and as a consequence of these mergers, two altered their organization structure and top management team. Although no definitive pattern is revealed in the sequence of action between organizational structure and top management team changes, it is remarkable that these changes did not fundamentally alter their choice of logic to opt for primarily external, rather than internal renewal paths. From these observations, we argue that, from a macro perspective, strategy (mergers) did not follow structure, nor did structure follow the strategy.

Our firms also differed in term of their speed of response. Aegon made an average of 3.25 moves in comparison with 9.5 moves per year for the ABN AMRO. ING ranked second with an average of 7.75 moves per year. Fortis and Rabobank each average about 4 moves per year. The causes of these differences were to some extent related to issues of financial awareness when averaged over the entire time period. Further research is required to evaluate the relationship between speed and financial awareness longitudinally.

This exploratory paper offers an insight into the value of studying renewal journeys across firms and over time. Our proposed method allowed us to discern interesting patterns. Moreover, we were able to develop metrics, which capture issues of conceptual importance such as the ratio of internal to external actions and the ratio of competence building to competence leveraging in a firm's renewal journey.

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Tables

Table 1 P/E ratios

	1994 P/E ratio (Avg high-low)	1997 P/E ratio (Avg high-low)	P/E Ratio - Avg High-low (5 Yr Avg)
ABN AMRO	9.35	14.83	10.76
Aegon	9.08	18.32	13.49
ING	N/A	11.54	11.54
Fortis	N/A	N/A	N/A
Rabobank	N/A	N/A	N/A

Table 2 Averages internal versus external actions (1990-1997)*

	Average
ABN AMRO	0.68
Aegon	0.58
Fortis	0.74
ING	0.48
Rabobank	0.66
NL	**0.63**

*The scale ranges from 0 (internal) to 1 (external)

Table 3 Averages competence building versus leveraging (1990-1997)*

	Average
ABN AMRO	0.21
Aegon	0.21
Fortis	0.1
ING	0.42
Rabobank	0.07
NL	**0.20**

*The scale ranges from 0 (leveraging) to 1 (building)

Table 4 Sequences of change

ABN AMRO	1990 Δ OS	1991 Δ OS	1992 Δ TMT	1994 Δ TMT
Aegon	1992 Δ TMT	1993 Δ TMT 1993 Δ OS	1994 Δ OS	
Fortis	No significant changes			
ING	1990 Δ OS	1991 Δ TMT	1992 Δ TMT 1992 Δ OS	
Rabobank	No significant changes			

Table 5 Average % Financial awareness (1990-1997)*

	Average % Financial awareness	Rank in sample
ABN AMRO	44	1
Aegon	18.38	4
Fortis	38.57	2
ING	28.63	3
Rabobank	15.88	5
NL	**29.08**	

*Measured by the relative number of text units regarding financial statements in the Report of the Board.

Table 6 Average # of flows (1990-1997)

	Average # of flows	Rank in sample
ABN AMRO	9.5	1
Aegon	3.25	5
Fortis	3.88	4
ING	7.75	2
Rabobank	4.38	3
NL	**5.75**	

