

**GLOBAL PRACTICES AND LOCAL INTERESTS:  
IMPLEMENTING TECHNOLOGY-BASED CHANGE IN A  
DEVELOPING COUNTRY CONTEXT**

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## **Abstract**

The guiding principle of this research is that the utilisation of information technology (IT) in any part of the world currently is taking place within the globalisation trends. The need to take a wider view of IT use has become important due to the ease with which IT and associated management practices now pervade countries. These practices, developed in the 'west' and applied in countries around the world, are becoming increasingly universal as a result of the globalisation process. The Nigerian economy was deregulated towards the end of the 1980s and different sectors of the economy - including banking - were liberalised with a view to promoting competition and efficiency. In the face of these environmental changes, organisations in Nigeria have, over the past few years, been investing extensively in IT and adopting global IT-based practices. Although studies have discussed the importance of adapting these global practices to suit the context of their implementation, few have actually focused on revealing the nature of these adaptations and the factors influencing them. The overall aim of this study, therefore, is to increase understanding of why and how adaptations take place, and what results are achieved. This understanding is achieved in the thesis by incorporating ideas from both resource-based theory and new institutional theory within a contextualist framework, to study the implementation of planned technology-based change programmes in two Nigerian banks. It is suggested that local adaptations to global IT-based practices involve an adaptation process where organisational resources and local institutional rules are employed rationally, as well as symbolically, to modify the techniques. Rationally, organisational members redefine the global institutional rules embodied in global practices in order to fit the organisation's resource context and the demands of the immediate institutional environment. Symbolically, global practices are modified when organisational members ritually sustain organisational traditions and taken-for-granted practices about how to do things within the organisation or the wider societal context. Thus, such redefinition and symbolic processes specify the nature of local adaptations to global IT-based practices when they are being implemented in local contexts.

# Table of Contents

<b>ABSTRACT.....</b>	<b>2</b>
<b>TABLE OF CONTENTS .....</b>	<b>3</b>
<b>LIST OF TABLES AND FIGURES.....</b>	<b>8</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>9</b>
<b>CHAPTER 1 - INTRODUCTION.....</b>	<b>10</b>
1.1 NATURE OF RESEARCH PROBLEM.....	10
1.1.1 From the perspective of globalisation.....	11
1.1.2 From the perspective of information technology (IT) transfer .....	16
1.1.3 From the perspective of IT and organisational change .....	19
1.1.4 Setting the scene: The Nigerian Banking Industry.....	25
1.2 PURPOSE OF THE RESEARCH.....	27
1.3 RESEARCH QUESTION.....	28
1.4 CONTRIBUTIONS OF THE RESEARCH .....	28
1.5 RESEARCH METHODOLOGY .....	29
1.5.1 An interpretive research approach.....	30
1.5.2 The case study strategy .....	32
1.5.3 Research Design.....	34
1.5.4 Unit of analysis.....	34
1.5.5 Data sources .....	35
1.5.6 Data collection and analysis.....	35
1.6 STRUCTURE OF THE THESIS .....	38
<b>CHAPTER 2 - THEORETICAL PERSPECTIVES FOR THE STUDY OF INFORMATION TECHNOLOGY AND ORGANISATIONAL CHANGE .....</b>	<b>40</b>
2.1 INTRODUCTION: SELECTING THEORETICAL PERSPECTIVES .....	40
2.2 THE RESOURCE-BASED VIEW OF THE FIRM.....	42
2.2.1 Application of resource-based view in information systems .....	45
2.2.2 Assessing the resource-based perspective.....	46
2.3 THE INSTITUTIONAL THEORY .....	49

2.3.1 The role of the institutional context .....	51
2.3.2 The concept of societal sector .....	52
2.3.3 Implications for organisational change .....	54
2.3.4 The new institutional theory and IS .....	55
2.3.5 Assessing institutional theory .....	56
2.4 COMBINING ORGANISATIONAL RESOURCES AND INSTITUTIONAL NORMS: THE PARADOX APPROACH .....	59
2.5 SUMMARY .....	63

**CHAPTER 3 - INFORMATION TECHNOLOGY AND ORGANISATIONAL  
CHANGE: A CONCEPTUAL FRAMEWORK..... 64**

3.1 CONTEXTUALISM – INTRODUCTION.....	64
3.2 PETTIGREW'S CONTEXTUALIST APPROACH.....	65
3.3 WHAT IS THE NATURE OF CHANGE? - CONCEPTUALISING THE CONTENT OF CHANGE	66
3.3.1 Organisational change as planned.....	66
3.3.2 Organisational change as emergent.....	70
3.3.3 Organisational change as improvisations.....	72
3.4 WHY DOES CHANGE OCCUR? – CONCEPTUALISING THE CONTEXTS OF CHANGE .....	75
3.4.1 Inner organisational context.....	75
3.4.2 Outer institutional context.....	77
3.5 HOW DOES CHANGE OCCUR? - CONCEPTUALISING THE PROCESS OF CHANGE .....	79
3.5.1 The teleological model.....	79
3.5.2 The lifecycle model.....	80
3.5.3 The dialectical model .....	81
3.5.4 The evolutionary model .....	82
3.5.5 IT implementation process models .....	83
3.6 SUMMARY .....	87

**CHAPTER 4 - THE WIDER CONTEXT OF CHANGES IN BANKING ..... 89**

4.1 INTRODUCTION.....	89
4.2 TECHNOLOGY AND CHANGES IN BANKING: AN INTERNATIONAL PERSPECTIVE.....	89
4.2.1 Changes in the environment of banks .....	90
4.2.1.1 Regulatory Changes.....	90
4.2.1.2 Market structure changes .....	92
4.2.1.3 Technological changes.....	94
4.2.2 New Inter-organisational patterns .....	95
4.2.2.1 New delivery mechanisms: less focus on bank branches .....	96
4.2.2.2 Changes in bank-customer relationship.....	98
4.2.2.3 Changes in bank – retail industry relationship.....	99
4.2.2.4 Changes in bank – IT industry relationship .....	100
4.2.3 New internal patterns .....	101

4.2.3.1 Increased focus on marketing .....	101
4.2.3.2 Cultural Changes.....	102
4.2.3.3 Other Professional Changes.....	103
4.2.4 Discussion of changes in the institutional contexts of banks .....	103
4.3 THE NIGERIAN BANKING INDUSTRY.....	107
4.3.1 Historical evolution of the Nigerian banking industry.....	108
4.3.2 Structure of the Financial Service Industry.....	111
4.3.3 New Directions: IT and Organisational Change in Nigerian Banks .....	112
4.3.3.1 Influence of regulatory authorities.....	112
4.3.3.2 Relationship with IT industry .....	115
4.3.3.3 Changing Bank – Customer relationship .....	115
4.3.3.4 Increased focus on IT and IT-based change programmes .....	116
4.3.3.5 Introduction of smart-card products.....	117
4.3.3.6 Inter-connectivity and money transfer .....	118
4.3.3.7 Focus on improving the professionalism of staff.....	119
4.3.4 Discussion: The (Re) Institutionalisation of the Nigerian banking industry...	120
4.4 SUMMARY .....	125

## **CHAPTER 5 - EMPIRICAL INVESTIGATION INTO THE IMPLEMENTATION OF INFORMATION TECHNOLOGY-BASED CHANGE PROGRAMMES ..... 127**

5.1 INTRODUCTION .....	127
5.2 ACCESS TO CASE STUDY SITES - A CONFSSIONAL TALE .....	127
5.3 REORGANISATION THROUGH “REENGINEERING”: WEMA BANK CASE STUDY .....	129
5.3.1 Organisational context.....	129
5.3.1.1 Wema Bank Plc: historical context.....	130
5.3.1.2 Organisation of IT function at Wema bank .....	132
5.3.1.3 Previous experience with computerisation .....	133
5.3.1.4 Structure and culture of branches at Wema bank .....	135
5.3.2 Planned change initiatives at Wema Bank Plc.....	137
5.3.2.1 The First Strategic Plan.....	137
5.3.2.2 The Second Strategic Plan .....	138
5.3.2.3 The BPR initiative .....	140
5.3.3 Implementing BPR: Decisions and actions taken to effect change.....	142
5.3.4 The results of reengineering: Changes after BPR .....	150
5.4 REORGANISATION THROUGH “PRACTICAL RESTRUCTURING”: UBA CASE STUDY .....	155
5.4.1 Organisational Context.....	155
5.4.1.1 Historical context of UBA Plc .....	155
5.4.1.2 Previous experience with computerisation .....	157
5.4.1.3 Structure and Culture of bank branches.....	160
5.4.2 Restructuring UBA: Launching the change initiative .....	163
5.4.3 Implementing change: decisions and actions taken to effect change.....	168
5.4.4 Changes after restructuring .....	174
5.5 SUMMARY .....	178

<b>CHAPTER 6 - ANALYSIS AND DISCUSSIONS .....</b>	<b>180</b>
6.1 INTRODUCTION .....	180
6.2. LOCAL ADAPTATIONS TO GLOBAL PRACTICES: AN ANALYTICAL FRAMEWORK .....	180
6.3 ANOTHER LOOK AT WEMA BANK: PLANNED, ADAPTED AND IMPLEMENTED CHANGE .....	186
6.3.1 Management level adaptations: The three-tiered approach to restructuring ...	188
6.3.2 Management level adaptations: Rotating staff for reengineering .....	190
6.3.3 Management level adaptations: Selecting the implementation team .....	191
6.3.4 Branch level adaptations: Accommodating 'local culture and politics'. .....	192
6.3.5 Branch level adaptations: Semi-automated authorisation .....	192
6.4 SUMMARY .....	194
6.5 ANOTHER LOOK AT UBA PLC: PLANNED, ADAPTED AND IMPLEMENTED CHANGE..	195
6.5.1 Management level adaptations: Radical plan; incremental implementation...	197
6.5.2 Management level adaptations: Two-tiered approach to inter-connectivity...	198
6.5.3 Management level adaptations: Drafting OPC manual and redefining BPR..	199
6.5.4 Branch level adaptations: Standardisation and the use of bullion officers .....	200
6.5.5 Branch level adaptations: Contract staff and authorisation levels .....	200
6.5.6 Branch level adaptations: responding to breakdown in communications .....	201
6.6 SUMMARY .....	202
6.7 DISCUSSIONS: LOCAL ADAPTATIONS TO GLOBAL PRACTICES.....	202
6.7.1 IT and organisational change: Understanding the nature of local adaptations	203
6.7.1.1 The content of adaptation: conceptual and operational adaptation.....	203
6.7.1.2 The context of adaptation: Influence of resource and institutional factors	204
6.7.1.3 The process of adaptation: Interplay of rational and symbolic actions ...	208
6.7.2 IT transfer from within the local-global discourse.....	211
6.7.3 Planning and implementing 'global techniques': practical considerations.....	213
6.8 SUMMARY .....	215
<b>CHAPTER 7 - CONCLUSIONS .....</b>	<b>216</b>
7.1 INTRODUCTION .....	216
7.2 OVERVIEW OF THE RESEARCH.....	216
7.3 RESEARCH CONTRIBUTIONS .....	221
7.3.1 Theoretical contributions.....	222
7.3.2 Methodological contributions .....	224
7.3.3 Practical contributions.....	225
7.4 LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH.....	227



<b>APPENDIX I - WEMA BANK PLC: STRUCTURE OF BRANCHES BEFORE REENGINEERING .....</b>	<b>230</b>
<b>APPENDIX II - WEMA BANK PLC: STRUCTURE OF BRANCHES AFTER REENGINEERING .....</b>	<b>231</b>
<b>APPENDIX III - UBA PLC: STRUCTURE OF BRANCHES.....</b>	<b>232</b>
<b>APPENDIX IV - ORGANISATIONS INTERVIEWED.....</b>	<b>233</b>
<b>APPENDIX V - INTERVIEW GUIDES.....</b>	<b>234</b>
<b>APPENDIX VI - PAPER PRESENTED AT IFIP WG 9.4 CONFERENCE .....</b>	<b>237</b>
<b>REFERENCES.....</b>	<b>263</b>

## **List of Tables and Figures**

Table 1 : Difficulties in applying Socio-Technical Systems in DCs .....	18
Table 2 : Comparison of Theories .....	63
Figure 1: Mintzberg's Strategy Typology .....	71
Table 3 : IT and organisational change: a conceptual framework.....	87
Table 4 : Evolution of banking technology and applications .....	96
Table 5 : Dynamics of context/process interaction - WEMA Bank Plc. ....	140
Figure 2 : Wema Bank Plc. - Consultant involvement in implementation process .....	146
Table 6 : Wema Bank Plc. - Summary of important dates/events.....	154
Table 7 : Dynamics of context/process interaction - UBA Plc.....	164
Table 8 : UBA Plc. - Summary of important dates/events .....	177
Figure 3: Analytical Framework: Context/process interaction.....	181
Table 9 : Types of adaptations and influential factors – WEMA Bank Plc.....	194
Table 10: Types of adaptations and influential factors – UBA Plc. ....	197

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# Chapter 1

## Introduction

### 1.1 Nature of research problem

The theme of this research is the increasing interconnection within the emerging global economy<sup>1</sup> and the implications for developing countries (DCs). According to Castells (1996), the global economy should lead to greater productivity and efficiency if organisations invest in a comprehensive programme of both institutional and organisational change. In recent times, organisations in DCs have been investing quite extensively in IT and are increasingly adopting management techniques such as Business Process Re-engineering (BPR) and Total Quality Management (TQM) with a view to becoming part of the global economy.

In Africa, on the advice of International Financial Institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF), the majority of countries embarked upon the task of deregulating and liberalising their economies. In addition, a number of organisations in different economic sectors have over the past few years been investing extensively in IT and adopting western management techniques (like BPR and TQM) with a view to taking part in the globalisation process (Kiggundu, 1992; Saxena, 1996). Despite these observed trends, there is still a dearth of studies that examine the experiences of organisations in implementing technologies and associated management techniques and, in particular, how they are able to accommodate and integrate these management techniques into their day-to-day operations. Realising the need for such studies, the International Federation for Information Processing (IFIP) Working Group 9.4, organised a conference towards the end of writing this thesis to examine how processes of local adaptations are planned and achieved in developing countries and how local structures interact with global pressures in contemporary times<sup>2</sup>. This research also

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<sup>1</sup> Aptly referred to as “a networked, deeply interdependent economy” (Castells, 1996: 67)

<sup>2</sup> See Appendix VI for a copy of the author’s submission to this conference

attempts to make a contribution in this respect. The background to the research rests squarely on three major perspectives: the globalisation discourse, focusing on the global-local interaction debate; information systems in DCs, especially within the theme of technology transfer; and planned information technology-based organisational change.

### ***1.1.1 From the perspective of globalisation***

In recent times, the need to study the wider context of IT use in DCs has been recognised as important due to the effects of the globalisation process. Indeed, the guiding principle of this research is that the utilisation of IT in any part of the world currently is taking place within such globalisation trends. A useful definition<sup>3</sup> of globalisation given by Giddens (1990) refers to the concept as ‘the intensification of world-wide social relations that links distant localities in such a way that local developments become a function of events occurring many miles away and vice versa’. Similarly, Castells (1996) described the trend of an increasing interconnection of economic activities and social relations, which he referred to as a “networked deeply interdependent global economy”. Thus, globalisation essentially refers to a world in which societies (and culture) have, in one way or another, come closer together (Kiely, 1998).

It is this coming closer together and its implications that is central to much of the debate on globalisation. These debates have focused on what happens to local identities within a globalising world (Hannerz, 1991; Robertson, 1992; Kiely, 1998). Different scenarios have been painted as to the possible consequences of this interplay between local and global tendencies. Ranging from the highly deterministic “homogenisation” thesis of the global institutionalist school (McNeely, 1990) to the interactive ‘mutual influence’ arguments of Robertson (1992), these views posit different implications of the globalisation trend on local societies.

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<sup>3</sup> While, there is a general agreement on the importance of the globalisation trend in contemporary times, there still exist some debates about what the term actually mean (Robertson, 1992).

Within the business literature, Prahalad (1993) sees globalisation as a vigorous interaction between DCs, the industrialised countries and Multi-National Corporations (MNCs). For DCs to successfully compete within the global economy, the author prescribed building a 'world-scale' domestic market, developing domestic capabilities and opening up local markets to foreign competitors (usually MNCs). The view of increasingly integrated economic activities is further strengthened by Sen's (1992) assertion that economic globalisation entails – as a matter of must – that DCs organisations take the international context or environment into account when taking decisions in contemporary times. Carnoy et al's view that "national economies now work as units at the world level in real time" (1993:5) is another similar conceptualisation of an increased level of integration within the global economy. The authors also agreed that advances in information and communications technologies have aided such a global integration.

Baudrillard (1983) takes a rather different view of the globalisation process and argue to the contrary that the increasing interconnection is based more on the dominance of culture than on economic factors. The author argued quite strongly that the major impact of the increasing use of technology in a global world has not led to an informed society but rather to a state of disintegration (1983:100). Similarly, Waters (1995) stated that economic motivation is slowly being displaced within the global order by symbolic ones 'based on values, preferences and tastes' (pg. 124).

In discussing the structure of the international system, the institutional school argues that the organisational forms and practices of nation-states, for example the educational system, state bureaucracies and, more recently, market enterprise, are the outcome of world-level directives for 'development' and 'progress'. These directives are the rationalised myths which over time become institutionalised in the world system and which consequently press all countries to adopt common policies, objectives and practices - the result of which is homogenisation (McNeely, 1990).

While arguing for convergence, the institutionalist school argues that despite the apparent economic inequalities within the wider system, both rich and poor countries evolve similar social arrangements and structures. Institutional theorists point to the fact that poorer countries, despite the disadvantage of being poor still establish massive government bureaucracies, and educational and military systems similar to those of the richer nations. As a result, the institutionalist school has focused on convergence not of functional economic and technical requirements, but on cultural and ideological factors that exist within the international system. The international system is viewed as an integrated social system organised around cultural rules that all countries within the international system subscribe to. It is these cultural rules which press all nations towards convergence, the institutionalists argue.

Hannerz's (1991) thesis of cultural homogenisation is another such view that examines the effect of globalisation on local cultures. Hannerz presented a scenario of homogenisation of the world cultural system, which he called "cultural imperialism". It involves, in the author's views, a 'large-scale transfer of meaning systems and symbolic forms' along the dimension of the relationship between the centre and the periphery, with the periphery being the recipient of culture from the centre. This signifies a discerning note of caution about the homogenisation - and by extension negative - impact of such globalisation trends. He went on to state however, that after a certain level of infusion, the periphery will be able to reshape the culture imbibed from the centre to 'its own specification'. He called this the cultural maturation tendency. As global meanings continue to operate within local settings, some form of 'mutual influence' takes place to the extent that the global culture becomes modified. This process of modification comes about when local people are able to master the global culture and tinker with them to such extent that a new form of the global culture, which is an outgrowth of the local culture and which is responsive to the local culture and needs, arises.

