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M. Kathryn Brohman

University of Western Ontario Duncan Copeland, Georgetown University

Sid Huff

University of Western Ontario Duncan Copeland, Georgetown University

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RIVERBANK FINANCIAL: BALANCING THE PENDULUM

Kathryn Brohman

Sid L. Huff

Richard Ivey School of Business
University of Western Ontario
Canada

Duncan Copeland

Georgetown University
U.S.A.

1. LEARNING OBJECTIVES

1.1 Primary Objectives

The primary learning objective of this case is to discuss the balance between technology and customer focus in order to maximize IT effectiveness in the organization. The case illustrates the changing role of the information technology (IT) division within a large Canadian financial institution.

1.2 Secondary Objectives

Secondary objectives of this case are to provide a description of how organizations can effectively manage the changing role of IT, illustrate the effectiveness of different styles of leadership in IT management, and introduce the concept of a resource center as a new structure to support software development.

2. CASE OVERVIEW

2.1 Introduction

Riverbank Financial's information technology (IT) division has recently undergone a dramatic change from a technology-centric developer of technical solutions to a customer-focused enabler of business solutions. The new organization is called Riverbank's Technology Team (RTT) and its main objective is to fully integrate technology processes with Riverbank Financial's business operations. With business integration and customer relationship management at the core of RTT's new vision, customers are concerned that too much focus has been taken away from the technology and may jeopardize RTT's position of technological leadership in the financial services industry.

2.2 Transition from ITG to RTT

In reaction to a series of system downtime disasters in 1990, Riverbank Financial made some dramatic changes within the Information Technology Group (ITG). They hired a new CIO, John Schaefer, who reported directly to the chairman and managed operations independently from other business units. In order to prevent future downtime disasters, the CIO controlled ITG

operations by keeping a “firm hand on the tiller” and rarely involved ITG employees or customers in major decisions. ITG executives were known for technical expertise within the industry and this expertise was highly respected by business executives within Riverbank Financial.

Under the direction of John Schaefer, ITG implemented three initiatives to eliminate factors that contributed to the downtime disasters in 1990. Implementation of the first two initiatives were very successful. By stabilizing procedures and upgrading hardware and network infrastructure, the number of operating errors decreased significantly and downtime risk was decreased to fractions of a minute. The final initiative was to re-architect old application software. During the implementation of the third initiative, a new chairman was hired who drastically changed Riverbank Financial’s corporate mission. One of the objectives of the new mission was to integrate technology with customer needs. This marked the beginning of another transition phase for ITG.

Results of a formal IT assessment, requested by the new chairman, recognized the independence of ITG from the business and identified it as a weakness within the company. In response, first John Schaefer’s position was split into two positions: CIO of Riverbank Financial and EVP of ITG. The CIO continued to report to the chairman and was responsible for corporate IT strategy. The EVP of ITG now reported to a president within the business and was responsible for systems development and supporting business operations. Second, a mandate was set to integrate ITG with business operations and focus on satisfying customer needs.

In 1994, shortly after the decision to redefine the traditional CIO role, John Schaefer resigned from Riverbank Financial. Steven Currie, an IT consultant, was hired to lead ITG through the integration with the business. Steven came with 22 years of experience in the financial services industry, where he was highly respected for his skills in people and relationship management. Steven met regularly with ITG employees and encouraged them to share ideas and work together in order to achieve excellence in the future.

Steven Currie worked closely with ITG executives to define a four-step improvement process to achieve integration. The improvement process included identification of the issues, designing new operating procedures, and planning the implementation of the new structure in the IT division. The final step was the implementation of the new structure for the IT division, renamed Riverbank’s Technology Team (RTT). During the transition from ITG to RTT, four vice-presidents resigned their long-term employment with Riverbank Financial to pursue prominent software development positions with a leading technology vendor. All executive positions within RTT were filled from internal promotions, with the exception of one external hire. The new structure also introduced an internal resource center as the primary vehicle to support project development teams with technical talent. The competency center separates skills from people. Each employee concentrates on developing specific skills and are only assigned to projects that require that skill. In this structure, each individual works on many different projects and with many different teams.

2.3 The Future of RTT

RTT’s new structure was implemented successfully and customers are experiencing dramatic decreases in turnaround time and increased rigor and involvement in project management. RTT employees are working directly with the business and, in some cases, are being promoted to executive positions within strategic business units. The short term advantages of RTT’s new structure and operating framework are evident. They have effectively partnered with their customers and have delivered cost-competitive and innovative solutions. However, looking long-term, customers are concerned with the new focus on business integration, Riverbank Financial’s technological leadership may be at risk. As the EVP of RTT, Steven Currie must consider the possibility that RTT has taken too much focus away from technology and additional changes may be needed in RTT’s operating framework in order to “balance the pendulum.”

3. TEACHING GUIDE

3.1 Facilitating Case Discussion

An effective way to initiate class discussion is to draw a pendulum on the board and ask the class “To what does the pendulum refer?” The pendulum in the case is a symbol of the change that occurred from technology-centric (ITG) to customer-focused (RTT). Once identified, title each side of the pendulum and use this diagram to list the changes that have occurred during the transition. The chart below aligns the changes that have occurred in the case with the learning objectives.

Changes Occurred	Learning Objective
Introduction of the competency center	Definition of competency center and its advantages and disadvantages compared to “team based” project management.
Identification of differences in leadership style from John Schaefer to Steven Currie.	Identify the strengths and weaknesses of both leadership styles based on the IS leadership roles defined by Brown, McLean and Straub (1996).

Once all changes have been identified, the class will likely be prepared to discuss necessary changes to RTT’s operating framework. Finally, it is recommended that the final five minutes of the class be left to discuss the Brown, McLean and Straub article and lecture on the importance of both business and technical competence within IT divisions. Brown, McLean and Straub provide a nice framework to illustrate all necessary competencies. This final section can stimulate interesting discussion related to whether or not a single individual (CIO?) can possess all these competency requirements, or whether they need to rely on other individuals from their executive team to assist in IS leadership.

3.2 Main Issue to be Studied

Effective IS leadership requires technologist, enabler, strategist, and innovator competencies (Brown, McLean and Straub 1996). ITG leadership provided effective technologist and innovator competencies, but was not responsive to customers (enabler) and was segregated from the business (strategist). RTT leadership was responsive to customers (enabler), contributed to business processes (strategist), and developed infrastructure and promoted efficiency (technologist). The main disadvantage of RTT leadership is the loss of in-house technological expertise (innovator). It can be argued that this expertise left with the resignation of the CIO and executives of ITG. Therefore, changes within RTT may be to redefine the vision and develop the innovator role within RTT’s current structure.

3.3 Suggested Student Reading and Assignment Questions

Reading

Brown, C. V.; McLean, E. R.; and Straub, D. W. “Partnering Roles of the IS Executive,” *Information Systems Management*, Spring 1996.

Assignment Questions

1. Describe the changes that occurred during the transition from ITG to RTT. What does the pendulum refer to?
2. What is an IS competency center? What are the advantages and disadvantages of this structure compared to “team based” project management?
3. Based on the IS leadership roles defined by Brown, McLean and Straub, what are the strengths and weaknesses of John Schaefer’s leadership style compared to Steven Currie?
4. As Steven Currie, what, if any, changes would you make to RTT’s structure and/or operating framework to enhance the effectiveness of RTT within Riverbank Financial?