Figures

Figure 1 A framework of Strategic Renewal Actions

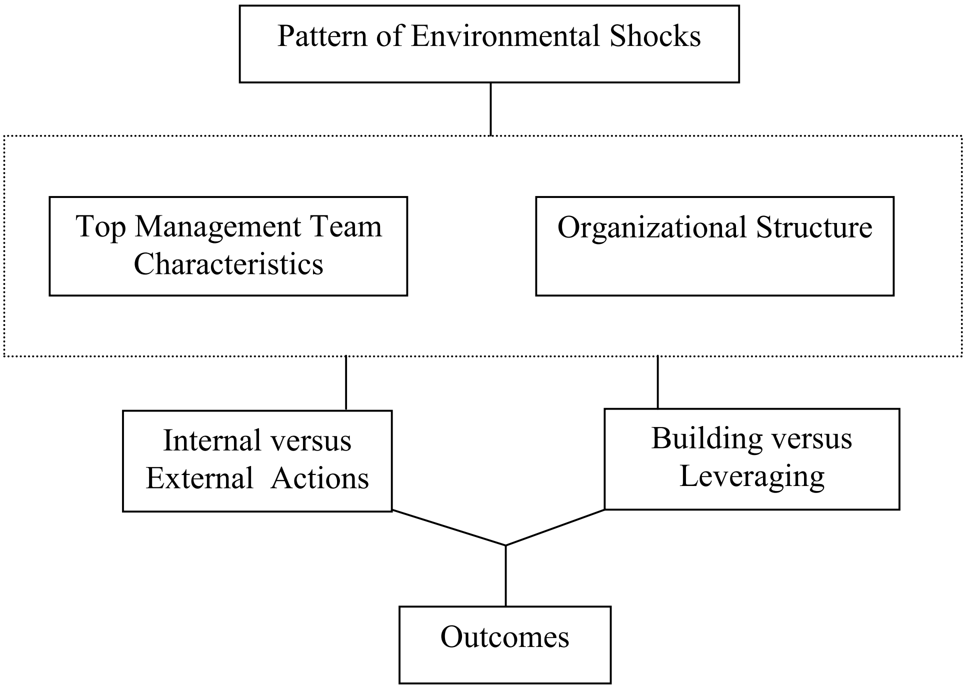


Figure 2 - Percentile division actions into internal/external actions (NL)

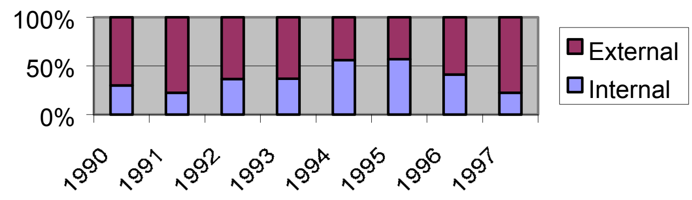


Figure 3 - Percentile division actions into building/leveraging (NL)