Still within this discussion of global culture is the work of Robertson (1992) who, in contrast, argues that global culture is not about to be homogenised. For him, the relationship between global and local culture (which he called universalism and

particularism respectively) is a two-way relationship in which localism is not about to be lost to a universal process such as globalisation. Instead, what takes place is a kind of duality of interaction in which the local will be infused with the global and vice versa. This, he refers to as the interpenetration of the universalisation of particularism and the particularisation of universalism” (pg. 100). Kiely (1998) also offered a similar interactive view of the global-local nexus by suggesting that globalisation is best understood by paying close attention to concrete local events and developments as opposed to viewing globalisation as a meta-theory.

Other studies have specifically addressed the impact of globalisation on less developed countries. Focusing on Africa, these studies have analysed the impact of the globalisation trend and came up with a number of conclusions. Studies from the political-economy perspective emphasised the declining power of the state as an originator of political actions, and the increasing role of the international system and international organisations such as the IMF and the World Bank (Mohan, 1996; Stubbs and Underhill, 1994). Peck and Tickell’s (1994) description of the ‘emerging’ structure as “local responsibility without power and the supra-national exercise of power without responsibility” best capture this view.

Within the banking industry, the globalisation process is more advanced in wholesale banking than in the retail sector (O’Brien, 1992:52). Compared to wholesale banking, retail banking is regarded as more local in nature as it is expected to be much more closer to customer needs and preferences (O’Brien, 1992; Frazer and Vittas, 1982). Yet, to completely isolate retail banking from global trends will be misleading. Frazer and Vittas (1982) identified substantial level of similarities between consumer financial needs and the ease with which new financial technology can be transferred across many different countries as reasons why the retail banking sector can be considered global. For Reinicke (1995), the ease with which foreign banks are now able to penetrate local markets after deregulation constitutes a major aspect of the globalisation trend within retail banking. In addition, O’Brien (1992) identified the increasing ownership of local banks by foreigners, the increasing formation of alliances and mergers between banks of different national origins, and the important role that the new information and communications technology



is playing in the area of systems support and the so-called 'back-office' functions for banking activities. Here technology is making it easier and cheaper for banks to relocate these services away from their local base to areas of low cost.

Implicit in these discussions is an increasing integration of activities in the environment of retail banks. As technology has made it possible for banks to relocate some of their support services, enter into alliances and increase their presence in foreign territories, the discussion about the context of retail banks can increasingly be carried out from within the globalisation discourse. If globalisation entails a unifying of the environment of banks, then a study of the impact of globalisation on banking institutions in DCs becomes more important in view of some of the arguments about the possible homogenising effect such environments portend. According to Aldrich (1979):

“A homogenous environment rewards the development of standardised ways of relating to the domain population, and may lead to the development of an undifferentiated set of products and services” (pg. 66).

Clearly influenced by some of these concerns, studies in IS are beginning to examine whether the globalisation process portends homogeneity for developing countries' (DCs) organisations or whether these organisations can utilise IT and IT-based management techniques according to the socio-cultural requirements of their contexts (Walsham, 1998). In his contribution to the globalisation debate, Kiely (1998) used the term 'actually existing globalisation' to explain the importance of examining globalisation 'as an agenda for concrete empirical investigation'. The importance of this is that globalisation is experienced in different ways by different people in different parts of the world, which therefore means that the local context matters; that global techniques employed in the 'west' cannot be implemented mechanistically in DCs without due consideration for the local context. Considering the local context may therefore imply some form of modification or adaptation of 'western' technology and techniques when they are being implemented in DCs.

### ***1.1.2 From the perspective of information technology (IT) transfer***

Information technologies, developed in the industrialised countries of the 'west', are said to have been developed to satisfy the socio-economic needs of that context (Avgerou, 1995). However, given the increasing interconnection of social and economic activities in contemporary times, these technologies are rapidly being transferred to DCs. DCs' organisations, in appreciation of the developmental potentials of the technology, are thus willing to exploit these potentials to achieve productivity improvement, organisational effectiveness and business competitiveness (Avgerou, 1995).

IT is increasingly being applied in a number of business sectors in DCs. In Africa, studies have revealed an increasing investment and adoption of the technology in business sectors such as banking where, in addition to automating their back office functions, banks are investing in customer-facing technologies such as ATMs and smart-card technologies (Dickinson, 1996; Gosling, 1996; Jason, 1998; Woherem, 2000). Other studies include the application of IT in health institutions in Nigeria and South Africa (Korpela, 1994; Braa and Hedberg, 2000) and other government offices such as the revenue collection and financial management information systems in Uganda (Zake, 1995). These various studies examining the transfer and use of IT in DCs have touched on important organisational, economic, social, political and cultural factors that influence IT transfer and use in these countries.

The use of IT in DCs has, over the years, been suggested as not living up to the expectations of their implementation (Madon, 1994; Waema, 1995). These difficulties have, at various times, been linked with the processes in place for transferring the technology. For instance, the research by Odedra (1990) identified five channels through which IT is being transferred to DCs namely: purchase of equipment, education and training, technical assistance, licensing, and direct foreign investment. The conclusion of her study was that these channels are not as effective as they should be. She suggested that a number of technology-related projects fail to achieve any significant positive impact because of the poor treatment of the local organisational context. She, therefore, argued persuasively that technology transfer must be accompanied by the technical

know-how: that technology transfer is incomplete without the knowledge of using the technology. Other studies have also identified major problems with the transfer and use of IT in achieving organisational improvements. Such problems include an acute shortage of skilled and experienced IT professionals (Bhatnagar, 1991; Waema, 1995), weak telecommunications infrastructure to transfer data and for effective computerisation (Woherem, 1992) and problems of organisational culture which makes it difficult to utilise the technology as originally envisaged (Avgerou, 1995).

To effectively use the technology, studies have suggested the transfer of organisational forms and practices - which can be adapted to suit the local context - to accompany the transfer of IT (Morgan, 1991; Westney, 1991). These organisational forms or technology according to Avgerou (1995) can be in two forms. First, the physical technologies that are supported by organisational technologies such as in the development of database systems to provide information infrastructure for 'institution-building' programmes sponsored by international development agencies. The other consists of organisational technologies that are supported by certain physical technologies such as the adoption of management practices like TQM or business planning, which are usually supported by decision support systems to facilitate management work engendered by the new organisational forms.

Similarly, there have been calls for the development of IS models applicable to and based on research studies conducted in DCs. Kiggundu (1990) looked at the application of Socio-Technical Systems (STS) in DCs and concluded that its application has been very limited. He highlighted certain conditions that made it difficult for the method to gain wide acceptance. Some of these limiting factors are 'organisational and management problems, technical and economic realities of countries and the level of discretion allowed to ordinary users within the organisation'. These problems are outlined in detail in Table 1.1 below.

**Table 1: Difficulties in applying Socio-Technical Systems in DCs**

1	Organisations are managed as closed systems and are relatively unresponsive to environmental changes
2	Government plays a dominant and pervasive role in the functioning of organisations
3	Organisations tend to display little structure and have low tolerance for ambiguity and great uncertainty
4	Motivation to work stems from different sources, including the need for individual rather than group recognition by one's superior
5	Developing countries' organisations exhibit dysfunctional modes of conflict management, closer social and emotional interactions, intergroup rivalry, little capacity for openness, trust, and rational expression of feelings, and well-established hierarchical and social status barriers
6	Inadequate physical, managerial, and institutional frameworks exist for effective use of technological innovations
7	American theories of management do not apply abroad
8	Organisations employ ambiguous, ill-defined, abstract, and symbolic measurement of performance and organisational goals

Source: Kiggundu (1990: 148)

To overcome some of these problems, Kiggundu called for an approach to the adoption of the STS method that allows for some form of adaptation and modification in different regions and countries. Rieger et al (1990) discussing the same issue, proposed a cultural configuration model based on the assumption that internal organisational structures and processes are conditioned in part by their ambient society's culture. Similarly, Jaeger (1990) also hinted at the problem of an uncritical acceptance of western management theories. The author identified some "value configurations" of DCs and compared them with western management practices. The conclusion was that these values are very different from western values and result in behaviours that are different from those which exist in the west. A similar suggestion was raised by Elmandjra (1992) that, information technologies are a by-product of the particular socio-cultural environment within which they evolve and that an effective transfer and use of these technologies in DCs "must not

count on the blind and automatic transportation of models” that have emerged in different environments.

These various suggestions imply the view that solutions and management techniques developed from the industrialised countries of the ‘west’ cannot be mechanistically implemented in DCs with the expectation of achieving the same type of results as in the ‘west’. These views and suggestions have, therefore, called for the importance of local adaptations to western techniques to fit the context of implementation. However, the precise method of achieving these modifications and the factors that shape local adaptations are still poorly understood - leaving it a fruitful area for research. In line with this, the thesis explores the nature of local adaptations to the implementation of IT-enabled change programmes within the Nigerian banking industry.

In sum, the importance of local adaptations in the use of IT and associated organisational techniques has been examined from the technology transfer perspective. The western orientation of IT has meant that most established models of ‘best IS practices’ are drawn on research studies from organisations in the advanced industrialised countries of the west. Questions have been asked about the feasibility of applying such models in other regions (Avgerou, 1995; Elmandjra, 1992; Ein-Dor, et., al. 1993; Jaeger, 1990; Kiggundu, 1990; Martisons and Westwood, 1997; Rieger et., al, 1990). Raising such questions imply an acknowledgement of the narrowness of these models in managing and facilitating technology-based change and a recognition of differences in environments within which organisations operate.

### ***1.1.3 From the perspective of IT and organisational change***

The literature on organisation change can be classified into three main categories (Slappendel, 1996). First are the writings on goal-based change which believe that the impetus for change arises from factors internal to the organisation (Child, 1972; Kirton, 1980). Second is the adaptation model with its focus on external factors as the reasons why organisations change (Goodman, 1982; Hall, 1991; Levy and Merry, 1986). The third is the interactive process model of change (Slappendel, 1996; Pettigrew, 1985), which views

neither structural properties nor managerial actions as the reasons why organisations' change. Rather, organisational change is regarded as an emergent process based on the interaction of both internal and external forces, structural properties and managerial actions.

The goal-based perspective is based on the understanding that individuals are rational in their actions and are guided by the goals of the organisation - which all members strive hard to maintain. An approach to organisational change from this perspective is the planned approach to change. Planned change involves a deliberate, purposeful, and explicit decision to engage in a program of change (Levy and Murray, 1986). It normally originates in a decision from management to improve on how the organisation functions, to create and communicate a vision of the change initiative and to implement necessary changes (Levy and Murray, 1986; Wilson, 1992; Plant, 1987).

The planned approach to organisational change - because of its emphasis on top management decision-making - has resulted in a plethora of models aimed to develop and train managers in a set of competences regarded as necessary for managing change (Wilson, 1992). These models aim to assist management in understanding and exploiting opportunities engendered by a change in environment as well as avoiding threats (Johnson and Scholes, 1989; Teece and Pisano, 1994; Porter, 1980). It has also been suggested that planned change can be carried out through the changing of the culture of the organisation as a way of introducing change into the organisation<sup>4</sup>. Approaches from this perspective are based on the assumption that people's actions are a function of their values and cognition (Wilson and Rosenfeld, 1990; Wilson, 1992).

In addition to changing people's behaviour, a planned approach to change also focuses on changing the organisational paradigm. An organisation's paradigm is defined as the unquestioned assumptions through which all actions and procedures within the organisation get meaning (Ranson et. al, 1980; Sheldon, 1980). At a broad conceptual

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<sup>4</sup> This is based on the assumption that the culture of an organisation is an instrument that can be managed and manipulated by management. Culture is but one of many variables (others being size, structure, technology) which can be acted upon or controlled for organisational effectiveness (Allaire and Firsirotu, 1984; Smircich, 1983; Meek, 1988).

level, it is the unquestioned assumption about why the organisation operate and at a more concrete level it defines what is acceptable behaviour or the best way to approach a particular situation.

However, some argue that structures and people are not so readily amenable to change. According to Oliver (1997a) many activities within organisations are so strongly upheld by the organisation's prevailing culture that decision-makers no longer even question their appropriateness. These activities are usually upheld because their longevity is considered sufficient evidence of their usefulness. The reasons adduced for such institutional inertia are that the cost of making changes may be regarded as greater than the perceived benefits or it may be that appropriate alternatives cannot be conceived of or that such alternatives are regarded as unrealistic (DiMaggio and Powell, 1991).

The planned approach to change has generally been criticised as ignoring - to a large extent -the social, political and economic context in which organisations operate. It has also been criticised because of its over-insistence on managerial control and authority in achieving a successful organisational change programme. The failure of the goal-based approach to consider organisational structures such as roles and positions as being able to influence and interact with some of the personal qualities of an individual led to a focus on structural characteristics of the decision-maker and of the organisation. Because a person occupies a particular role in an organisation, there are expectations which go with the role and the fact that such a person is expected to conform to the demands of the role means that individuals are not entirely free and independent. Therefore, behaviour such as decision-making is - to a large extent - socially mediated (Baldrige and Burnham, 1975).

It is this focus on structural or contextual characteristics which informs the work of the adaptation school (Goodman, 1982). Unlike the goal-based school, this model views change as determined mainly by the structural characteristics of the organisation that is changing. It focuses on such impersonal characteristics as organisational size,

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complexity, and centralisation of authority and on environmental components like customers, suppliers, other organisations and government institutions as the main determinants of change. In so doing, this perspective shares the objective and overtly simplistic view of change of the goal-based school. However, its main strength lies in its consideration of the environment within which the organisation operates.

The view of customers as a source of change is based on the idea that they are a source of ideas and that they also generate demand which the organisation will aim to satisfy (Marquis, 1982; Von Hippel, 1988). This is however dependent on the level of sophistication of customers - which differs across industries and between countries (Crocombe et al. 1991). The role of institutions and government institutions in promoting change in organisations has also been widely documented (see for instance King et al. 1994). Other structural characteristics that have been touched upon in the literature are the size of an organisation where it is believed that large organisations, because of the large amount of resources at their disposal, are more disposed to change compared to smaller organisations (Fennell, 1984).

Unlike the two previous perspectives, the interactive process model conceptualises change as being the product of the interaction of structural influences or factors and the actions of organisational decision-makers. Change here emerges from the interaction of the two sets of forces, neither of which is solely responsible for change. It conceptualises the change process as a complex process of interaction which can best be understood through a holistic approach that considers the 'complex and paradoxical relationship between action and structure' (Slappendel, 1996).

A number of studies have been carried out from this perspective and have come up with different explanations of the process of change. Walton (1987) carried out one such study on the international shipping industry. The study concluded that an industry's capacity for change is influenced by the interaction between external forces such as environmental trends and other components such as the vision, the need, the social context as well as the institutions driving the process of change. Other notable work from this perspective are



the comparative study of innovations in four major organisations by Starkey and McKinlay (1988) and Pettigrew's studies of strategic change in ICI and the UK National Health Service (Pettigrew, 1985; 1992). The interactive model avoids a unidirectional view of change and the causes of change because change is regarded as a function of the interaction of forces. This therefore helps in capturing the full complexity of organisational change by rejecting the rational model of change and embracing the more subjective and non-rational aspects of organisational life.

Similarly in information systems (IS), IT and organisational change models have evolved from early teleological models to more subjective and dynamic models which consider IS as social systems (Land, 1987). IS as social systems implies a shift in focus from looking at issues of how computers function as hardware and software to an acknowledgement of the organisation that accommodates such technical systems. This has led in the main to the study of how organisations are structured, concerns about the people within the organisations who use the technologies, and how these organisations operate.

The increasing emphasis on the organisational context of IS has been accompanied by a change in focus from the use of computers within a specific organisation to a much broader perspective analysing inter-organisational factors that influence IT use (Reekers and Smithson, 1996) and more recently to a focus on national and international factors that influence the use of IT in organisations (Barrett et al., 1997; Harindranath, 1997; Walsham, 1998). The literature on IT and organisational change will be considered in more details in chapter 3. These developments reflect an increased understanding of the diverse factors that influence the use of IT and the appropriate approach required to studying them. One such approach that is increasingly being adopted is the contextualist approach.

A contextualist approach to the study of IT and organisational change focuses on the interaction of the multi-level structures and systems within which IT is embedded and the process of change that takes place over time (Walsham, 1993). However, the contextualist model has been criticised as lacking an adequate theoretical underpinning

and a conceptual model for linking the external context and the inner organisational context (Pettigrew, 1992). One of the aims of this thesis therefore is to attempt the development of such a conceptual framework for the study of technology-based change in Nigerian banks. In the thesis, concepts and ideas from institutional theory and the resource-based approach are combined within a contextualist perspective to study planned technology-based change within the Nigerian banking industry. Such a combination provides the theoretical underpinning missing in Pettigrew's model and it allows for an examination of both rational and symbolic pressures that influence the process of implementing technology-based organisational change initiatives at various contextual levels. A rational view of organisational functioning assumes that organisational behaviour is deliberate, and systematic while a symbolic view believes that organisational behaviour is compliant, habitual, unreflective and socially justified (Oliver, 1997). The interesting question from this perspective is how do broadly-based social norms and pressures in the inter-organisational arena interact with intra-organisational resources to influence the implementation of IT-related organisational change within the Nigerian banking system? An attempt will be made to provide answers to this question in much of our discussion in Chapter 6.

The importance of adopting these views in this study lies in the somewhat different conceptions of the interaction between organisations and the environment that the two theories hold - highlighting the rational on one hand and the symbolic on the other. Although each theory elaborates on important aspects of the interaction, neither captures on its own the full complexity of issues involved in IT use in organisations. A combined model that focuses on both the rational and symbolic factors that influence organisational change seems to potentially aid our understanding better. The resource-based view will be used to examine rational factors that influence IT and organisational change and the institutional theory will be used to examine the more social and in particular symbolic elements involved in the use of IT and associated organisational changes.

A good theory of change, it has been suggested, must be able to explain change/continuity, actions/structures as well as internal/external sources of change

(Pettigrew, 1987; Van de Ven et., al, 1988; Walsham, 1993). Approaching organisational change from an institutional perspective combines both political<sup>5</sup> and cultural<sup>6</sup> elements of the change process and is thus useful in explaining continuity and change. Indeed, Zucker (1986) asserts that ‘once institutions are established they may persist, even though they are collectively sub-optimal’. This points in the direction of explaining continuity.

#### ***1.1.4 Setting the scene: The Nigerian Banking Industry***

In Nigeria, change programmes manifest themselves across the economy and society as part of a general package of reform known as the Structural Adjustment Programme (SAP). SAP in a general sense is a comprehensive programme of reform aimed at restructuring the economy by introducing changes in the country’s public and private organisations. It involves amongst others, a reduction in government spending to reduce public deficit; devaluation of currencies and the privatisation/commercialisation of nationalised industries. It also involves the opening of exchange rate dealings - hitherto controlled by the government - to ‘market forces’; and the lifting of trade restrictions (EIU, 1993; Logan and

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<sup>5</sup> The political perspective provides a view of organisations as consisting of more than one super-ordinate goal; organisations are coalitions of people with divergent interests some of which may be in harmony or could be opposing (Eisenhardt and Zbaracki, 1992). While the political perspective agrees that people are individually rational; collectively they are less so. Divergences in interest could be as a result of different expectations of the future, differences emanating from occupying different positions within the organisation and differences in individual ambitions and interests. It is argued that some of these differences may be resolved through the use of political tactics such as coalition formation, co-optation, withholding or exploiting information and employing the use of outside expertise such as consultants (Eisenhardt & Zbaracki, 1992). The importance of politics to organisational actions are divided between those who view politics as essential and effective to organisational functioning (Quinn, 1980; Pfeffer, 1992) and those that argue that politics is detrimental to the organisation (Gandz & Murray, 1980).