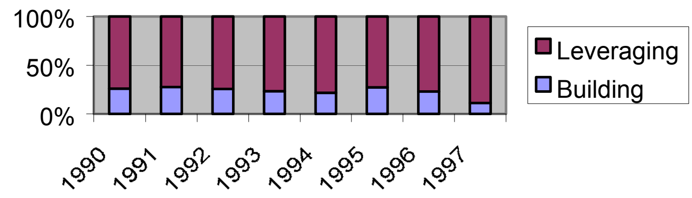


Figure 4.1 - Ratio External/Internal ABN AMRO

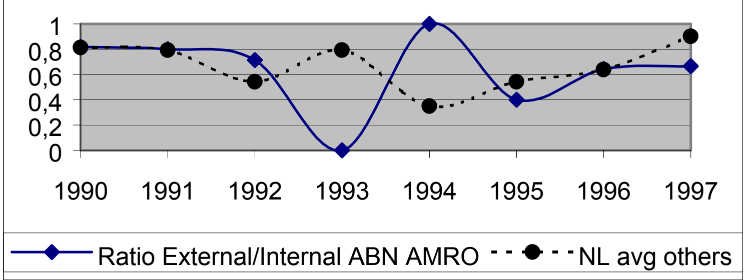


Figure 4.2 - Ratio External/Internal AEGON

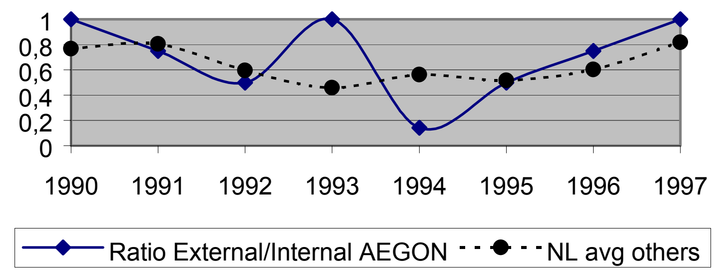


Figure 4.3 - Ratio External/Internal FORTIS

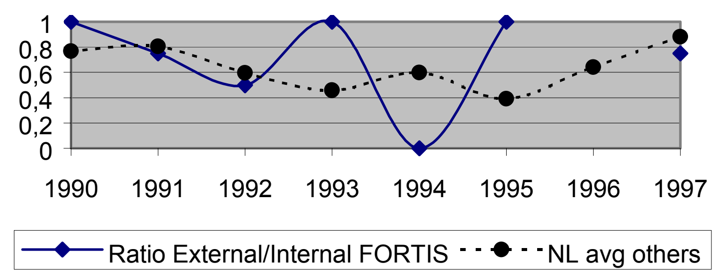


Figure 4.4 - Ratio External/Internal ING

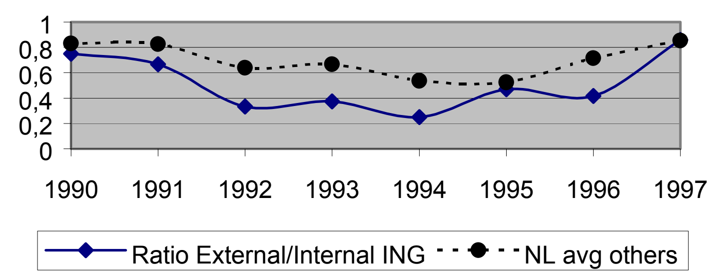
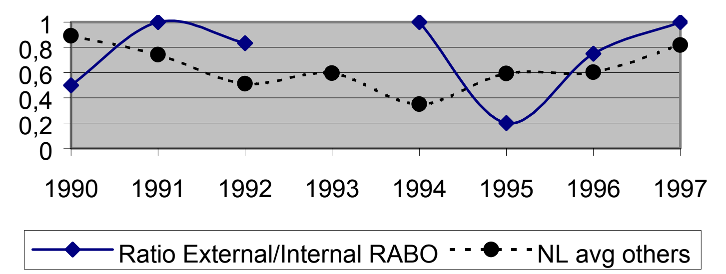


Figure 4.5 - Ratio External/Internal RABO



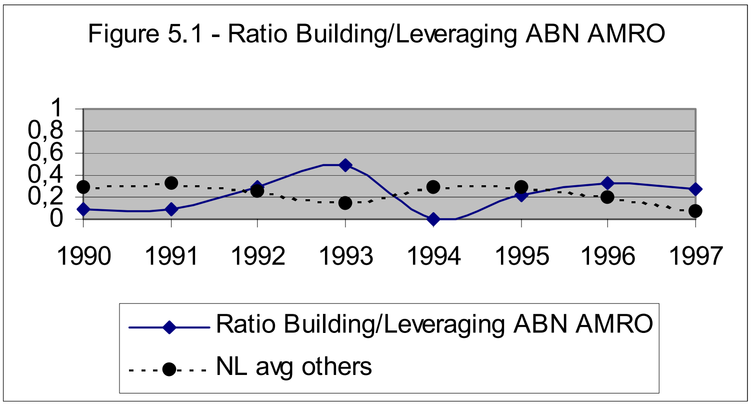


Figure 5.1 - Ratio Building/Leveraging ABN AMRO
1
0,8
0,6
0,4
0,2
0
1990 1991 1992 1993 1994 1995 1996 1997
Ratio Building/Leveraging ABN AMRO
NL avg others

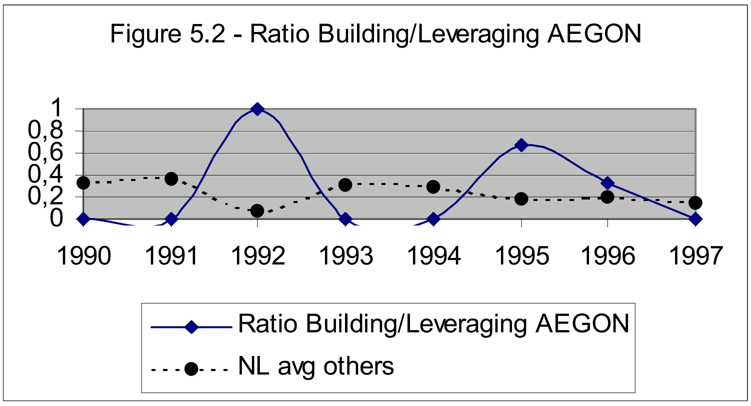


Figure 5.2 - Ratio Building/Leveraging AEGON
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0,4
0,2
0
1990 1991 1992 1993 1994 1995 1996 1997
Ratio Building/Leveraging AEGON
NL avg others

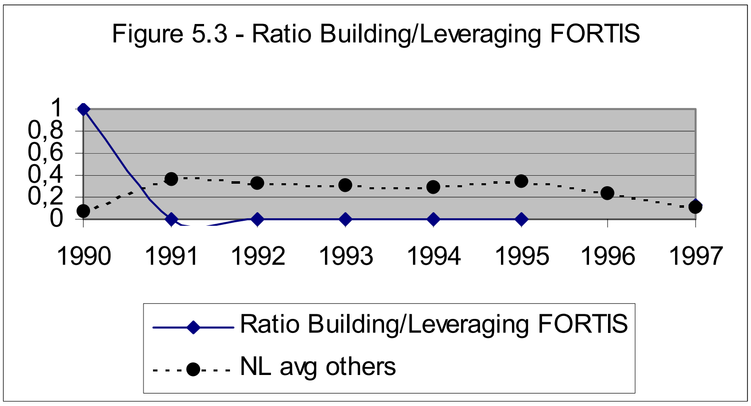
Figure 5.3 - Ratio Building/Leveraging FORTIS
1
0,8
0,6
0,4
0,2
0
1990 1991 1992 1993 1994 1995 1996 1997
Ratio Building/Leveraging FORTIS
NL avg others

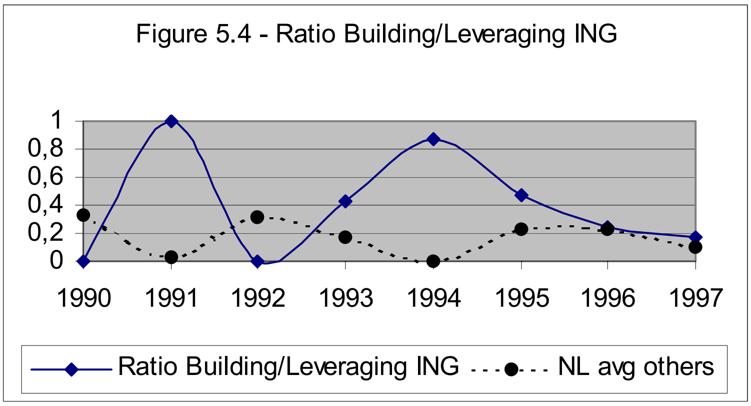
Figure 5.4 - Ratio Building/Leveraging ING
1
0,8
0,6
0,4
0,2
0
1990 1991 1992 1993 1994 1995 1996 1997
Ratio Building/Leveraging ING
NL avg others

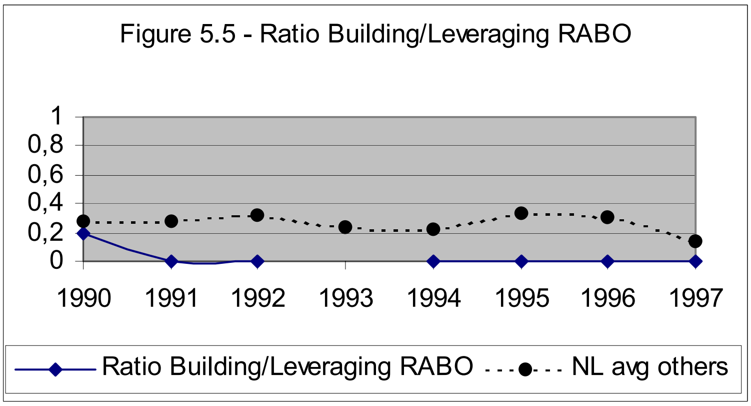
Figure 5.5 - Ratio Building/Leveraging RABO
1
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0,6
0,4
0,2
0
1990 1991 1992 1993 1994 1995 1996 1997
Ratio Building/Leveraging RABO
NL avg others