<sup>6</sup> An important component of the institutional argument is culture. Indeed, the reference to shared systems of rules and symbolic interactions is heavily laden with cultural ideas. The root of culture as a concept has been largely traced back to the field of anthropology where, at various times, culture has been synonymously used with other concepts such as customs, norms, beliefs or belief system, rituals and ceremonies (Allaire and Firsirotu, 1984; Meek, 1988; Sackmann, 1992). In an attempt to narrow down this complexity, the study of culture and organisational change has been broadly classified into two main schools: studies focusing on managing culture for change and those on the evolution of cultures in organisations (Ogbonna and Harris, 1998). These two perspectives consequently view culture as something an *organisation has* and something an *organisation is* respectively. The implications for organisational change are that culture can be managed and manipulated during a change program as well as under specific situations such as in periods of crisis. However, recent work on the study of culture has however criticised these two views and questioned the extent to which organisational culture can be managed or manipulated by management in the process of organisational change (Ogbonna, 1993; Willmott, 1993). These studies, while in agreement with the view that the culture of organisations does change, however, argue that management or change agents cannot determine the direction and impact of such change before hand.

Mengisteab, 1993; Olukoshi and Nwokwe, 1994). Just as in most of Africa, this programme was supported by a loan agreement from the International Monetary Fund (IMF)<sup>7</sup>. The effect of SAP on the Nigerian banking sector was in liberalising the process of setting up new banks. This was considered essential for promoting ‘competition, innovation and efficiency’ (Ebhodaghe, 1991).

Three major events mark out the Nigerian banking industry as an interesting case. Since government liberalised the industry in September 1986, there has been an explosion in the number of licensed banks, which increased dramatically from 29 commercial banks and 12 merchant banks in 1986 to a peak of 66 commercial banks and 51 merchant banks by 1995. Secondly, the increase in the number of banking institutions did not produce the much-expected financial deepening and economic upturn (Utomi, 1996; Lewis and Stein, 1997). Instead, by the mid-1990s the industry experienced a major financial and credibility crisis in which a large number of banks were closed down by the government. The number of banks closed down rose from 8 in 1989 to 51 by the end of 1995. Recently, in January 1998 government closed down 26 additional banks comprising 13 commercial banks and 13 merchant banks.

The third event is the proliferation of banking technology within the industry. Nigerian banks now spend an increasing amount of resources on IT in order to improve their services. In a 1998 survey of banking institutions in Nigeria, Woherem (2000) found that the average annual IT budget of banks increased from 126 million Naira<sup>8</sup> in 1997 to 265 million Naira in 1998. A number of IT-based banking products such as smart cards, home and Internet banking are being introduced into the sector. Banks are also increasingly automating their processing systems with a view to providing faster and better quality service to customers. In order to raise awareness, an increasing number of seminars and workshops are being organised by bankers and IT vendors. To cater for the increasing appetite of the industry for technology, quite a large number of IT vendors and software houses have developed in addition to the ones that have already been in the country.

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<sup>7</sup> In a study by Mohan (1996) it was revealed that 38 out of the 43 countries (or 88%) which have introduced the programme had entered into an agreement with the IMF as part of their SAPs.

<sup>8</sup> 110 Naira = U.S. \$1 (August, 2000)

The history of computerisation efforts within the banking industry in some industrialised countries (i.e. U.S.A.) showed that larger banks were the prime movers of designing and implementing new technological solutions because they could more easily afford the substantial cost involved (Arthur Andersen, 1986). However in Nigeria, the big banks are only just joining in response to the threats posed by the new banks that came in after liberalisation. The sheer number of branches had been a burden on them given the logistics of computerising such a huge network of branches. In addition to investing directly in IT, these (old) banks with the aid of consultants are introducing IT-related change programmes such as BPR.

There is also an increase in the level of activities of large multi-national enterprises some of them IT/management consultants who advise local banks on how to become global players (Price and Johri, 1992). In Nigeria, a number of wholly owned foreign banks and others jointly owned, are now operating within the banking system. In addition, a number of multi-national IT/Management consultants are working with banks to introduce strategic plans and major restructuring programmes in the wake of the liberalisation and the increasing level of competition. Despite these increased activities within the Nigerian banking industry, the precise nature of changes taking place within the industry and the factors driving these changes have not been studied. Most studies have only focused on conducting cross-sectional examination of factors that influence IT adoption (Ogbechie, 1997; Woherem, 2000), without a detailed study of the nature of associated organisational changes that have taken place within the industry. Therefore, the Nigerian banking sector can indeed be considered an appropriate setting for a study which aims to examine the interplay of global trends and local situations. A more detailed discussion of the developments within the Nigerian banking system is undertaken in chapter 4.

## **1.2 Purpose of the research**

In the face of major environmental changes such as deregulation and liberalisation, developing countries' organisations have introduced western management techniques and are increasingly using IT. Studies have focused on the importance of adapting these

techniques to suit the context of their implementation. However, few of these studies have actually focused on revealing the nature of these adaptations and the factors influencing such adaptations. The overall aim of this study, therefore, is to increase understanding of why and how do these adaptations take place, and what results are achieved. This is pursued by examining the implementation of IT and planned organisational change initiatives in two Nigerian banks. These banks are two of the three oldest surviving banks within the industry and in the aftermath of the liberalisation of the banking industry embarked on major programmes of restructuring. Focusing on such banks with a long history of operation will provide a rich social and historical context for analysing the change initiatives and factors influencing their implementation.

### **1.3 Research question**

The broad research question to which this study is directed is as follows:

How are global technology-based organisational change practices adapted within the local context of Nigerian banks?

In order to answer these questions, the following issues of interest have been identified for analysis:

- Identification of wider practices in IT and organisational change in banking both from an international (global) perspective and within the Nigerian context.
- A systematic exploration of the process of implementing IT and organisational change programmes focusing on the adaptations that takes place during implementation.
- An explanation of the nature of local adaptations to global change programmes.

### **1.4 Contributions of the research**

The research makes three major contributions.

The field of IT in DCs in recent years has attracted an increasing amount of attention. More recently, there are increasing concerns about the impact of the liberalisation and globalisation trends on DCs and consequently organisations in DCs are increasingly investing in IT and management techniques developed in the 'west' and adapting them to fit their local context. However, despite these observed trends there is a lack of detailed

study as to how these various developments are taking place and the factors influencing them (Sahay and Walsham, 1995). How local adaptations are planned and achieved are still not properly understood. This study will therefore contribute to the body of studies interested in explaining the nature of local adaptations to global practices. This kind of study can act as a pool of knowledge which change agents can tap into and learn from.

Secondly, by combining both institutional theory and the resource-based model, this study aims to contribute to the growing body of knowledge that combines both rational and symbolic views to explaining organisational phenomena (Oliver, 1997; Dacin, 1997). Although in IS, much has been made of the interactive model of IT and organisational change, studies that combine two seemingly contrasting views such as the resource based view and the institutional theory are not common. This thesis offers a contribution in this direction by adopting a paradoxical stance to study the interaction between the organisation's resource context and established rules and procedures within the institutional context and how this in turn influence and is influenced by the change process.

Thirdly, by making explicit the influence of an organisation's resource context and its wider institutional settings on the adaptation process, a third contribution of this study is to make some tentative suggestions for change agents in DCs attempting to implement change programmes developed in different contexts.

## **1.5 Research methodology**

Moving on from a discussion of the nature of the research problem, we now consider the research methodology. In previous sections we concluded that a rational and linear approach was not sufficient to study organisational change and that a processual, non-linear and interactive approach which considers 'changing' as opposed to 'change' was more suitable. Such an approach would consider the multi-level contextual factors, including wider social/cultural rules and regulations and how they interact with the change process. In addition, this approach would assist in the task of putting into

operation, the various ideas and concepts highlighted from the previous section. Finally, to study IT and organisational change within the Nigerian banking sector would require an approach that gives a rich description of the developments as well as an interpretative approach which gives due cognisance to the meaning which people attach to their everyday situations.

### ***1.5.1 An interpretive research approach***

It has been suggested within the IS field that researchers should make explicit the philosophical assumptions underpinning their research (Orlikowski and Baroudi, 1991; Walsham, 1995). Within the IS field, research strategies have traditionally been divided into two camps: the positivist approach and the interpretive approach. The positivist approach has been the dominant one within the IS field (Orlikowski and Baroudi, 1991) and it relies on the use of numbers. Such data are used deductively to explain and predict organisational phenomena and to provide generalisations about organisations. Positivist approaches assume that the relationship between social reality and humans is independent, objective and has a cause and effect relationship. This approach has however been criticised in the IS literature for its treatment of organisational reality which is regarded as complex and not easily amenable to statistical deductions (Galliers, 1992). A more holistic and interpretive approach which captures the full reality of organisational behaviour in "its settings" has therefore been proposed and is increasingly being employed in IS research (Walsham, 1993).

The epistemological stance for interpretive approaches is that knowledge is a social construction with the possibility of more than one interpretation to any particular phenomena (Walsham, 1993). Interpretive research aims at understanding the 'intersubjective meanings embedded in social life' (Gibbons, 1987). Therefore, valid knowledge is gained through an understanding of these interpretations and meanings that people ascribe to their actions. Interpretive approaches believe that to theorise about any particular social phenomena would involve an understanding of that phenomena, which can only be achieved by 'getting inside' of the phenomena; hence the rejection of an objective reality which can be observed 'from afar' and replicated across organisations.



Within the IS discipline, a number of interpretive approaches have been employed in IS research such as phenomenology (Boland, 1985), Soft Systems methodology (Checkland, 1981), and ethnography (Bentley et. al., 1992; Harvey and Myers, 1995). These studies have focused on achieving a deep understanding of the social and organisational context in which IS are being implemented and the mutual interaction between these systems and their contexts.

Markus and Robey (1988) suggested such an interactive approach when discussing the three dimensions of causal structure used in explaining IT-related change. The first is a technological imperative where IT is seen as an external agent and the dominant force for change. Within this perspective human choice and action is constrained by the force of the technology. Next is an organisational imperative where humans have unlimited power and choice over technological options and the outcome of IT use. The choice and use of information technology depends on the information needs of the organisation and how decision-makers within the organisation go about satisfying these needs. This perspective however could be criticised for its neglect of environmental conditions which could constraint or preclude the making of such choices. Finally, they considered and argued for the interactive perspective, which posits that the way we use IT, and with what outcomes is a function of both human choice and contextual characteristics.

Given the nature of IT and organisational change discussed in previous sections and our embrace of an interactive model, we believe a research approach which aims to interpret and analyse - from the participants viewpoint - the social context of IT use in Nigerian banks is appropriate in this study. This becomes important given the research goal of understanding the nature of local adaptations in the implementation of technology-based organisational change initiatives in individual banks. Such adaptations, research has shown, are a function of the different meanings which organisational participants ascribed to their experiences of technology implementation (Orlikowski, 1996) and which interestingly in some cases have occasioned different outcomes to similar

technology in different organisations (Barley, 1986). Therefore in this research we will employ an interpretive stance and use the case study as the research strategy.

The interpretive approach has been criticised as lacking rigour, precision and credibility compared to the positivist approach because it is more open to distortion as a result of the values or purpose of the researcher (Galliers, 1992; Hussey and Hussey, 1997). Also from the viewpoint of the researched, criticism made of interpretive approach is that individuals are not always in a position to give a full account of their actions or intentions and that, more often, all they can offer are anecdotes of what they did and the reasons for their actions (Giddens, 1984).

### ***1.5.2 The case study strategy***

According to Walsham (1993), case studies are perhaps the most appropriate strategy for conducting empirical research from an interpretive stance. Case studies are defined as an empirical enquiry that investigates a contemporary issue or event within its real-life context, especially where the boundary between such issues or event and its context is not clearly defined (Yin, 1994). Therefore the case study approach is especially useful in such situations where the contextual conditions of the events being studied are critical and where the researcher has no control over the events as they unfold. The case study strategy has been argued to be particularly useful for practice-based problems where the experiences of the actors are important and the context of action is critical (Galliers, 1992; Lee, 1989).

This is so because the case study approach allows for a 'thick description' of the phenomena under study (Yin, 1994). Such 'thick descriptions' gives the researcher access to the subtleties of changing and multiple interpretations (Walsham, 1995) which would have been lost in quantitative or experimental strategies (Yin, 1994). The case study approach has also been suggested as appropriate for the 'why' and 'how' type of research questions and research studies of the processual nature extending over a long period of time (Benbasat et. al., 1987; Yin, 1994; Walsham, 1993). In studying events within their natural setting, the case study strategy makes use of multiple methods of data collection.

such as interviews, documentary reviews, archival records, direct and participant observations (Yin, 1994).

Many of the criticisms levelled against the case study strategy relates to the fact that because it is specific to only a small number of cases, it is very hard to generalise to a wider range of situations. Also the richness and complexity of the data collected means that the data is often open to a number of very different interpretations such that researcher bias is a constant danger (Cornford and Smithson, 1996). The lack of a detailed step-by-step data analysis method has also been frequently cited in the literature (Miles and Huberman, 1994). Despite these limitations, especially that of not being able to provide generalisability in a statistical sense, Pettigrew (1985) still believes that case studies are useful in developing and refining generalisable concepts and that multiple case studies can lead to generalisations in terms of propositions. Walsham (1993) argues that the validity of the case study approach derives from the epistemological stance taken. Hence from an interpretive tradition, the validity of case study results derive from the plausibility of the logical reasoning used in analysing the case study findings. Similarly Yin (1994) argues that case studies are useful for analytical generalisations, where the researcher's aim is to generalise a particular set of results to some broader theoretical propositions.

Given the interpretive stance adopted in this research and the nature of the research question of understanding 'how' Nigerian banks are implementing IT-enabled change programmes, we believe the case study approach is the appropriate research strategy. The same research question could have been approached using surveys designed to examine changing patterns in banks, showing for instance that banks are adopting a particular technique over others and implementing some types of technology as opposed to others. However, this may not reveal in detail the unique experiences of individual banks and the layers of factors influencing the change exercise. The case study approach was chosen because of its advantages in creating novel and rich insights especially in the study of IS in DCs and its focus on examining the rich social and cultural factors influencing local adaptations to the use of IT in such a context.

### ***1.5.3 Research Design***

As stated, the purpose of this research is to understand and explain the nature of local adaptations to global techniques in DCs. This entails a detailed study of the wider and local contextual factors influencing such techniques, the process of implementation at the local level and the ensuing change resulting from the implementation process. Such a focus led to the adoption of an interpretive stance which seeks to uncover truth by understanding phenomena in its natural setting. This in turn led to the choice of the case study approach as the research strategy because of its emphasis on investigating a contemporary phenomena in its real-life context (Yin, 1994). A case study approach is therefore used to describe the implementation of IT-related management techniques in Nigeria banks. Over a two-year period beginning in 1997, two case studies were conducted in two banks which adopted both similar and contrasting approaches to restructuring.

### ***1.5.4 Unit of analysis***

The study adopts a multiple-case design containing several embedded units of analysis. The first unit of analysis is the banking industry from an international perspective followed by the Nigerian banking industry. Given the emphasis on globalisation, it is suggested that the analysis of these units will provide a context for describing and analysing the case studies and the restructuring initiatives of banks in the two case studies. The two banks belong to the category of banks - referred to locally as 'old generation' banks – which have been in operation before the liberalisation of the industry in 1986. These groups of banks are the institutions that have been affected most by the changes in the industry due to the liberalisation and the attendant changes thereof. Two of the three oldest surviving banks have been chosen.

Following Benbasat, et al., (1987) who suggest that the choice of case study sites should be deliberate rather than opportunistic, these two banks were chosen on purpose. One of them was among the first set of banks to implement a major restructuring programme soon after it was privatised in 1990 and the model upon which the programme was

designed was recognised by industry analysts as worthy of note. The other bank created a major storm in 1997 as a result of its restructuring programme - ramifications of which are still very prevalent within the industry. It is believed that these two cases are representative of the experiences of old banks in repositioning their banks in the face of a changing environment.

#### ***1.5.5 Data sources***

Data to support the description of changes in banking from an international perspective comes from secondary sources, mainly a literature review of existing body of knowledge on the subject. Data to support the description of changes within the Nigerian banking industry comes from both primary and secondary sources. Secondary data sources are mainly government publications, newspaper articles, and reports from professional bodies such as the Chartered Institute of Bankers of Nigeria (CIBN). Valuable insight was also gained from research studies available on the impact of deregulation and liberalisation on the performance of the industry. Primary data sources include bank managers and directors, bank operators and IT personnel, management consultants, professional bodies, regulatory agencies and IT vendors in Nigeria.

Case study data also comes from both primary and secondary data sources including interviews with bank operators, IT and operations directors, senior managers in charge of, and involved with restructuring initiatives, branch managers and staff as well as management consultants. Secondary data sources include training manuals, company memos, annual reports, and newspaper reports on the two banks. Valuable information was also obtained from books and reports written by former employees of the banks. Access was also given to one of the bank's library where useful archival documents and newspaper cuttings were obtained.

#### ***1.5.6 Data collection and analysis***

Perhaps the most important and valuable source of information in this study are personal interviews with bank employees. The first field study was undertaken between March and May 1997. The aim of this study was to form an image of developments within the

industry as very little existed in the area of literature. What little information did exist were anecdotes of how the banking industry was changing and newspaper reports of the various initiatives the banks were undertaking. So this trip was intended to get a first-hand knowledge of these developments. During the trip, interviews were conducted in 8 banks (see Appendix IV for a breakdown of banks) including both commercial and merchant banks. In addition, we also conducted interviews at the Central Bank of Nigeria (CBN) as it became apparent from interviews with the banks that the CBN was very influential – directly or indirectly - in what was happening in the other banks. We also interviewed major software vendors and management consultants whose activities are also quite prominent within the industry. In all, twenty-six (26) interviews were conducted during the pilot study.