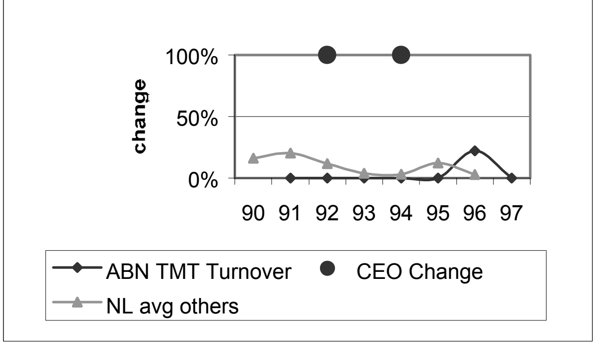


Fig. 6.1a - ABN AMRO TMT Change

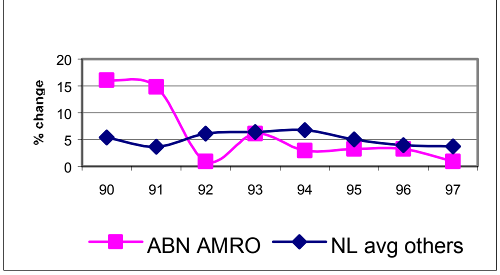


Fig. 6.1b - ABN AMRO OS change

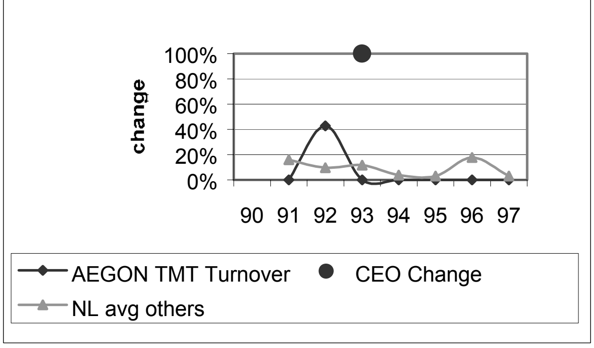


Fig. 6.2a - AEGON TMT Change

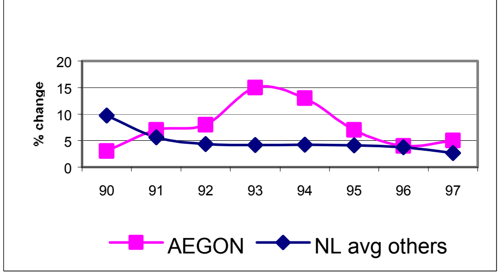


Fig. 6.2b - AEGON OS change

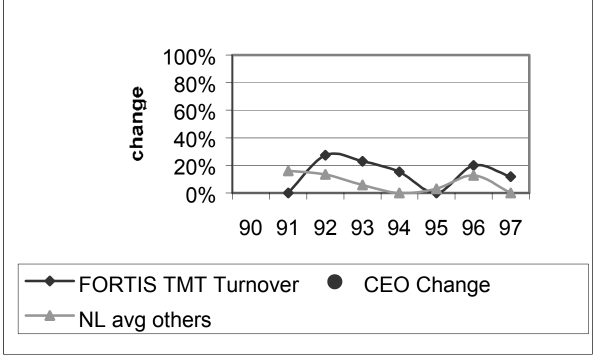


Fig. 6.3a - FORTIS TMT Change

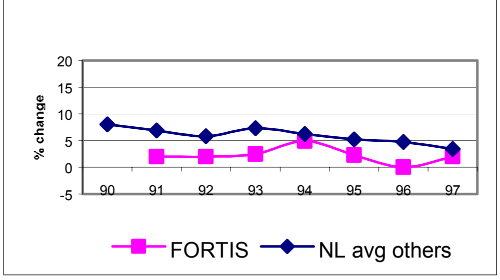


Fig. 6.3b - FORTIS OS change