During this first trip interviews were not tape-recorded. There were a number of reasons for this. First, being the initial visit it was decided that tape recording interviews would not be ideal given the fact that interviewer and interviewee are only just getting to know each other. This was further compounded by two other reasons: the political situation within the country and the crackdown on banks and bankers in the aftermath of the financial crisis. Given the failure of the financial system in the early 1990s, government brought out a new decree to crackdown on fraudulent bankers involved in the financial distress within the country. Consequently, there was a general feeling of apprehension within the entire banking industry and people were not quite comfortable about discussing banking-related issues, especially with a stranger who could be a “government mole”. Also, the military had just renege on its promise to hand over power to civilians and this led to confrontations between the civil populace and the military. The military introduced a decree to quell dissenting voices and secret agents were used to ‘finger’ suspected government opposition. Therefore, the use of tape recorders at this time was regarded as inappropriate. Instead, extensive field notes were taken which were fully written immediately after the interviews. Interviews focused mainly on the nature of changes within the banking industry, how IT was involved in the process of change and banks’ responses to these changes. (See Appendix V for full list of interview topics). It

was at this first visit that the initial contacts were made in the two banks used in the case studies.

The second field work, which was essentially in the two case study banks, was conducted between June and September 1999. The second trip was much easier than the first given that the researcher has established some contacts in the two banks, which then facilitated the data collection. Also the data collection itself was more focused compared with the first trip which was more of an introductory trip. Using a form of retrospective event history (Tuma and Hannan, 1984), data was collected on the changes that have taken place in the bank since the last visit in 1997. As Glick et., al. (1993) pointed out, 'researchers interested in organisational change are very often absent when important changes occur'. They went on to further state that the major challenge facing researchers then is how to get data consistently on events and processes that may occur while the researcher is not present. As a result, the first port of call in the banks was the contacts made during the first trip. Interviews with these informants gave us a general overview of the changes that have taken place and it pointed us in the direction of how to carry the research forward in terms of what the major events and processes were and the person(s) to contact in this respect.

Data for the case studies was collected mainly through the use of semi-structured interviews. Given the nature of the changes that have taken place and the range of issues that needed to be covered, interviews were conducted with a broad spectrum of staff ranging from directors and senior managers right through to branch staff such as tellers and customer service officers. Interviews during this round were tape recorded and transcribed accordingly. All the interviews were conducted in English and therefore there was no need for translation, which helped in avoiding some potential problems of misinterpretation of interview results which takes place when translating interview data. Although this problem was avoided, other limitations of this form of data collection such as ensuring that useful data are extracted from the transcripts and the reliance on the research experience and skills of the interviewer are fully acknowledged.

In the two banks, a total of thirty (30) interviews were conducted with directors, senior managers, branch management and staff. In order to harmonise the data gathered during the empirical study, multiple sources of evidence were employed. Further data about the banks were gathered from company reports, books and reports on the banks, newspaper reports of the banks' restructuring activities dating from 1995, training guides written by consultants and used in training sessions for staff, and financial and banking industry reports written by independent financial audit companies. Interviews were also conducted with the consultants involved in the change initiatives.

A major problem acknowledged with a study adopting a retrospective account is the risk that evidence may be distorted through "errors of recall" (Glick et al., 1993). Errors of recall occur where informants, perhaps due to laps of memory, selectively neglect some events that are important or focus on some that are unimportant. If too many important events are omitted, the theoretical explanations may be inaccurate and may lack descriptive relevance and if too many unimportant events are included, they may be falsely accepted as important possible antecedents of other changes (Glick et al., 1993). However, it is impossible to avoid this risk because, given the constraints of time and finance, the researcher cannot observe all the changes directly. However, the risk has been minimised by the use of multiple sources of evidence and also by focusing explicitly on important developments which were identified as having a major influence on the change process. Thus, this method of triangulation and cross-checking helped to maintain the validity of the case studies.

## **1.6 Structure of the thesis**

The thesis is organised into 7 chapters. Chapter 2 presents the theoretical perspectives for the study of technology-based change. The resource-based view and institutional theory are discussed and their contributions and limitations to the present study are discussed.

Chapter 3 presents the conceptual framework based on the contextualist approach to studying change. The chapter starts with a brief discussion of different contextualist models and reviews their applicability in this study. Pettigrew's contextualist model is



then discussed further as the main analytical framework for our study. Major concepts from IT and organisational change models, resource-based view, and institutional theory are incorporated within the contextualist approach to present our conceptual framework. Based on the contextualist approach, chapter 4 is devoted to describing the wider contextual factors within which IT and organisational change is taking place in Nigerian banks. The chapter starts with a review of the literature on the transformation of banks – focusing on changes to the rules and procedures governing the activities of banking from an international perspective. This will provide the context to describing developments within the Nigerian banking industry, which is the next level of analysis. The section on the Nigerian banking industry starts with a historical evolution of the industry and traces developments from the pre-independence era to the era of indigenisation and heavy government involvement, and through to the era of liberalisation and beyond. The section on the Nigerian banking industry then looks at developments within the industry since liberalisation to highlight changes in the rules and procedures governing the activities of banking within the Nigerian system.

Chapter 5 introduces the case study organisations. The chapter starts by describing the organisational context of the banks with a view to presenting the inner context within which the restructuring took place before describing the interaction between the context and the process of IT and organisation change.

Chapter 6 presents a discussion of the case studies highlighting the major adaptations and modifications that took place in both banks and presenting a synthesis of the factors that were found to influence them. The chapter then presents the theoretical and practical implications of the findings before presenting some tentative guidelines for recommendations as to how the implementation of technology-based management techniques may be implemented in DCs with better results.

Lastly, chapter 7 provides a conclusion to the thesis. The major points of the thesis are summarised, the implications to the globalisation debate are discussed, and finally, the limitations and potential areas for further research are raised.

## **Chapter 2**

### **Theoretical perspectives for the study of information technology and organisational change**

#### **2.1 Introduction: selecting theoretical perspectives**

The goal of this chapter is to set out the theoretical frameworks for studying IT and organisational change within the Nigerian banking system. As the research intends to study how Nigerian banks are responding to global pressures of deregulation and liberalisation, an organisation-environment interaction perspective to the study of change was identified as appropriate. The organisation-environment interaction perspective focuses on the importance of the environment in the welfare of organisations and its central message is that organisations affect and are affected, to varying degrees, by the environment within which they operate (Goodman, 1982).

Central to this argument are the twin issues of choice and determinism (Astley and Van de Ven, 1983; Hrebiniak and Joyce, 1985). While one view argues that organisations, and particularly management, have autonomy in deciding how they deal with their environment, the other perspective believes that much of this choice is constrained by environmental forces. From the first perspective, management relies on understanding changes engendered by a shift in environmental conditions - as well as assessing their internal strengths and weaknesses - to exploit the opportunities and circumvent threats brought about by the environmental shifts (Johnson and Scholes, 1989). For the environmental deterministic school, objective and symbolic factors within the environment compel organisations to adapt and conform in order to achieve a fit. Organisational change, therefore, can be seen as a process of choice and selection on the one hand and on the other, as a process of complying with mandatory environmental demands. The argument therefore focuses on the level and strength of choice and determinism in the process of change (Astley and Van de Ven, 1983).

Strategic change models focus on improving management analytical strengths in understanding organisational environments and how to exploit the resources and capabilities of the organisation in order to secure a competitive position. This particular view is most influential within the strategic management school. A common goal of the strategic management school is to identify an organisation's position in relation to its environment. This is done with the aid of analytical models and frameworks (Johnson and Scholes, 1989) which identify specific aspects of the environment that are considered important to the organisation's competitive success.

To exploit changes in the environment, the strategic management school posits that organisations are endowed with different resources, which they can successfully deploy to achieve a change programme. It is these resources, controlled or owned by the firm, (Wernerfelt, 1984; Prahalad and Hamel, 1990) which enable them to conceive, choose and implement change (Barney, 1986, 1991). This is the view of the resource-based approach, which has been strongly associated with the works of Penrose (1959) and Wernerfelt (1984). In essence, the ability of an organisation to respond to environmental imperatives, or indeed to exploit opportunities in the environment, depends largely on the stock of resources owned or controlled by the firm. The implication of this for organisational change is that the factors that facilitate change are the financial, technological and human assets of the firm, and also the managerial ability to effectively co-ordinate and deploy these resources.

However, this approach to managing has been challenged with the argument that the socio-cultural, political and historical contexts within which decisions are made also influence the nature of such decisions made (Oliver, 1997a). Decision-making and organisational behaviour is not just based on the level and type of resources that organisations possess but also on some taken-for-granted assumptions about how to do things within the organisation. Decisions are also based on widely held beliefs and expectations of the wider environmental context about the appropriate ways of doing things in the organisation's environment. These widely held beliefs originate from the environment of the organisation and find its way into the organisation either through

political or regulatory demands or through normative prescriptions of professional associations such as management consultants. This is the argument of the new institutional theory (DiMaggio and Powell, 1991).

It is the view of institutional theorists that organisational actions are the direct effects of ideas and beliefs that have their origin in the socio-cultural environment of the organisation (Greenwood and Hinings, 1996; Meyer and Rowan, 1977; Powell and DiMaggio, 1991). Therefore, organisations are compelled - of necessity - to conform to these environmental prescriptions in order to survive. Such organisational actions are simply not a response to economic and competitive demands but also to institutional demands and pressures such as regulations from regulatory authorities and prescriptions from professional and trade associations.

Organisational responses may be influenced by social expectations about the appropriate ways of doing things, by the way “exemplar” organisations operate, and also by the convention of how things are done within the organisation. For a study of organisational change, this means that the ability of the organisation to change depends - to a considerable extent - on environmental prescriptions (rational concepts of work) which may constrain the ability of the organisation to change as they wish. Thus, in explaining organisational change, the important thing is to see how managerial choice and actions are constrained or enabled by institutional factors. The new institutional theory (DiMaggio and Powell, 1992) and the resource-based view (Wernerfelt, 1984) are the two theories that we will examine in this chapter.

## **2.2 The Resource-based view of the firm**

The resource-based view - as a subset of perspectives within the strategic management school that focus on the role of resources and competition in assessing organisational behaviour - gives primary consideration to the stock of resources and competencies that organisations possess and how these can be successfully harnessed to influence the environment. Firms are seen as a bundle of resources and capabilities which they own or are

in control of. Such organisational resources includes its physical capital resources such as the firm's properties, plant and equipment, its financial strength, its geographic location, its customer reach and its stock of human capital (Barney, 1991; Mehra, 1996). These resources will therefore allow the management of an organisation to conceive of and to implement strategies to transform the organisation.

Capabilities, on the other hand, are referred to as the firm's capacity to deploy its resources to achieve a desired end (Amit and Schoemaker, 1993). Capabilities are regarded as tangible or intangible processes such as innovative marketing and distribution method, manufacturing flexibility, short product development cycles and responsiveness to market trends. According to Amit and Schoemaker (1993), capabilities are firm specific and are often developed by combining the physical, human and technological resources at the management level.

Similarly, Grant (1991), in distinguishing between resources and capabilities, argued that resources are the physical, human and technical capital owned and controlled by the firm; capabilities involve the creative and innovative coordination or integration of these resources. It involves a complex pattern of coordination between the human capital on the one hand and between the human capital and other firm resources on the other. Because capabilities are developed through learning by repetition, it is firmly embedded in the regular and predictable patterns of activity within the organisation. These regular and predictable patterns of activity are known as organisational routines (Grant, 1991: 122). Another example of capabilities is innovation capability<sup>9</sup> (Collis, 1994), which refers to managerial ability to make dynamic improvements to the activities of the organisation in response to changes or developments within the environment.

Another interesting concept within the resource-based view is the 'dynamic capabilities' concept introduced by Teece and Pisano (1994). By 'dynamic', they refer to the changing

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<sup>9</sup> Collis (1994) also talked about functional capability which is the ability to perform some basic functions within the organisation and entrepreneurial capability which refers to the ability to develop new ways of doing things within the organisation. . The innovation capability is particularly useful here because it interfaces with

character of organisational environments and the need to align resource-based thinking and theorising with developments in contemporary times. Of particular interest is their insistence on 'capabilities' as emphasising "the key role of strategic management in appropriately adapting, integrating, and re-configuring internal and external organisational skills, resources and functional competencies toward changing environment" (pg. 538). Three strategic dimensions of the firm make up dynamic capabilities. These are the firm's processes, its positions and the paths available to the firm.

Processes include the managerial and organisational means of how things are done within the organisation. These processes essentially play three roles in determining dynamic capabilities, namely: coordination/integration; learning and reconfiguration. Coordination activities of management involve integrating internal and external activities of the firm with its external relations and alliances with its suppliers, its customers and consultants. Learning involves management continually searching for new ways of doing things and integrating them into the organisational routines. Reconfiguration and transformation addresses the need for management to be continually aware of developments in their environments and to be able to conceive of and to successfully initiate programmes of change - in response to environmental opportunities - if and when the need arises. Decentralisation, ability to scan the environment and to evaluate competitors are suggested as some of the ways that management can carry out this task.

Positions are the current endowments of the firm such as its reputational, relational locational and firm-specific assets. Examples of these are the firm's image, its stock of technology, its customer base, its geographic location, its relations with suppliers and its strategic alliances with competitors. Financial liquidity of the firm is also another business asset that determines the firm's profitability and market positioning. Finally, Paths refer to strategic alternatives available to a firm and the attractiveness of opportunities within its environment. This include path dependencies, which explains the

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the environment and the locus of power clearly lies within the organisation as management's ability to make dramatic improvements to the organisation vis-à-vis environmental changes is made very explicit.

importance of historical ties and commitments in influencing both the current position of the firm and in determining its future possibilities and options.

### ***2.2.1 Application of resource-based view in information systems***

In information systems, the application of resource-based theory is only just gaining ground. It has been used to explain how firms can create competitive value from three IT assets - human assets, technology asset, and relationship asset (Ross et al. 1996). It has also been used to examine how the use of IT for sustained competitive advantage resides more in the organisation's IT managerial know-how rather than in the technology itself (Mata et al. 1995). Clemons and Row (1991) examined how differences in structural resources such as vertical integration, diversification and resource quality influenced IT innovations. Ciborra and Andreu (1998) also applied the resource-based view in developing an organisational learning model that addresses the relationship among strategic capabilities, and routinisation loops in core capability development.

Similarly, Grant (1996) applied the resource-based view, in conjunction with the evolutionary theory of the firm, to develop an information systems capability framework which examines an organisation's capacity to effectively conceive of, acquire, deploy, and sustain the IS requirements needed to support its business objectives. Such capacity resides in the organisation's IS-related processes and practices and its IS endowments or resources situated within a context of environmental factors which influence IS investment opportunities and decisions. An important element of the IS capability framework is the purposeful action of management in setting the direction for the strategic use of IT. Management plays an active role in building organisations' IS capability by guiding the design, acquisition, deployment and integration of CBIS within the organisation.

The resource-based view argues that because firms are endowed differentially, they have differential capacities to absorb and assimilate information technology (Boynton et al., 1994). By implication this suggests that when firms invest in technology, the way they use the technology and with what outcome will be different due to the moderating

influence of organisations' IT assets (Soh and Markus, 1995), its managerial IT skills (Mata et al., 1995), and its complementary resources (Clemons and Row, 1991).

### ***2.2.2 Assessing the resource-based perspective***

The resource-based view of the firm has great potential to examine the strengths and weaknesses of the organisation and how this influences the process of implementing IT and organisational change. Of particular importance to us in this research are the organisational resources and capabilities which are deployed in the process of change. From this perspective, the inner context of organisations is construed in terms of resources and capabilities which organisations possess and can exploit differentially to respond to changes in the environment. It is the task of management to effectively combine these resources and develop appropriate strategies when responding to environmental shifts. Such a view suggests an active engagement with organisational environments as opposed to a passive recipient of environmental pressures.

When organisations implement strategies to change, they should exploit their resources and capabilities which are imitable and idiosyncratic (Amit and Schoemaker, 1993; Barney, 1991; Peteraf, 1993). As a result, organisations would change in different ways, if they are fundamentally heterogeneous in terms of their resources and capabilities. However, the source of such knowledge is important and one that needs to be taken into account. If all organisations within a sector use the same or similar resource providers such as consultants and software vendors, then there is the possibility that these resources may not be idiosyncratic and imitable. This view is similar to Dierickx and Cool's (1989) assertion that the source of accumulation of resources determines, to a large degree, the extent to which such asset or resources can be imitated.

By implication, the resource-based view also argues that the ability of the organisation to implement IT and organise a successful organisational change program will depend on the ability to exploit resources in innovative ways - which their competitors cannot. This point is stated very clearly by Grant (1991) that the firm's resources and capabilities are the "crown jewel" of the organisation that needs to be protected as they 'play a pivotal



role' in the firm's competitive strategy. He went on to state that "the essence of strategy formulation then, is to design a strategy that makes the most effective use of these core resources and capabilities" (pg. 129). The implication of this for organisational change is that the factors that facilitate organisational change are the assets of the firm, the cumulative experiences of dealing with IT and organisational change, technological opportunities available to the firm and lastly managerial ability to effectively coordinate and deploy these resources. This emphasis on resources and capabilities is clearly relevant to the study of how organisations change and to this study. Nevertheless, the resource-based view has a number of limitations.

First, although the resource-based view talks of the environment of the firm, the main concern however lies with the firm and what internal strength the firm has to be able to compete effectively in the environment. The primary focus of the resource-based view is the individual business unit, and as such, it does not adequately address the social context of other organisations within which the particular firm is embedded. Barney (1991) describes the 'rigorous analysis of organisation's internal strengths and weaknesses' and Barney and Zajac (1994) talks of 'strategically relevant behavioural and social phenomena *inside* (own emphasis) a firm' as the main objectives of the resource-based view. So for organisational change, the main motive for change will be for efficiency and productivity reasons and that organisations change to become better at what they do, to achieve fitness with their environment and to gain above normal profits in doing so. Because organisations are different and they are differently equipped to deal with changes in their environment, they change and respond to such environmental pressures in different ways. This ignores, to a large extent, the wider context of social tradition, conventions and regulations which govern economic activity and which also could affect the ability of organisations to behave mainly in a "rational" way. Thus what may seem to be a perfectly rational decision may, in the end, fail to yield any optimal solution.

Second, the resource-based view largely ignores the power/political context within which organisations' decisions are made. The political perspective views organisations as networks of people with divergent interest whose values and interests do affect and are

affected by the change process (Walsham, 1993). These interests result in the use of power to see that personal interests are achieved. Understanding change therefore requires an examination of the role played by powerful people or groups within and outside the organisation and what influence they bring to bear on the change process.

Thirdly, the resource-based view also does not cover in much detail the effects of the inter-organisational field. Although it talks about collaborative alliances with suppliers of complementary resources, the symbolic implication of these alliances is poorly treated. For instance, it has been suggested that the wider social and political context within which a firm operates impact on the decisions of the organisation (Oliver, 1997a). Government mandates and professional expectations clearly can affect the decisions that an organisation makes and how it exploits its resources. The banking industry is one of such industry that over the years has witnessed tremendous amount of changes in its regulatory context. In Nigeria, the Central Bank of Nigeria (CBN) is highly influential in the activities of banks. Also the symbolic implication of hiring an IT/management consultant to conduct an organisation's restructuring exercise is not adequately covered by the resource-based view.