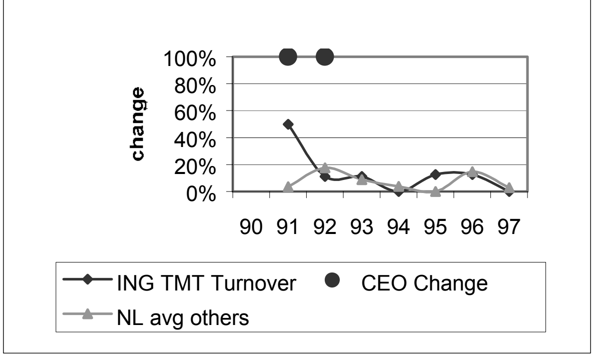


fig. 4.3a ING TMT Change

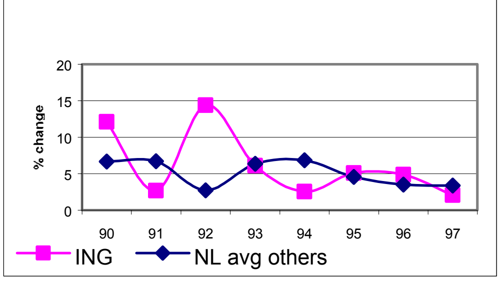


Fig. 6.4b - ING OS change

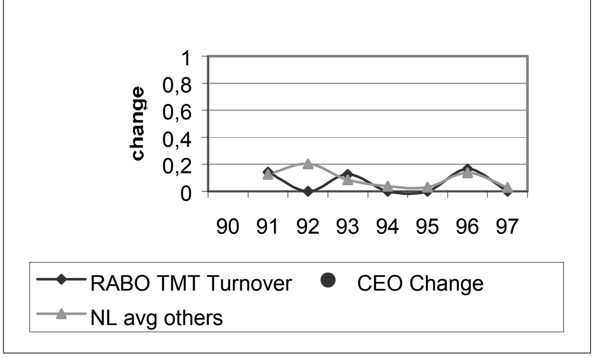


Fig. 6.5a - RABOBANK TMT Change

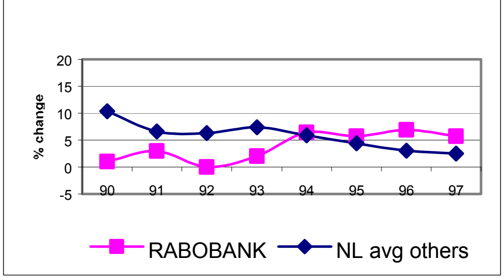


Fig. 6.5b - RABOBANK OS change

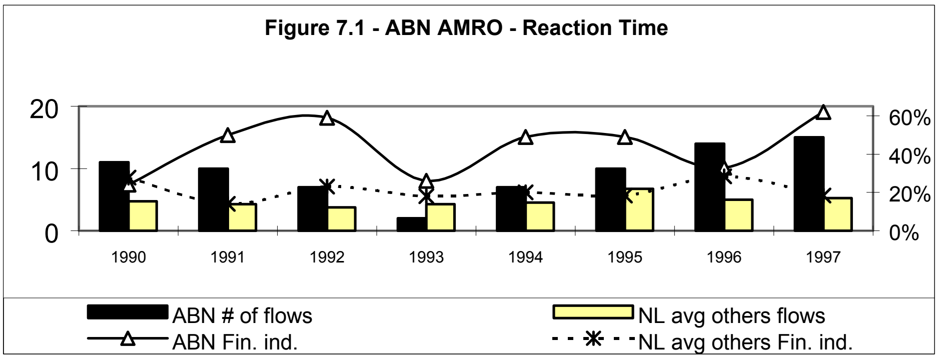


Figure 7.1 - ABN AMRO - Reaction Time
ABN # of flows
ABN Fin. ind.
NL avg others flows
NL avg others Fin. ind.