Finally, in emphasising the importance of capabilities, the resource-based view argues that because capabilities are firmly embedded in organisational routines or established way of doing things, they provide a stable environment and a necessary resource base from which management can tap into when dealing with the environment. Organisational actions are usually structured around these set of procedures that guide actions and provide a kind of structure; they are regarded as extremely useful in facilitating organisational change (Oliver, 1997b). However, this may not always be the case. According to Selznick, organisational procedures - after a certain level of acceptance - may become "infused with values beyond the technical requirements of the tasks at hand" (Selznick, 1957)<sup>10</sup>. In other words, they become institutionalised and may persist well after their useful technical contributions are past (Scott and Meyer, 1991). By becoming institutionalised, these procedures become taken-for-granted and unquestioned as the appropriate way of doing things.

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<sup>10</sup> Quoted in DiMaggio and Powell, 1991).

According to Oliver (1997a) many activities within organisations are so strongly upheld by the organisation's prevailing culture that decision-makers no longer even question their appropriateness. They are usually upheld because their longevity is considered sufficient evidence of their usefulness. When such arrangements become taken for-granted, they may hinder the ability of the organisation to respond to changes in its environment. Mehra (1996) talks about the fact that a firm's resources could circumscribe its competitive flexibility to change its strategic direction given the fact that firms "feel most comfortable acting in the neighbourhood of what they already know best". Leonard-Barton, (1992) gave an example of where an organisation's traditional core competences developed over a long period of time prevented the development of newer products lines and adaptations to a changing business context. Oliver (1997a) gave the example of Chrysler's inability to see the importance of the small car, which resulted in the company thus excluding itself from cashing in on the boom in the sale of small cars. As such, management may not always be in a position to consistently deploy resources to exploit opportunities and to change and adapt to changes in the environment. This, largely, is the argument of the institutional theory, which will be examined next.

### **2.3 The Institutional Theory**

The term institution is somewhat problematic to define. This is in part due to the plethora of definitions available in the literature. Strang (1994) highlights this problem when he noted that "... there are as many definitions of institutions as there are analysts interested in the concept". Different versions of the term institutions have been suggested in the literature such as: (1) an organised, established procedure experienced as external to the consciousness of individuals; (2) as any established social entity which persistently exerts influence and regulatory controls over other social entities and which have the tendency to outlive those entities it influences and regulates; (3) as a social order or pattern that has become taken for granted as the appropriate way of behaviour and (4) as a way of instilling values in social practices (Jepperson, 1991; King *et al.* 1994; Scott, 1987b; Scott and Christensen, 1995).

Scott (1987a) further highlighted this dilemma when he suggested that persons conducting an institutional inquiry of any particular phenomenon must first make explicit which version or versions of institutional theory they are adopting. In line with this suggestion, we adopt the view of institutional theory which posits that the inner and outer contexts of organisations consists of socially prescribed and accepted ways of behaving that have become taken for granted as the appropriate ways of doing things within the organisation and its wider context. These prescribed and accepted ways of behaviour take on a rule-like structure as organisations are expected to adhere to them for survival and to achieve legitimacy (Scott and Meyer, 1991). Legitimacy is further explained as an evaluation method which places emphasis on meeting societal expectations, and which may be at odds with the internal efficiency needs of the organisation (DiMaggio and Powell, 1991). This institutional view in organisational analysis entails a re-conceptualisation of the environments of organisations from the technical-rational perspective to a focus on the social and cultural (in particular the symbolic) features of the environment.

What a symbolic approach to the study of organisations and their relationship with the environment imply, is that organisations are systems of shared meanings. To understand such processes, there is the need to look beneath superficial processes and interactions like economic elements contained in the technical-rational perspective (Pettigrew, 1979; Smircich, 1983). The symbolic features of the environment, which the institutional theory focuses on, are ritual activities and rationalised myths or norms. Rationalised myths are the system of beliefs, socially constructed and widely shared<sup>11</sup>, about what the purposes of an organisation or a group of organisations answering to the description of a sector are, and what constitutes appropriate ways of conducting the business of such sector. Examples of these myths are the rules and procedures that govern the activities of organisations. Ritual activities are those activities that are carried out to sustain (through the tendency of being repeated) these systems of social beliefs. These ritual activities and rationalised myths together constitute the institutional context of the organisation.

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<sup>11</sup> Which is why it is rationalised.

### ***2.3.1 The role of the institutional context***

It is the view of institutional theorists that organisational actions are the direct effects of these ideas, values, and beliefs that have their origin in the institutional environment of the organisation (Greenwood and Hinings, 1996; Meyer and Rowan, 1977). Therefore, organisations are compelled, of necessity, to conform to these environmental prescriptions in order to survive. Such prescriptions, according to the institutional theory, may not necessarily be for reasons of efficiency or for economic considerations because organisational actions are simply not just a response to economic and competitive demands but also to institutional pressures such as regulations and normative prescriptions from regulatory and professional bodies respectively. Organisational responses could also be to social expectations about the appropriate ways of doing things and from leading organisations within an industry. This means that organisations change, not always to become better at what they do, but also to become aligned with their institutional environment. Therefore the source of change for the institutional theory are: the (wider) institutional expectations of normative prescriptions from professionals, regulatory demands of government agencies and also the benchmark or standards set by organisations that are perceived as exemplars within the industry.

An example of such institutional expectations or environmental prescriptions, which we find particularly relevant to this study is Tillquist's (1996) "cultural models" of Business Process Reengineering (BPR) - as a form of IT-enabled change programme. Directed specifically at IT and organisational change, the author posited that cultural models represent a taken-for-granted framework or a shared assumption through which organisational members and members of a professional community perceive IT-enabled organisational change initiatives. These frameworks or assumptions represent the taken-for-granted assumption about the appropriate ways of carrying out organisational change programmes and thus present management and change agents with 'a set of cohesive rules, and belief systems, which are organised within a particular vision of the change initiative'. Consequently, the planning and implementation of the change initiatives are organised around these cultural models.

Four cultural models or normative prescriptions of BPR were identified. The first prescription suggests that organisational change is enabled by computerisation. This implies that IT is capable of enabling work productivity, foster competitive advantage and also facilitate coordination and collaboration. The second cultural model identified is that BPR is an engineering metaphor, which involves the radical redesign of business processes. Here, organisational systems are viewed as processes that can be formally engineered to optimise performance. This leads to breaking organisational tasks into processes that can be measured with performance metrics. Thirdly, it is expected that the values and beliefs held by organisational members are equal to the overall organisational goals and beliefs. The underlying assumption here is that organisational members are all committed to the success of the organisation, and as such they can be motivated to work unselfishly in the best interest of the organisation and attaining collective goals. Finally, reengineering work is suggested as being personally rewarding to the employee. Under this assumption, workers become satisfied and achieve a great sense of accomplishment from their job because they are empowered to assume greater responsibilities. According to Tillquist (1996) these systems of belief concerning the organisation of work informs how IT-enabled change initiatives, under BPR, is planned and implemented; they become the prescriptions that regulate organisational decisions and actions involved in the planning and implementation of IT-based change.

### ***2.3.2 The concept of societal sector***

Another important concept from the institutional theory is that of the organisational field or sector. Scott and Meyer (1991) introduced the concept of *societal sector* to argue that in modern times, the relation between organisations and their environments does not just involve their immediate environment but that organisations, in addition to the local context, are also involved in non-local and vertically structured relationships. A societal sector is defined to include all organisations within a society supplying similar types of product or service as well as those other organisations which they interact with to produce the service or product. Such organisational sets include suppliers, financiers and regulators.

A similar concept is DiMaggio and Powell's (1991) 'organisational field' which they described as a composition of organisations that constitute a recognised area of institutional life such as suppliers, resource and product consumers, regulatory agencies and other organisations that produce similar services or products (pg. 64). According to the authors, the structure of an organisation field cannot be discovered a priori. In other words, the extent to which these different organisations are structured into an organisational field (or institutionalised) can only be discovered through empirical investigation.

The mechanisms for such institutionalisation are the mimetic influences amongst the different organisations, the coercive power of government and its agencies and the normative prescriptions of professional organisations (DiMaggio and Powell, 1991). Building on this work, Swanson and Ramillier (1997) argued that as IS professionals, management consultants and other agents of change move across organisations they tend to spread their traditions of practice. These traditions in turn, may impact on the change efforts of organisations and may also become taken-for-granted rules and prescriptions which govern the practice of utilising IT and to which all organisations must adhere to in order to survive.

Mimetic influence stems out of the need to reduce uncertainty. The introduction of a new technology or work procedure is usually accompanied by a measure of uncertainty arising out of the lack of or inadequate knowledge of doing new things or utilising the new technology. To reduce uncertainty, people and organisations tend to imitate others who have gone through similar processes and model themselves on them. According to March and Olsen (1976)<sup>12</sup> "when goals are ambiguous and technologies are not properly understood, or when the environment creates symbolic uncertainty, organisations may model themselves on other organisations". The argument here is that such modelling would provide solutions that are less costly to the imitating organisation because the models would have previously been tried and tested by other organisations. Models can

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<sup>12</sup> Quoted in DiMaggio and Powell (1991: 69)

also be diffused directly through employee transfer or indirectly through 'knowledge-mediating organisations' (Attewell, 1992) such as consulting firms.

Coercive influence also arises as a result of the use of power. It stems from political influence which an organisation may exert over other organisations that depend on it for resources or survival. If an organisation depends on another for resources, then the supplying organisation might exert some pressure on the dependent organisation and compel or persuade it to conform to certain demands. Other examples of this influence could be in the form of force, or it could be a government mandate (DiMaggio and Powell, 1983).

### ***2.3.3 Implications for organisational change***

From an institutional perspective, the environments of organisations are not just stocks of resources from which the organisation must find an efficient combination. Rather, environments are perceived as a composition of societal rules and beliefs to which the organisation must adhere to for survival. What this means for a study of organisational change is that a technical-rational perspective alone as a basis for choosing efficient organisational structures and processes is not enough (Nelson and Winter, 1982) and that socio-cultural factors are equally important in achieving a successful organisational change programme.

It is also the view of institutional theory that these socially prescribed and accepted ways of behaving become taken-for-granted and therefore become institutionalised. Once this happens they take on a rule-like status, where non-compliance is looked at unfavourably and is consequently sanctioned. These institutional rules become binding, and organisations are 'driven to incorporate them within their organisations' (Meyer and Rowan, 1983). For the study of organisational change, it means the ability of the organisation to change depends to a considerable extent on institutional prescriptions (rational concepts of work) which may constrain the ability of the organisation to change as they wish.



Thus, in explaining organisational change, the important thing is to see how managerial choices and actions are constrained or enabled by institutional factors. What this mean for organisational participants is that, although they act, they only do so within the constraints of the institutional environment. This is quite unlike the other perspective, where organisational decision-makers are actually capable of manipulating or altering their environments by exploiting resources and competences. A manifestation of institutional influence within the African continent would be the 'messianic rhetoric' about the purity of market forces being preached and encouraged presently by international agents such as the IMF and the World Bank. Thus, questioning the appropriateness of an uncritical transfer of 'western' management practices to DCs benefit from an institutional perspective.

#### ***2.3.4 The new institutional theory and IS***

There have been relatively fewer studies in IS that employ insights from the institutional theory to IS phenomena. Notable exceptions to this are Silva (1997) who examined how the adoption and subsequent institutionalisation of IS in organisations is a power political process. Kling and Iacono (1989), employing institutional ideas argue for legitimacy in the practice of IS development so that there can be congruence between theory and practice.

Swanson and Ramillier (1997) also introduced the concept of an 'organising vision' of an IS innovation to explain the process whereby new IS innovation is institutionalised to encourage widespread diffusion. King *et al's* paper on institutional factors in IT innovation, while stressing the importance of institutions and institutional forces in creating and spreading widespread IT innovation, calls explicitly for an "institutional point of view in information systems research" (1994: 147). The authors argued for the importance of institutions in understanding social change based on the fact that institutional theory willingly embraces the wider context within which any form of social change is embedded. Also, because IT innovations are 'inseparably bounded up in the network of institutions both as recipients of institutional forces and as shapers of institutional reality'.

Similarly, Christiaanse and Huigen (1997) applied the institutional perspective to the study of inter-organisational information systems (IOS) implementation and suggested cultural bias, structural order, and supply-push/demand-pull as factors that influenced the implementation process. In their conclusions, these authors also called for further research – from an institutional perspective – to the study of IS innovations in complex network settings.

While institutional ideas are increasingly been employed in IS research and evidence and arguments for institutional influence in IT adoption is increasingly being advanced, a systematic study of IT and organisational change, which captures the dynamics and complexity of changing within the current globalisation trend, combining both rational and symbolic ideas have been largely neglected - leaving this a fruitful area of inquiry.

### ***2.3.5 Assessing institutional theory***

According to Scott (1995), institutional theory derives much of its relevance in contemporary studies because it provides a counterbalance to the set of theories - such as the resource-based view - that gives primacy to economic and materialistic forces that shape organisational actions. From an institutional perspective, the environment could also be seen as an embodiment of rules and socially prescribed and accepted standards or ways of behaving to which the organisation must conform. Therefore, these environmental rules and constitutive expectations (norms), more than the organisation's resources and capabilities are important in explaining change.

Several of the arguments of the institutional theory have been used extensively in research in the field of sociology particularly in organisational analysis. Shenhav and Kamens (1991) using data on scientific publications carried out a cross-sectional study to examine the effect of adopting 'western' science by developing countries. Galaskieicz and Wasserman (1989) studied the effect of mimetic processes on contribution activities of corporate organisations to nonprofit organisations. Oliver (1988) also looked at the structural characteristics of voluntary service organisations to determine the level of isomorphism.

Most of these studies have used cross-sectional data to study the level of similarity between organisations and their institutional environments. While these have contributed to institutional debates they have not been able to address the dynamics of the process by which organisational change occurs. In view of this there is a dearth of studies, which takes a temporal approach to studying the role of institutional factors in organisational behaviour. One of such studies by Tolbert and Zucker (1983) which attempted a longitudinal study focused on showing that isomorphism occurred over a period of time and not how it occurred. Slack and Hinings (1994) raised a similar point about the importance of a temporal study of institutional change as a way of testing the durability of institutional arguments.

The focus on the societal sector or organisational field means that in the study of organisational change, attention should not just be restricted to organisations that are in direct competition with each other, but also to others that support or provide complementary resources. An explicit focus on these institutional forces is particularly useful as it affords the chance to identify and examine the various institutions and the different roles they play in lubricating (or not) the IT adoption process.

The institutional theory has been criticised that in most of the existing literature the empirical settings had been public service organisations with very little research on private enterprises (Powell, 1991). A number of studies have also come up with contrary results to the institutional argument of homogenisation. Studies such as Scheid-Cook (1992) which examined the response of mental health organisations to a new policy programme concluded that the responses of these mental health organisations were highly variable to a common institutional demand. Instead, she suggested enactment as an additional response to institutional demands.

The study by Orru et al (1991) applying institutional arguments to the study of businesses in three East Asian countries concluded that while within each country there is evidence of isomorphism, however these businesses differ across countries - leading to the suggestion of inter and intra-societal isomorphism. The study also suggested that while

firms in each of these countries were highly subjected to local institutional traits, they were also highly successful business enterprises. This led the authors to suggest that both institutional and technical-rational pressures can both co-exist in organisations and that institutional pressures do not necessarily imply a neglect of efficiency factors.

Still on the issue of institutional pressures and efficiency, Powell (1991) also challenged the idea that an institutional pressure that increases resource flow to an organisation, thereby increasing survival chances, should be regarded as inefficient (pg. 190). In the same article, he argued that imitation or mimetic process of isomorphism is not necessarily always bad. He suggested that in complex environments, organisations might model themselves on diverse set of organisations thereby leading to a novel recombination of forms borrowed from dissimilar sources. In addition, when organisations borrow ideas from different socio-political environments, it may lead to a new hybrid arrangements or local modifications and thus “partial diffusion” due to the influence of local cultures and forms of resistance (Powell 1991:199).

As a result of some of these criticisms and due to the increasing empirical evidence that suggests that both institutional and technical-rational factors can, and do operate alongside each other, an increasing number of studies are beginning to regard them as complementary and therefore combining them into a single framework. This is in recognition of the fact that organisational behaviour is rarely a product of a single factor. Notable examples in this respect are the works of Oliver (1991; 1997 a and b), Dacin (1997) and Hung and Whittington (1997). The results of these studies show the importance of the socio-cultural context in which rational strategic decisions are made and how such contexts influences and are influenced by these rational decisions. However, these studies have been carried out mainly in the industrialised countries of the west and none from a developing country environment.

## **2.4 Combining organisational resources and institutional norms: the paradox approach**

In the foregoing discussions, we have presented two perspectives that provide two different conceptions of the interaction between organisations and the environment. These two theories highlight the strategic choice of organisations on one hand and the quasi-deterministic power of the environment on the other. As we can see from these discussions, each of the theoretical perspectives contributes uniquely to a broader understanding of IT and organisational change (see Table 2.1). The possibility of combining their insights offer significant benefits in the study of organisational change by pointing out the limitations of the other and thus highlighting issues for further investigation (Child and Smith, 1987). As a result, the factors influencing IT usage and the organisational changes that ensue may not be adequately explained independently by either of the two theories because of their narrowness in addressing the complex issues involved in IT use in organisations. A combination of both theories leads to a better understanding of the various developments in Nigeria vis-à-vis the increasing use of IT. The benefit of a combined theoretical approach to a study such as this present one is put across quite succinctly by Kling et al., (1992:39):

"Research in the information systems field has demonstrated that parochial theoretical research perspectives often produce little research of lasting value. We suspect that good theories of IT and organisational change are unlikely to be built from discrete intellectual perspectives which rest on narrow disciplinary and ideological assumptions. Our objective must be to study technology in the context of organisational and institutional practices, informed by robust economic and sociological theories" (pg. 39).

While the resource-based view emphasises objective factors and conditions such as resources and capabilities which management makes use of in interacting with the environment, the institutional theory aims to explain symbolic and cultural features of the environment such as traditions, conventions, norms and taken-for-granted elements of organisational behaviour which tend to influence and constrain decision-making in organisations. The resource-based view focuses on activities of individual firms related to managing and deploying resources to interact with the environment, while the institutional theory focuses on the wider organisational field or sector.

The resource-based view takes an objective and somewhat rational view of organisational behaviour while the institutional theory takes a more subjective and symbolic view of organisational actions. A rational view of organisational functioning assumes that organisational behaviour is deliberate, systematic and rationally justified while a social view believes that organisational behaviour is compliant, habitual, unreflective and socially justified (Oliver, 1997a). This study therefore takes a paradoxical stance (Cameron and Quinn, 1988) in examining the interplay between institutional pressures and organisational resources in the process of IT and organisational change within the Nigerian banking sector.

A paradox approach assumes that a particular phenomenon exist and operate in a pluralistic world of competing events and forces and often-contradictory values (Van de Ven and Poole, 1988). In relation to organisational studies, it acknowledges that there exist certain inherent contradictions in the behaviour of organisations that are intrinsic to effective organisational functioning (Cameron and Quinn, 1988). Such contradictions highlight both the rational and non-rational aspects of managerial work and organisational actions; it acknowledges that organisational actions consist of both issues of rationality and logic as well as issues of cultures and values.