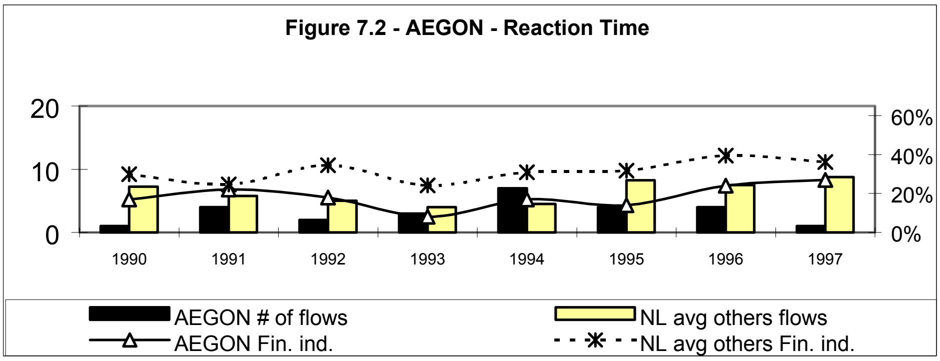


Figure 7.2 - AEGON - Reaction Time
AEGON # of flows
AEGON Fin. ind.
NL avg others flows
NL avg others Fin. ind.

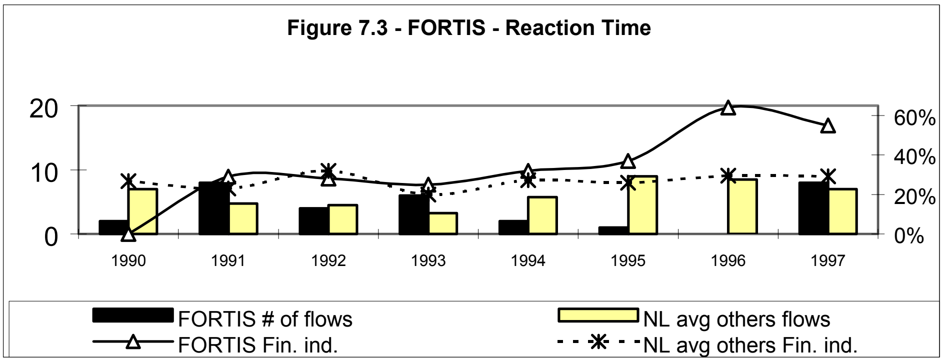


Figure 7.3 - FORTIS - Reaction Time
FORTIS # of flows
FORTIS Fin. ind.
NL avg others flows
NL avg others Fin. ind.

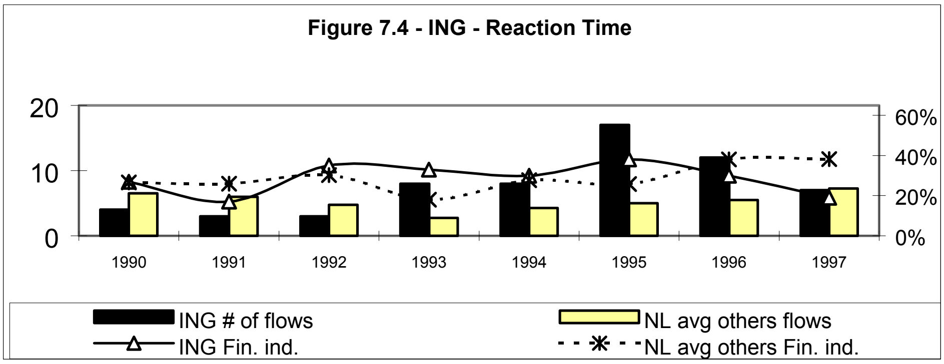


Figure 7.4 - ING - Reaction Time
ING # of flows
ING Fin. ind.
NL avg others flows
NL avg others Fin. ind.