The resource-based and institutional views of organisations (Wernerfelt, 1984; Barney, 1991; DiMaggio and Powell, 1991) highlight some examples of contradictions that exist in organisations: the rational versus symbolic motive for explaining actions within the organisation. An institutional perspective on the relations between an organisation and its environment gives the picture of a powerful and profoundly influential environment, which compel organisations to conform to its demands. The resource-based view on the other hand gives primary consideration to the stock of resources and capabilities that organisations possess and how these can be successfully harnessed to influence the environment. This implies an active engagement with the environment and a strong ability - on the part of organisations - to control and manipulate their environments.

This distinction reflects a fundamental difference in the motives that both views assign to organisations in their dealing with environmental influences. For the rational perspective, organisational actions are determined by reasons of rationality and efficiency (Oliver, 1997a), where such actions are constrained by economic reasons defined as barriers to resource acquisition and imitation (Barney, 1986; 1991; Schoemaker and Amit, 1994). From a sociological perspective on the other hand, decisions and actions within the organisation are mainly motivated by reasons of social justification and obligation to institutional rules (DiMaggio, 1988; Meyer and Rowan, 1977).

These decisions are constrained by socially constructed forces that are essentially human in nature, like norms, habits, traditions and conventions. The contradictory outcome of organisational relations with its environment for the institutionalists is homogenisation; while for the resource-based view the outcome is heterogeneity.

The paradox approach does not choose between contradictions nor aim to resolve them. A paradox, according to Van de Ven and Poole (1983), is a real or apparent contradiction between equally well-based assumptions or conclusions. According to Cameron and Quinn (1988), paradox embraces clashing ideas. It is an approach, which gives explicit acknowledgement to the simultaneous presence of contradictory patterns of behaviour. This point was put forward quite clearly by Van de Ven and Poole that:

“(Paradox) involves contradictory and mutually exclusive elements that are present and operate equally at the same time; separately, each argument appear incontestably true, but taken together they appear contrary” (1988).

Paradox approach accepts that contradictions are an inevitable aspect of organisational life and more importantly it accepts that these contradictions cannot be resolved. Rather, the inevitability and unresolvability of contradictions is to be accepted and approaches developed to cope with and manage the consequences and dynamism between contradictions. In other words, the paradox approach suggests living with contradictions and to accept that at different times, and in different respects, each part of the paradox is both true and false (Van de Ven and Poole, 1988).

**Table 2 : Comparison of Theories**

	<b>New Institutional Theory</b>	<b>Resource-Based Approach</b>
<b>Theoretical Foundation</b>	The Social Construction of Reality (Berger and Luckmann, 1967); Institutional environment of the firm (Meyer and Rowan, 1977; DiMaggio and Powell, 1983).	Resource-based view of the firm (Penrose, 1959; Wernerfelt, 1984; Barney, 1986)
<b>Research Focus</b>	Socio-cultural factors affecting organisational behaviour	Strategic management of organisational resources and capabilities
<b>Unit of Analysis</b>	Organisational field or sector	Business organisations or firms
<b>Nature of decision process</b>	Habitual, symbolic and embedded in norms and traditions	Systematic, deliberate, purposeful and value-maximising
<b>Key Concepts</b>	Institutions, rationalised myths, ritual activities, taken-for-granted assumptions	'Organisation's resources', management capabilities
<b>Nature of IT and organisational change implied</b>	Organisations responding to environmentally-derived rationalised concepts of work and IT use through coercive, mimetic and normative influences	Analysing and strategically deploying organisation's IT and other assets to exploit opportunities and circumvent threats in the environment.
<b>Presumed Outcomes</b>	Social legitimation and suboptimal decisions which will only lead to isomorphic change or ritual conformity resulting from compliance to external rules.	Efficiency; profit maximisation, heterogeneity and competitive advantage
<b>Nature of environment</b>	Environment as a set of symbolic and cultural elements - norms, ritual activities	Environment as a set of objective conditions – resources
<b>Strengths</b>	Focus on the ceremonial aspects of organisational behaviour; theory offers the chance to examine the non-rational and taken-for-granted aspects of organisations behaviour	Offers the chance of examining organisational resources.
<b>Weaknesses</b>	Over-socialised view of organisations; conformity to institutional pressures does not always detract from internal efficiency matters. Organisational responses to environmental demands are not always conformist; organisations define and create their environments	Importance of the social and cultural context of decision-making not adequately considered; over economic view of organisations and organisational behaviour
<b>Contribution to present study</b>	Analysis of the cultural elements of the wider environment; widely held beliefs about the importance of IT within the Nigerian banking system; ceremonial aspects of IT and organisational change practices	An examination of individual bank's resources and capabilities; decisions influenced by the organisation's resources and rational considerations.

Paradox is used therefore in this research to examine the process of bank restructuring within the Nigerian banking sector. It is hoped this would help illuminate issues in IT and organisational change within the banking industry in Nigeria amidst the environmental imperatives of liberalisation and globalisation. At each stage of organisational change, banks in Nigeria face tensions between rational and non-rational forces that propel them through each stage of the process. It is argued in this research therefore, that local adaptations to IT and organisational change within the Nigerian banking system is a symbolic process of conforming to the demands of the institutional context as well as a process of actively deploying organisations' resources and capabilities to manage the change programme. It is our goal in this study to provide a description of how these events unfold in Nigerian banks.



## **2.5 Summary**

In this chapter we have focused on two theories that provide two conceptions of the context of change and two rather different conceptions of the interaction between organisations and the environment. They highlight the rational and objective on one hand and the social and symbolic on the other. Although each theory separately elaborates on important aspects of the interaction, they however, do not capture the full complexity of issues involved in IT use in organisations. A combined model which focuses on both the rational and symbolic as well as internal and external factors that influence organisational change seem to better aid our understanding. An attempt at achieving this combination was made through the paradox approach, which acknowledges that organisational functioning is inherently contradictory. The resource-based view will be used to examine rational-economic factors that influence IT and organisational change in Nigerian banks and the institutional theory will be used to examine the more social and in particular symbolic elements of IT use and associated organisational changes. The next chapter presents the conceptual framework used in data collection and analysis incorporating these two theories.

## **Chapter 3**

### **Information technology and organisational change: a conceptual framework**

#### **3.1 Contextualism – Introduction**

In this chapter, we set out the conceptual framework for presenting the case studies on IT and organisational change. The chapter starts with a brief review of contextualism and discusses a number of approaches from the contextualist perspective before going to examine, in more detail, the chosen contextualist approach.

Contextualism is a research approach that studies the interaction between a particular phenomenon and the context within which it is taking place. Examples of this are Pettigrew's contextualist approach (1985), Giddens structuration theory (1984) and Kling's web models (1987). As a form of contextualist approach, the central message of structuration theory is that it is misleading to separate action from structure because they are inextricably interwoven and can best be understood in relation to each other (Giddens, 1984). In other words, the need to associate the analysis of social actions along with the analysis of institutions (or context) is very much in line with the contextualist approach. The value of this theory lies in its provision of ways to analyse this interaction between human agents and their environment. However, this approach has been criticised for the artificial separation of structure and action and may not be entirely suited to the present study (Walsham and Han, 1991).

Another useful framework within the broad umbrella of the contextualist approach used in IS research is the web model (Kling, 1987). This model looks at the social relations between participants concerned with the IS, the infrastructural support needed for IS use and the history of IS implementation within an organisation. Participants include users, developers, management, consultants and other individuals affected by the IS. Secondly,

the web model also focuses on the level of infrastructural support available or needed vis-à-vis IS use. This support can be studied by looking at the 'production lattice' which consists of equipment, consumers and providers of the focal IS. The third element of the web model is the history of IS implementation within the organisation. This will entail an understanding of the various procedures, structures and prior commitments that the organisation has made in the past. The web model may not also be entirely adequate for this study because it focuses more on describing the contextual factors that aid or hinder the implementation of technology. Its treatment of the context/process interaction has been adjudged to be a major limitation of the model's application to studies that seek to understand the two-way relationship between the context and the process of changing (Madon 1992).

### **3.2 Pettigrew's contextualist approach**

Pettigrew's contextualist approach is a research approach that studies the interaction between a particular phenomenon and the context within which it is taking place. In a paper presented at the 'Conference on Conducting Research with Theory and Practice in Mind', Pettigrew (1985) introduced the contextualist approach as a means for studying organisational change and explained its usefulness over earlier approaches to organisational change. According to the author, earlier approaches are circumscribed because of their treatment of change as ahistorical, acontextual and aprocessual (pg. 12). The implication is a dearth of studies of organisational change which focus on 'changing' as opposed to 'change'. A contextualist study of change focuses on two levels of analysis - vertical and horizontal levels and the interconnections between the two levels through time. The vertical level refers to a category of the environment - i.e. the national environment or the international environment within which the change is taking place and the horizontal level refers to the successive interconnection of events in historical, present and future time. The main prerequisites to carrying out a successful contextual study are: a clear delineation of the sets of levels for analysis, an understanding of how these levels are connected and a clear description of the processes under investigation.

Thus, a useful way to think about IT and organisational change is Pettigrew's contextualist approach, and it has been employed in studies considering the consequences of introducing information technology into organisations (Madon, 1992; Montealegre, 1997; Madon and Walsham, 1995; Nelson and Dowling, 1998). The central message of Pettigrew's framework is that for a research on change to provide a robust theory which can also guide practice, it must examine change as a process and in a historical and contextual manner. This approach makes a distinction between the object of change (the content), factors or issues in the environment within which the change is taking place (the context) and how the change process unfolds in a temporal manner (the process). In the sections to follow, we will lay the foundations for a conceptualisation of IT and organisational change stressing the non-linear and subjective nature of change programmes. In particular, we will emphasise the importance of social and cultural forces in improvising or mediating IT and organisational change and examine the influence of organisational resources.

### **3.3 What is the nature of change? - Conceptualising the content of change**

In this section we will examine the literature on organisational change and IT-enabled organisational change to lay the foundation for how the content of change is conceptualised in the present study. The content of change is the first part of Pettigrew's model that will be examined.

#### ***3.3.1 Organisational change as planned***

Planned change involves a deliberate, purposeful, and explicit decision to engage in a program of change (Levy and Merry, 1986). It normally originates with a decision from management to improve on how the organisation functions, to create and communicate a vision of the change initiative and to implement necessary changes (Levy and Murray, 1986; Wilson, 1992; Plant, 1987). Planned organisational change also entails the use of external agents of change such as management consultants to initiate and/or support the change programme (Eisenhardt and Zbaracki, 1992; Ginsberg and Abrahamson, 1991).

A planned approach to organisational change - because of its emphasis on top management decision-making<sup>13</sup> - has resulted in a plethora of models aimed to develop and train managers in a set of competences regarded as necessary for managing change (Wilson, 1992). Such models aim to assist management in understanding and exploiting opportunities engendered by a change in environment as well as avoiding threats (Johnson and Scholes, 1989; Teece and Pisano, 1994; Porter, 1980). Planned change can also be carried out through the changing of people's behaviour and in how they relate to each other. The basic premise on which this approach is based is that good interpersonal relations within the organisation are an essential prerequisite for effective organisational functioning (Wilson, 1992). Still within this perspective are the sets of approaches that focus on changing the culture of the organisation as a way of bringing about change within the organisation<sup>14</sup>. Approaches from this perspective are based on the assumption that people's actions are a function of their values and cognition (Wilson and Rosenfeld, 1990; Wilson, 1992).

Planned approach to change has generally been criticised as ignoring - to a large extent - the social, political and economic context in which organisations operate. It has also been criticised because of its over-insistence on managerial authority in achieving a successful organisational change programme. The uncritical acceptance of managers as agents and sole determinant of change, according to Wilson (1992) has been a major and enduring feature of management practices both in North America and in the UK in the last decade or so. However, in other cultures such as in Sweden and Japan, studies have revealed that there is a different approach to the management of organisational change (Wilson, 1992). In these countries, change management involves much more than just the top management and involves a careful consultation with a wider array of people within the

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<sup>13</sup> Such decisions are mainly strategic in nature in view of the fact that they entail the organisation committing substantial amount of resources, setting precedents and taking crucial actions which affect the long-term health and survival of the organisation (Mintzberg et. al, 1976). In addition such change initiatives usually have implications for the entire organisation and its customers.

<sup>14</sup> This is based on the assumption that the culture of an organisation is an instrument that can be managed and manipulated by management. Culture is but one of many variables (others being size, structure, technology) which can be acted upon or controlled for organisational effectiveness (Allaire and Firsirotu, 1984; Smircich, 1983; Meek, 1988).

organisation, which includes the shopfloor workers, foremen, and junior management in addition to top executives.

Dominant IT-enabled organisational change models have also focused on improving management analytical strength in understanding the environment of their organisations and how to exploit the potentials of IT in order to secure a competitive position for the organisation (Grant, 1996; Hammer and Champy, 1993; Porter and Miller, 1985; Scott-Morton, 1991). According to these models, change can be planned in advance with computerisation, organisational change is the direct outcome of computerisation and technology is expected to take a leading role in organisational change (Venkatraman et al., 1993; Henderson and Venkatraman, 1993).

A number of approaches have been suggested in helping management plan for and implement IT-enabled organisational transformation. Models such as those of Benjamin and Morton, (1988); Davenport et al., (1989); Benjamin and Levinson, (1993) focused on the importance of having a strong management team to champion the change effort. Others have argued for the need to have a structural fit or appropriate technical fit with IT and the organisation (Davenport and Short, 1990; Venkatraman, 1994; McKersie and Walton, 1991; Earl et al., 1995; Gloorstone et al, 1995).

This implies that the successful implementation of IT-enabled change is a deliberate and calculated attempt by management to deploy IT capabilities to change the organisation and introduce new forms of organisational practices through the radical redesign of existing processes. In these models, IT is seen as “an essential enabler” of organisational change which introduces new capabilities and makes essential information easily available to empower workers to make more ‘informed’ decisions. Information technology is also seen as a particularly useful tool for strategic organisational intervention and competitive advantage by bringing disparate business processes and geographically dispersed business units much more closer together. This makes the tasks of planning and coordinating easier to accomplish and the organisation thus becomes a well-orchestrated business unit able to compete effectively in the marketplace (Tillquist, 1996).

This rather teleological view of IT use in organisation has however been criticised as "black-boxing" fundamental social, political, historical as well as technical problematic of organisational change which are essential for understanding the true nature of organisational change in reality (Tillquist, 1996). Organisations' actions are rarely unidirectional and as such an interactive or emergent model that captures the dynamic relationship between the technology and the socio-organisational contexts seems to be more appropriate (Markus and Robey, 1988).

Other criticisms of IT-enabled organisational change programmes focus on the separation of technological change and organisational change and argue that such separation is rather 'artificial' and does not capture the true nature of the interaction between IT and the organisational context of its implementation (Avgerou, forthcoming). Based on the ideas of the actor network school which views the content of change as including a 'heterogeneous network' of actors and IT-supported organisational processes (Callon and Law, 1989), the author argue that the content of change should not just focus on IT but also on these differentiated network of actors and institutions within which the technology is being implemented. Therefore, IT-related organisational change is embedded in and inseparable from the social and organisational processes that surrounds it.

To summarise, existing literature has shown the futility of a rational and overtly simplistic view of IT-enabled organisational change. Majority of studies now accept the wisdom of adopting more "socially rich" models which capture the full complexity of organisations and how they change (Tillquist, 1996). Such socially rich models would capture the dynamic relationship between technology innovation and social changes in the organisational context. Pettigrew et. al., (1992) emphasised the importance of complementing rational models with more eclectic ones able to identify the different causes of change such as the political, cultural as well as economic influences. A growing body of studies within the IS field are increasingly adopting these 'socially rich' models of IT and organisational change.

### ***3.3.2 Organisational change as emergent***

Planned change initiatives in the form of IT-enabled organisational change can be viewed as strategic change (DeCock, 1996). Within the strategic management literature, some views of strategic change question the extent to which change can be planned in advance and carried out in a rational and linear fashion. They point to the emergent nature and hence, the subjective character of change which technical/rational models are unable to account for. The important tenet of the emergent perspective is that change is a function of the interaction or combination of a number of factors, that often time produces some unintentional consequences (Mintzberg and Waters, 1985). In other words, change cannot always be planned in advance and so it occurs in an emergent fashion and that the result is not always what is intended. According to Mintzberg and Westley (1992), mostly, change occurs through inductive learning within the organisation, which means that ideas for change can also evolve in a bottom-up approach from within the lower rung of the organisation and not always from the top management (Quinn, 1980; Westley, 1990).

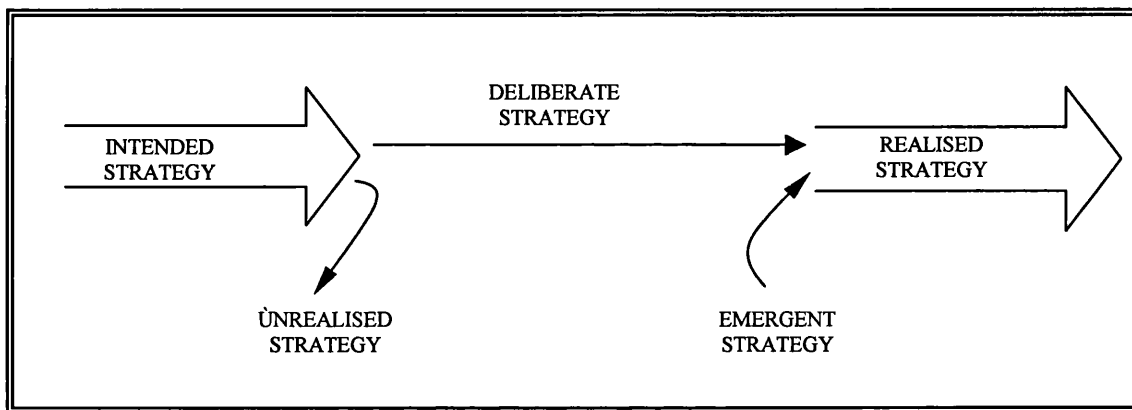
Mintzberg's strategy typology (1978) and Mintzberg and Waters (1985) distinguished between intended, emergent and realised strategies to show that strategies are as much planned as they are unintended. According to the author, the most common definition of strategy (such as in planned change above) often portray strategy as the determination of the long-term goals of the organisation and the subsequent adoption of certain courses of action to carry out the intended strategy. Rather, he defined strategy as a 'pattern in a stream of decisions and actions' (Mintzberg, 1978). This definition, therefore, views strategy as consisting of both intended decisions and plans as well as realised or evolved decisions which emerge as a result of and/or despite the intentions.

There are three parts to this definition: at the two extremes are the intended and the realised strategies and in between are the set of strategies which connect the two together (Fig. 3.1). Intended strategy is the "deliberate conscious set of guidelines that determines decisions into the future" (Mintzberg, 1978:945). In the context of organisational change, this relates to the planned and deliberate effort of management to engage in some form of change activities. On the other hand, realised strategy is defined as "a pattern in a stream



of decisions” (Mintzberg, 1978:935). The three types of strategy connecting intended strategy and realised strategy are: (1) *deliberate* strategies which are the intended strategy that gets realised as intended (Mintzberg and Waters, 1985:257). (2) *unrealised* strategies which are intended strategies that are dropped and do not get realised, perhaps “because of unrealistic expectations, misjudgements about the environment, or changes in either during implementation” (Mintzberg, 1978:945). (3) *emergent* strategies which are “patterns or consistencies realised despite, or in the absence of intentions” (Mintzberg and Waters, 1985:257).

**Figure 1: Mintzberg’s Strategy Typology (Mintzberg, 1978)**



In addition, this view of strategy also distinguishes between *decisions*, which represents intentions and *actions* which represents the realised activity (Mintzberg and Waters, 1985). This proves particularly useful in the study of change because it allows us to focus not only on the planned initiatives relating to change, but also on the various patterns of action, some deliberate as a result of the intentions and others emergent arising outside of the deliberate plans. In addition, the distinction between intended and realised change helps us to consider the gap between the two as an opportunity to understand what IT and organisational change actually consists of in specific organisational contexts. Mintzberg’s strategy typology has shown that planned and deliberate approaches do not capture the true reality of how organisations function; the ‘object’ of organisational change consists of both

the deliberate decisions or initiatives of management as well as the realised decisions and actions which may differ from what was intended.

### ***3.3.3 Organisational change as improvisations***

The underlying assumptions of the improvisation metaphor view organisational change as a continuous activity with diverse and varied origins, multiple actors with multiple interpretations and actions, which combines to make up the change process (Weick, 1993). The view of organisational change as improvisations challenge the long-established static view of change which regards organisational change as planned and intended, contained in a blueprint or plan made by management at the beginning of the change exercise. Rather, the improvisation image views change as a recipe; a dynamic process that captures the actions that generate the objects specified in the plan. A recipe, just like a blueprint has a starting point and a set of actions to be taken, but unlike blueprints, recipes do not specify what the outcome of the actions and the plans will be. Rather, they are uncovered as they emerge from the interaction of actions and plans. According to Weick (1993), “design, viewed from the perspective of improvisation, is more emergent, more continuous, more filled with surprise, more difficult to control, more tied to the content of action, and more affected by what people pay attention to than are the designs implied by architecture” (pg 350). Given the centrality of actions and their emergent nature, interpretations become the essence of change.

Interpretations involve translating external events and developments to fit with some internal structures that are part of a culture or familiar language (Daft and Weick, 1984). It is these interpretations and not the intended plans that guide actions which ultimately constitute the realised change. Thus, the realised change is more of the consequence of actions arising from interpretations than of decision-making and intended plans. While the improvisation metaphor gives due acknowledgement to the planned and intended aspects of change, it ultimately gives prominence to organisational members’ perception of the intended plans:

“They may decide to start some activity, such as implementing a design, and they may also try to control how the activity will unfold. Nevertheless, this control is never complete, and unintended consequences are common place. These unintended consequences force people to revise their sense of what is happening and what can be accomplished. And it is these revised interpretations, rather than the initial decisions, that guide action and constitute the actual design in use. That design in use is shaped more by action than by plans, and more by interpretations than by decisions”. (Weick, 1993: 361)

The focus on interpretation in understanding change points in the direction of organisational enactment. The view of organisational change as an enactment process suggests that organisational change does not arise merely from organisations compulsively conforming to environmental pressures; that in fact organisations are active in creating and defining some of their own environments (Scheid-Cook, 1992). When organisations enact the environment, they create a context for action based on the newly enacted environment. Organisational enactment therefore entails a form of “reality construction” (Weick, 1977) whereby organisational members actively construct their own definition of the environment, which then informs how they interact with the environment. This means that the enactment process produces the context for action by creating the information which organisational members ‘respond to’ (Scheid-Cook, 1992). This implies that the study of organisational change must take into account the possibility of multiple environments arising from multiple interpretations (Smircich and Stubbart, 1985). According to Pfeffer and Salanick:

If environments are enacted, then there are as many environments as their enactors, which may explain ... why different organisations and even different individuals within each may react differently to what appears to be the same context (1978: 73).

Given the importance of multiple interpretations and meanings as the essence of organisational actions, the question then arises as to how the organisation is able to function in a coordinated manner. According to Weick (1993), coordinated action is made possible when members agree on a number of meanings that are flexible enough to allow for local accommodation and individual expressions. Coordination occurs not necessarily because people hold identical views, but because they have similar views of what is happening and what it means. It is the similar or “equivalent” views that allow for both coordination and individual expression to take place simultaneously. Co-ordination and local accommodation therefore, is an important paradoxical requirement for change

as it allows organisational members to accomplish collectively what they are unable to do individually, as well as cope individually with local and unintended developments.

Also from an improvisation perspective, organisational change is situated in the history and tradition of doing things within the organisation. The importance of history and tradition in shaping the organisational change process is demonstrated in Weick's image of change as a bricolage and change agents as bricoleurs. A bricoleur is someone that makes use of whatever resources are available to perform any task at hand. Such resources may not exactly suit the current task at hand (i.e. they are not project-specific) but they are assembled and retained on the basis of *past experiences and usage* (own emphasis), and on the basis that some use may be found for them at some future time. Because change from an improvisation perspective is emergent and consists of unintended actions, the concept of bricolage has implications for the management of change as such task is not limited to a set of predefined tools and materials. The management of change relies on an understanding of the established ways of doing things and how this can be deployed innovatively to facilitate the change process. This obviously throws up a challenge to the clean slate view of some change techniques (Hammer and Champy, 1993) as the bricolage view of change gives a prominent role to the culture and established ways of doing things which such techniques tend to throw away with change.

Applying the improvisation metaphor to the study of IT and organisational change, Orlikowski (1996) presented a situated-change perspective of technology-based change where change is seen as emerging from the continuous struggle of organisational members in making sense of their daily experiences in their interaction with a new information technology system. This particular model of technology-related change focuses on the daily experiences and interactions of organisational actors over time, how they make sense of this interaction and try to improvise and adapt locally to changes brought about by the new technology. Similarly, Ciborra (1999) proposed a theory of IS based on "smart or competent improvisation" to suggest that the development and implementation of IT should be to support and enable everyday micro-practices in order to improve the

effectiveness of IT in organisations. He argued that a focus on these ever-present practices bring a better understanding of the daily experiences on which organisations survive. Consequently, this can assist IS developers in developing a more effective IT-based solutions which makes use of people's 'intuition and ingenuity in daily affairs'.

### **3.4 Why does change occur? – Conceptualising the contexts of change**

The second component in this framework is the context. Pettigrew (1985) highlighted the importance of context and the need to explicitly state how context is defined in a particular research study. A contextualist study of change focuses on two levels of analysis: the inner and outer contexts. In this study, it refers to the contextual factors influencing IT and organisational change programmes and involves identifying the internal and external organisational forces that influence the change program under study.

In the inner context we examine organisational resource factors that influence the change programme and the outer context looks at institutional pressures (societal and cultural expectations) at the national and international levels. The use of ideas and concepts from the resource based approach to examine inner organisational context and institutional logic to examine outer context in a single study is not novel in this respect. Dacin (1997) and Hannan et al., (1995) combined both views in the study of the Finnish newspaper industry and European automobile industry respectively and posit that resource related forces are most likely to predominate at the local level and institutional forces would be more important at the global level.

#### ***3.4.1 Inner organisational context***

In the first unit of the organisational context, we analyse organisational resources including issues of culture and organisational assets that influence the change process. Resources can be tangible such as the financial strength of an organisation and intangible such as its reputation. Organisational resources can support the change process and thus provide the vital ingredients for change (Barney, 1991), while resources could also hinder or act as a barrier to change when established patterns of operation becomes rigid and difficult to change (Leonard-Barton, 1992).

An organisation's resources include its culture, standard operating procedures, its reputation and other tangible resources and management capabilities which help shape the direction of the change process (Scott-Morton, 1991; Teece and Pisano, 1994). Capabilities refer to how management manages and co-ordinates internal and external activities and alliances such as inter-firm networking - domestic and non-domestic contacts and alliances (i.e. with management consultants; trade unions; with other financial institutions; with computer and telecommunications firms; and with the regulatory authorities); how new solutions are produced and retained within the organisation and finally how management respond and adapt to changes in the environment (Teece and Pisano, 1994). Managerial IT skills are another set of competences which are known to support IT and organisational change (Mata et al, 1995). These managerial IT skills are management's ability to conceive of, develop and exploit IT systems to support business functions. Managerial IT skills are developed historically through years of experimenting and working with new IT applications.

Other organisational resources are the idiosyncratic and firm-specific endowments and attributes such as the adequacy of the firm's financial base, geographic location of a particular advantage to the organisation such as the position of certain bank branches, technological assets that distinguishes the organisation from its competitors and also a firm's complementary assets which are assets that allow the firm to exploit new innovations (Teece and Pisano, 1994). Examples of these in a bank could be its customer base, branch networks or its reputation. Other forms of resources are the culture and tradition of doing things within the organisation (Fiol, 1991; Barney, 1986). From a strategic management perspective, Barney (1986) argued that organisational culture can be a source of competitive advantage if they are valuable, rare and inimitable and developed over time through the tradition of doing things within the organisation. With regards to planned organisational change, Schwartz and Davis (1981) argued that an organisation's culture is capable of hindering or significantly altering the intended outcome of well thought out change initiatives in an organisation. According to the authors, a lack of fit between culture and planned changes in an organisation may lead to a failure of the change initiative.

### 3.4.2 Outer institutional context

The second unit of analysis is the outer context. Here we will examine broad social and normative expectations at the national and global levels – referred to as the institutional contexts within which organisations operate. The study of institutions has received a lot of attention within the academic discipline of sociology. A central concern of the institutional theory is 'how local actions are situated in larger macro structures of social relations and meanings' (Strang, 1994). The important message of the institutional school is that the environment or social context within which organisations operate is an extremely powerful force: one that needs to be taken into account in explaining social actions (DiMaggio and Powell, 1983; Powell and DiMaggio, 1991; Scott, 1991). Institutional theory emphasises that the environment of organisations should not just be seen as a network of exchanges, but as consisting of socially prescribed and accepted ways of behaving, which organisations must adhere to for survival and legitimacy – hence, the notion of institutional context of organisations (Scott and Meyer, 1991).

The institutional context of organisations has also been referred to as 'an organisational field' (DiMaggio and Powell, 1991). An organisational field consists of organisations in direct competition with each other as well as organisations that interact with each other either through the supply of resources or in the consumption of finished products. An organisational field also includes regulatory organisations overseeing the activities of other organisations. This means that the focus of attention should not just be restricted to organisations that are in direct competition with each other, but also to others that support or provide complementary resources. Focusing on these institutional forces is particularly useful as it allows for the identification and examination of various institutions and their different roles in the IT adoption process.

Following King *et al.* (1994), institutions can be defined as 'any established social entity which persistently exerts influence and regulatory controls over other social entities'. *Influence* is explained as the use of 'persuasions' and *regulations* as 'a direct or indirect intervention in the behaviour of other social entities under the institution's sway'. Scott and Christensen (1995) regard institutions as structures of meanings and associated

patterns of behaviour, which are enforced by regulatory processes. Combining both views of institutions, some of the influences and regulations institutions exert could involve the setting of standards or normative prescriptions; the use of coercion and modelling or mimetic influences.

To summarise, the contexts of organisational change includes the internal organisational context, which consists of the organisation's resource base, its history and culture and standard operating procedures. Such influence could either be in the form of enabling changes taking place or inhibiting the change process. The second unit of interest is the outer context, which includes the social and cultural expectations of the wider societal sector. Such wider sector in contemporary times, as a result of the globalisation of economic and social relations, includes influences from both the national contexts and the global (international) contexts. Broad social and cultural pressures influence organisational actions in the form of normative prescriptions spelling out the appropriate ways of doing things (as templates which organisations adopt in their change efforts), or it could be in the form of coercive or political pressures and finally as mimetic influences when organisations model themselves on other organisations perceived as exemplars.

The introduction of the Structural Adjustment Programme (SAP) in the late 1980s marked the beginning of the deregulation of economic activities and specifically to the Nigerian banking industry, it marked the beginning of the process of liberalisation, which was accompanied by a huge increase in IT investment by banks. Liberalisation succeeded in increasing the number of banks operating in the country with the hope that it would expand the narrow base of the sector and, in addition, increase competition and innovation. Consequently, IT was seen as an important element of providing this increased level of service and banks began to invest increasingly in IT and introduce a whole number of restructuring programmes which brought about changes in operations and products offered to customers. In addition, banks started introducing some 'best western management practices' such as TQM and BPR.



### **3.5 How does change occur? - Conceptualising the process of change**

In the two previous sections we have suggested that organisational change is not always planned and that change is influenced by factors within the inner and outer contexts of the organisation, which leaves us in this part, to consider how change takes place. Pettigrew's contextualism has been criticised (Madon, 1992) for its lack of conceptual clarity on the meaning of process<sup>15</sup>. Similarly Van de Ven (1992) offered some suggestions on the need to clarify the meaning of change process adopted in any given study. Van de Ven and Poole (1995) identified four models of change commonly used in the literature: teleological, dialectic, lifecycle and evolutionary models. Each of these models provide different accounts of the sequence of events that take place to explain the process of change in an organisation.

#### ***3.5.1 The teleological model***

The teleological model is based on the assumption that actions are aimed towards achieving a purpose or goal. Therefore, organisational change is a process of goal formulation, implementation and evaluation. The important factor is the final goal or purpose for which the action is taking place. There cannot be an action independent of a particular purpose and therefore to explain or understand how the action is unfolding we need to look at how goals are formulated and implemented towards achieving the stated goal or goals. This means that, whereas the model does not lay much emphasis on the path or process towards change, change itself is explained or understood by identifying the various activities that must be carried out to achieve the specified outcome. The success or otherwise of the change process is then assessed against these set of prerequisites to examine to what extent the desired outcome has been achieved. The underlying assumption of this set of theories is that organisational actions in relation to its environment are 'rationally' planned actions involving top management formulating goals and taking specific decisions and actions to achieve those goals.

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<sup>15</sup> Although in some of his latter work, he attempted to correct this by making explicit his theory of process. See for instance his work on the UK NHS where he used the organisation transition model to explain the process of change within the NHS (Pettigrew et al., 1992).

This approach to change has however been criticised as ignoring to a large extent the social, political and economic context in which organisations operate. A teleological approach to change is based on a rational assumption of managerial task. A more sociological perspective of change will, in addition, give prominence to the institutional environment within which organisations operate. Such analysis will take widely held beliefs about the appropriate ways of doing things and taken-for-granted assumptions as its prevailing themes (DiMaggio and Powell, 1991).

### ***3.5.2 The lifecycle model***

The lifecycle model is based on the view that organisations grow and thus attempt to explain organisational development from initiation through to its termination (Hall, 1991). According to Van de Ven and Poole (1995), the lifecycle model is also widely used, next to the teleological model, in the management literature to explain organisational change. According to this theory, change is immanent in view of the fact that the factors or forces that propel the organisation to change are contained within it. Organisational entities contain within it, the seeds of change which have been pre-configured to control and regulate the change process. While development and change within the organisation may be influenced by developments outside of the organisation, ultimately such external forces are mediated by internal factors that have overriding influence to determine how the external developments eventually affect the organisation.

Change in a lifecycle model occurs in a single sequence of stages of events or activities, which are said to be cumulative and conjunctive (Van de Ven and Poole, 1995). By cumulative it is assumed that each successive stage will acquire the characteristics of its preceding stage and retain them to transfer to subsequent stages. Therefore, each stage or event is seen as a necessary precursor of succeeding stages. In addition, each of the stages are said to be related and so they work in conjunction with each other because they all have a 'common starting point' and they all work together to achieve 'a common goal'. Consequently, each stage or event contributes its 'own piece of the final puzzle' in an orderly and predictable manner.

### ***3.5.3 The dialectical model***

The third process model identified by Van de Ven and Poole (1995) is the dialectical model. According to the authors, this model is based on a general assumption that organisations operate in an environment of competing demands, events and contradictory values that compete with one another for domination and control. Change and stability is based on the struggle for domination and control between two opposing forces. Such competition or opposition could be internal to the organisation as in competition between different groups of employees or between different departments within the same organisation. It could be external to the organisation when its goals or actions are in conflict with the demands of other organisations such as its competitors or regulatory authorities. Therefore to explain organisational change, the focus is on the relative balance of power at any given point between the two opposing forces. The process of change is set in motion when one set of forces become powerful enough to engage and dislodge another set of forces which represents the status quo. A new status quo, different from the previous one, will then be formed. This process continues as long as there are new and sufficiently powerful set of opposing forces to challenge the status quo.

A dialectical model of change does not necessarily imply a creative model of change (Van de Ven and Poole, 1995). Forces for change may be motivated purely for selfish reasons or reasons less inclined to efficiency. Such forces for change may emanate, as a result of government regulation, which stipulates that all organisations should follow a procedure different from existing procedures. Depending on the context, such regulations may be backed by the force of the law or decrees and may not be challenged. At times, forces for change may evolve from the normative prescriptions of professionals who are deemed knowledgeable in certain issues (i.e. consultants) and such knowledge confers on them some measures of power which are sufficiently strong enough to dislodge prevailing wisdom or knowledge (Bloomfield, 1992). In addition, change is not always the outcome of collision between two opposing forces. At times, members of an organisation may wield enough power of their own to resist any attempt by new set of forces to change the status quo: thus maintaining the persistence of the status quo and hence, stability.

### ***3.5.4 The evolutionary model***

The fourth and final model of change process is the evolutionary model. Evolution refers to 'the cumulative changes in the structural forms of collections of organisations across communities, industries, or the wider society' (Van de Ven and Poole, 1995). These cumulative changes occur as a continuous cycle of variation, selection and retention (Hannan and Freeman, 1977; Aldrich, 1979).

The natural-selection model, associated with the works of Aldrich, (1979); Aldrich and Pfeffer (1976) and Hannan and Freeman (1977) as a model for explaining organisational change, focuses on an organisational population (a collection of organisations i.e. an industry), hence it is also known as the population-ecology model. The model focuses on the process of change as opposed to the final (end) product of change. It is not explicitly concerned with whether organisations change to become efficient or similar but how they (organisations) adapt and achieve a 'fit' with their environment. As the environment changes, it forces organisations to change their internal structures to achieve a better 'fit' with it.

Variation, which triggers off the process, is introduced into an organisational population if a different form of the same set of organisations or an entirely new organisation is created. Such new organisations may be created from exposure to ideas from other societies or regions and through improved communications access or as in the case of the banking industry, through changes in the regulatory environment of the industry. An example of this could be the increased activity of building societies within the banking environment after deregulation. The increasing penetration of local markets by foreign banks and the creation of 'virtual' banking organisations such as First Direct Bank in the UK, which is a type of bank that relies wholly on IT and does not employ most of the traditional ideas of a bank, are other examples.