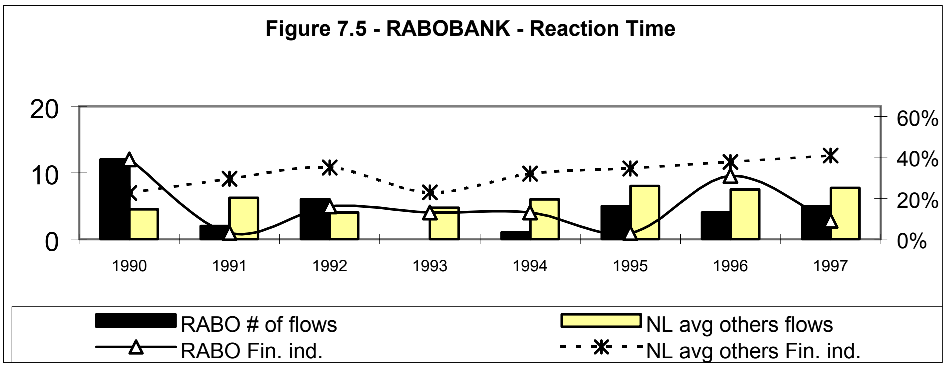
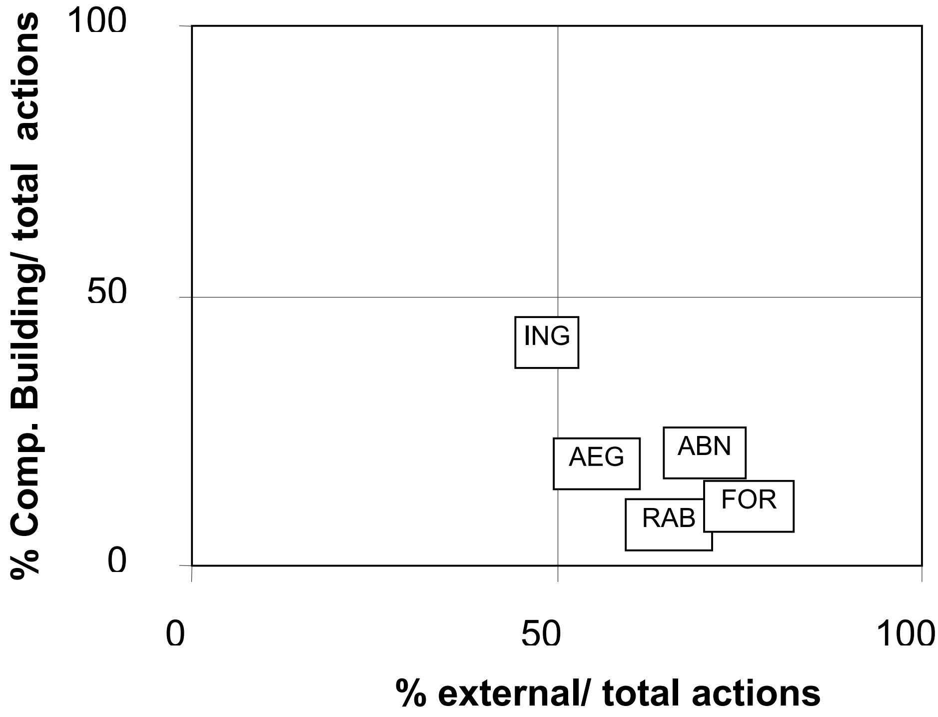


Figure 7.5 - RABOBANK - Reaction Time
RABO # of flows
RABO Fin. ind.
NL avg others flows
NL avg others Fin. ind.

Figure 8 – Renewal plot NL; internal to total actions and competence building to total actions (1990-1997)



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