Variations then provide the opportunity for external selection criteria, where customers' choice and preference takes over and decide which form or variation will be selected and retained. The selected organisational form is then regarded as having achieved a 'fit' with

its environment. The failure of ATMs and a less than successful acceptance of smart cards in certain countries, could be explained as a lack of 'fit' with the environment (i.e. these innovations failed to achieve a 'fit' with the environment and were not selected). Once a particular organisational form is selected, the third and final stage will be the retention of the selected form where it is preserved and duplicated. In the case of ATMs and smart cards mentioned above, selection criteria may have favoured cash which was retained (institutionalised) as the form of payment system. The natural selection model has been criticised on the basis that it does not account for change in the environments themselves (Kanter et al., 1992).

### ***3.5.5 IT implementation process models***

Within the IS literature, research findings on the implementation of IT have generally been placed within models of process which differ in terms of the roles given to the environment and human action (Kraemer et al., 1989; Orlikowski, 1996). Five different models of: environmental determinism, managerial actionalism, organisational evolutionism, institutionalism and systems interactionism were identified by Kraemer et al. (1989). Environmental determinism posits that external 'conditions and influences' shape all aspects of the internal context of the organisation, including IT and organisational change (Glaser et al., 1983). This particular model is similar to what Orlikowski (1996) called the technological imperative model of technology-based organisational change, which considers technology as the main determinant of organisational change. The introduction of a new technology into an organisation is expected to provide new opportunities and capabilities, which organisations are expected to adopt.

Managerial actionalism on the other hand, ignores much of the external environment to focus on the actions of management in bringing about change. The type of technology and the way they are used, depends by and large on the information needs of the organisation and how decision-makers within the organisation go about satisfying these needs. This particular model is also similar to Markus and Robey's (1988) organisational imperative model. A useful example of managerial actionalism model is the Kraemer-

King model (1981) which describes a four-stage process from *introduction* and *conquest* to *reassessment* and *consolidation*, focusing mainly on managerial actions, in the form of a resource allocation system, employed to distribute computing resources within the organisation.

In the organisational evolutionism model, both organisational actions and environmental forces are seen as important in the process of change. However, the environment is seen as providing the impetus for a progressive and irreversible trend of change, and organisational actions are merely a reaction to environmental pressures. According to Kraemer et al. (1989) an often quoted example of this model within the IS literature is Nolan's stage model (1973, 1979). In this model, it is assumed that new technology comes into an organisation and is widely accepted, causing it to grow rapidly into every area of the organisation. Soon enough, the growth begins to cause some concerns for management who looks for ways to rationalise the growth and associated costs before the technology is eventually integrated fully into the organisation. However, the stage model has been criticised for an over-generalised approach to technology diffusion and as such in later writings on the stage model, it has been extended to treat new technology differently as each technology is expected to have its own separate evolution track (McFarlan and McKenney, 1983).

In the institutionalism model, actions of decision-makers are recognised as important in deciding technology-based change. Although these actions can be idiosyncratic and at times can be seen to be 'rational', they are actually a part of a broader set of visions and actions, which makes them to be institutionally derived. This means that decision-makers in an organisation act in concert with decision-makers in other organisations, therefore organisational actions are actually grounded within the larger institutional forces that surrounds them. Swanson and Ramillier (1997), influenced by this line of thinking, developed a model of the process of adopting an IS innovation which they termed an "organising vision". This model implies that decisions for the implementation of new IT innovations in an organisation are generally influenced by the (wider) general views about the importance of the new innovation created by a heterogeneous network (community) of actors in the inter-organisational field where the organisation is situated

and participates. Therefore, the rational or informed choices made by management are actually made possible by the larger institutional arrangements within which management operates.

The fifth and final model examined is the systems interactionism model, in which both environmental forces and organisational actions interact recursively in the change process. The environment influences what actions are taken within the organisation and these actions (or the outcome) in turn influence (and sometimes alter) the environment by providing the contexts for further actions. Organisational actions are seen as either reactive in response to environmental demands or deliberative, taken in anticipation of future environmental changes or other reasons which seem relevant to the actor.

This particular model is increasingly being adopted in IS research. Markus and Robey (1988) argued for an emergent perspective of IT and organisational change, which posits that the way we use IT and with what outcome, is a function of both human choice and environmental characteristics. Similarly, the structurational model put forward by Orlikowski (1991) also argued for an interactional approach to the study of technology use within organisations. Technology-based change, she argued, should be viewed as a non-deterministic process which takes into account the role of technology, human choice and actions involved, as well as the socio-historical context of the organisation. Similar studies from an interactionist perspective include Montealegre (1997) in her study of an agro-industrial organisation in Guatemala. She employed structurational ideas in examining how the organisation was able to successfully implement new IT systems by drawing on rules and resources from the organisational, environmental and IT contexts and in turn how the implementation process informed these contexts. Implicit in these models is a dynamic view of IT and organisational change process that involves the technical/rational choices and actions of managers as well as the subjective and sometimes 'irrational' elements of the environment and managerial decisions and actions. These subjective and less rational elements interact with the planned rational actions to sometimes drive the change process recursively.

Our choice of a contextualist approach in this thesis leads us to adopt a process theory based on a general assumption that organisations operate in an environment of multiple demands that interacts recursively with one another in influencing the change process (Van de Ven, 1992). With regards to choosing between the IT implementation process models reviewed above, we would adopt the systems interactionism model which gives due cognisance to the interaction of both environmental influences and organisational actions in the change process. Applying the view of organisational actions as essentially influenced by the resources owned or controlled by the firm as well as institutional rules and expectations, IT and organisational change process in this thesis will, therefore, focus on the interaction between organisational resources and wider societal cultural and political expectations at different levels of analysis. Table 3.1 defines our layers of interest in IT and organisational change process in Nigerian banks.



**Table 3: IT and organisational change: a conceptual framework**

<i>Theoretical concepts</i>	<i>Factors of interest</i>
<p><b>CONTENT</b> Nature of change</p>	<ul style="list-style-type: none"> <li>• IT and organisational change               <ul style="list-style-type: none"> <li>• Decisions and actions involved in change</li> <li>• Planned/emergent/improvised change?</li> </ul> </li> </ul>
<p><b>PROCESS</b> Interactions of events that takes place to explain the process of change</p>	<ul style="list-style-type: none"> <li>• Interactions of different rational, political, resource-related and cultural forces on change</li> </ul>
<p><b>CONTEXT</b> Internal/external factors for change</p>	<p><i>Inner – Organisational resource context</i></p> <ul style="list-style-type: none"> <li>• Culture of organisation</li> <li>• History and prior commitment</li> <li>• Standard operating procedures</li> <li>• Resources and management capabilities               <ul style="list-style-type: none"> <li>• Firm’s technological, complementary, financial and locational assets</li> </ul> </li> </ul> <p><i>Outer – Institutional rules and regulations</i></p> <ul style="list-style-type: none"> <li>• Inter-organisational context               <ul style="list-style-type: none"> <li>• Influence of dominant organisations</li> <li>• Professional norms and standards</li> </ul> </li> <li>• National economic, political and social context               <ul style="list-style-type: none"> <li>• Wider societal expectations</li> <li>• Government regulations and laws</li> </ul> </li> <li>• Global/international context               <ul style="list-style-type: none"> <li>• Broad (global) normative prescriptions about the 'appropriate' ways of utilising technology in banks</li> </ul> </li> </ul>

### 3.6 Summary

In this chapter we introduced the framework for presenting data about IT and organisational change. The framework - based on Pettigrew’s contextualist model - focuses on the content of change which in this study includes the intended plans to effect transformation of banks, the various patterns of interpretations and actions, and lastly the realised or implemented change. The second component focused on the contexts of change, which have been identified as the inner context of the organisation and the wider context of socially accepted rules and procedures. The process of change is informed by a process theory based on the assumption that organisations operate in an environment of multiple factors that interacts recursively with one another to influence change process. In effect, this means that organisational change process is neither purely rational nor linear; change is socially and historically mediated just as it is rationally motivated. The intended plans of management

are influenced by both organisational resources and institutional pressures, in the form of social and cultural expectations from the immediate national environment as well as from the wider international (global) context. Therefore, organisational resources including the history and tradition of doing things within the organisation coupled with societal and cultural expectations at the national and international level influence the change process. In subsequent chapters we put the framework into operation. In chapter 4 we examine the wider context and describe the rules and procedures governing the activities of banking both from an international perspective and from within the Nigerian banking industry.

## **Chapter 4**

### **The wider context of changes in banking**

#### **4.1 Introduction**

This chapter is devoted to describing the wider context within which changes in Nigerian banks are taking place. The Nigerian economy was deregulated in 1986 with the introduction of the Structural Adjustment Programme (SAP) and the liberalisation of the banking industry began shortly after. In section 4.2 we will examine the international banking industry to describe the changes that have taken place and the role of IT in these changes.

#### **4.2 Technology and changes in banking: an international perspective**

In the 1980s, it became commonplace to speak of changes in the environment of banks particularly changes in banking regulations, competitive behaviour, banking technology and more recently the globalisation of finance. The environment of banking organisations has changed dramatically with new structures to existing banks and a much broader scope of financial services/products being increasingly developed. Entirely new forms of banks are being developed as well as a proliferation of non-financial service organisations now competing with banks in their traditional domain. In addition to all these, customer expectations of banks have also changed quite significantly.

The body of our review focuses mainly on several of these major trends that have been observed in the transformation of the banking industry and we examine how a contemporary perspective like the new institutional theory could be used to understand such transformation and the determinants of these major changes. What are the consequences of these changes, and within the contemporary discourse of an increasing integration of financial service, what are the global consequences of some of these

changes in a developing country context like Nigeria? First, we will examine the regulatory, structural and technological changes that have taken place within the environment of banks before describing specific changes in banking.

#### ***4.2.1 Changes in the environment of banks***

##### ***4.2.1.1 Regulatory Changes***

Regulation of banks has traditionally been targeted towards maintaining the integrity of the system. Due to the systemic nature of banking, one major crisis in a bank has the tendency of reverberating around the entire industry and could potentially damage customer confidence - which is the main ingredient on which banks survive. Prior to the deregulation drive of the 1980s, banking can be regarded as a highly conservative and stable industry. This stability was ensured through formal and informal barriers to competition. Formal barriers include the use of regulatory controls such as the New Deal reforms and the Glass-Steagall Act in the USA (Rogers, 1993).

The New Deal reform in the USA, for instance, ensured that each segment of the financial service industry performed a distinct and strictly limited function. Such distinction of functions was also prevalent within the German industry before deregulation. However, market segmentation was achieved through informal barriers, resulting from the distinct market focus of financial service providers. In Germany, prior to deregulation, banks have their own set of target customers and markets to maintain a relatively stable and orderly industry (Keltner, 1994). Similarly, the UK banking industry was one of order and stability, prior to deregulation, through the segmentation of markets and the type of services that banks could provide. According to Storey (1994), the UK banking sector, pre-deregulation, was “one of order, predictability, hierarchy and bureaucracy” (pg. 2).

Deregulation came about as part of a wider set of reforms, which was aimed at reducing government involvement in economic activities and allowing market forces to prevail. This became the prevailing wisdom in the 1980s thereby seeing successive national governments deregulating their economies and liberalising their financial systems. This

collective drive towards deregulation and liberalisation has been seen as one of the main ingredients toward the increasing integration and globalisation of economic activities and of financial service in particular (O'Brien, 1992).

In national markets, deregulation within the banking industry has resulted both in an expansion and diversification in the service delivery mechanisms of existing banks and it has also led to a proliferation of entirely new organisations carrying out banking activities. In France, the Debre reforms of the mid-1960s led to an abolition of restrictions on branch banking as well as on interest rate ceilings on loans (Frazer and Vittas, 1982).

In the UK, the root of deregulation can be traced to the 1971 Competition and Credit Control (CCC) document issued by the Bank of England. This documentation ended ceiling rates on the limit banks can borrow and also abolished the uniform rates of interests to borrowers and lenders (Howells and Hine, 1993). Closely related to this is the law, which allowed building societies to increase their activities and operate in hitherto forbidden territories. Banks responded by introducing new products and opening new branches. Also in the UK, the monopoly of the major clearing banks was removed through the enlargement of the membership of the payments system to include other banking institutions such as the building societies and other retail banks (Carrington et. al, 1997). The opening up of the securities market ('The Big Bang') to allow participation of commercial and foreign banks was also another major regulatory reform in the UK.

In the USA, deregulation involved the abolition of the Glass-Steagall Act which restricted the range of products banks could offer to their customers (Reinicke, 1995). Regulation Q was also lifted thereby making it possible for commercial banks and Savings and Loans institutions to offer a broader range of interest-rate returns on their current ("checking") and deposit accounts. Similarly, the U.S. government eased the limitations on interstate banking - through the St-Germain Act – first, by allowing banks in distress to be acquired by out-of-state banks and secondly through the subsequent

removal of restrictions on inter-state banking by the various state governments (Reinicke, 1995).

Deregulation, therefore, led to an increased level of competition where hitherto stable patterns of demand could no longer be taken for granted. As a result, banks started competing with non-banking providers of financial service/products in their traditional markets and they (banks) consequently responded by expanding their business operations into other non-banking industry such as insurance and investment products. This resulting decompartmentalisation thereby led to banks increasingly finding new and better ways to serve customers and to compensate for lost business in their traditional domain.

#### *4.2.1.2 Market structure changes*

Market-related changes reflect a shift in the nature of services and products that bank customers now demand. Traditionally, banks' expansion or growth has tended to come from the continued expansion of standard products to people who were outside of the banking system. However, with deregulation, the focus on quantitative expansion has been replaced by a more qualitative approach of providing higher quality and investment-type products in order to expand or achieve higher returns. The demand for higher quality products such as stocks, bonds and money-market instruments has therefore resulted in customers demanding a higher level of service from their banks (Keltner, 1994).

According to an OECD study, the nature of financial instruments that have replaced the traditional banking products vary between countries (OECD, 1992). In France, consumers took full advantage of the privatisation drive to increase their stock holdings and as such company shares has taken the lion's share of private investment capital. In Britain, consumers redirected their investment capital towards life insurance and in Italy consumers invested more in short-term securities and bonds. The situation was also different in Germany, where the bulk of private investment was redirected to the purchase of government and private bonds as opposed to company shares. In the USA, the bulk of private investment was directed to money-market mutual funds and the purchase of insurance products (Economist, 1993; Keltner, 1994; OECD, 1992)

In addition to private consumer demand, there have also been major changes in the investment attitude of large corporate customers. This trend, known generally as disintermediation, has led to a shift in focus by large (corporate) customers, from bank loans to other sources of finance to meet their credit needs (Rogers, 1993). Gart (1992) defines disintermediation as the process whereby big institutional organisations, aided by powerful analytical software, on-line corporate databases and powerful networks, can bypass banks and raise funds directly in the form of commercial paper from the money markets. This increasing disintermediation has led to a reduction in the amount of bank loans as a percentage of total corporate debt.

The trend of removing personal assets from traditional means such as cash, bank deposits and current accounts, as well as the disintermediation trend has resulted in a number of changes to how banks interact with their customers. First, the basis of competition is increasingly being shifted from the number and location of branches to a focus on telephone and computer-mediated interaction with customers. Secondly, there is a corresponding shift in the role of remaining branches from transaction processing to one devoted to sales, marketing and financial advice. This has led to a change in the structure of bank branches. New forms of branches are being developed, based on technology, such that we now have both staffed and unstaffed branches like the multimedia kiosk (Gosling, 1996). Thirdly, the loss of corporate customers has led banks in some countries (i.e. Germany) to increase their attention to small and medium-sized enterprises (SMEs) and to form a closer relationship with these sets of customers in order to compensate for the loss of corporate customers (Gosling, 1996; Svare, 1989).

The market for banking services has also shifted from an emphasis on national/domestic markets to an increasing emphasis on global markets. Although the specific impact of globalisation on banks has been stronger on wholesale banks as compared to retail banks, studies have shown that the retail banking sector is not entirely left out (Frazer and Vittas, 1982; O'Brien, 1992). One of the impacts of globalisation on retail banks is in the increasing number of foreign banks that now compete with local banks in their domestic markets. These foreign banks compete for resources, in the form of customer deposits, in

local markets and they also compete in the local labour markets for competent and qualified professionals.

#### *4.2.1.3 Technological changes*

The use of IT in banks has moved on from being a means of automating banking activities to being of strategic value to the industry (Essinger, 1992; Gandy and Chapman, 1996). IT is now used in dealing directly with customers, in decision-making and in offering newer services and products to customers. An explanation commonly offered for the increasing importance of IT in banks is that the financial service industry, being a highly information-intensive industry, requires IT to support the processing of speedy, qualitative and up-to-date information (Broadbent and Weill, 1993; O'Brien, 1992; Gart, 1992). Technological change in the environment of banks reflect developments and advancements made in the field of information and communications technology (ICTs) generally. As table 4.1 shows, this has evolved through three generations of developments from the days of the big mainframe machines, through to the development of minicomputers and powerful personal computers and finally to the days of client/server systems. As these developments occur in technology so was there a corresponding change in banking applications.

Early role of IT in banking includes the automation of cheque clearing. In the USA, according to O'Brien (1968; 1992), the first stage of banking automation was considered years of experimentation which involved banks focusing on and gaining experience in the use of Magnetic Ink Character Recognition (MICR). During this phase of automation, mainframes were used to transfer current accounts in the branches from paper-based to (batch-processing) electronic formats. The paper-based systems involve updating current accounts manually at the close of business every day. This limited the length of time banks were able to open for business and the labour-intensive task of updating and balancing branch ledger had implications for productivity and accuracy. As a result when batch-processing systems were introduced, the main motivation was to reduce clerical handling cost and the resulting increase in productivity was a welcome relief for banks.



The second and third generation of technology improved banks' access to customers' accounts for balance enquiries, for access to accounts in other branches and it also improved customer access and control over their accounts. Online access to customer accounts improved the quality of service to customers by speeding up access to information and by giving customers greater freedom over their accounts. Through the use of ATMs and phone banking, bank customers are able to do away with the need to queue up in bank branches and are thus able to process their own transactions or enquiries. Although bringing customers on-line is expected to be beneficial to customers and banks through the elimination of paper and labour and also by improving customer service, it is argued, however, that the increased access will ultimately transfer control of key business systems from banks to customers (Carrington, et. al., 1997). Consequently, banks' ability to make free use of customers' deposit will diminish with consequences for banks' profitability.

**Table 4 : Evolution of banking technology and applications**

Architecture Developments	Processing Methodology	Application Developments
1st generation 1960s	Batch processing	faster cheque handling automated, more accurate accounting cheque netting lower back office costs
2 <sup>nd</sup> generation 1970s - 80s	real-time and on-line	ATMs credit and debit cards authorisation process telephone banking corporate electronic cash management
3rd generation 1990s	Client/server public access networks	co-operative computing customer information systems micro marketing techniques customer orientated front offices centralised back offices home-based banking

Source: Adapted from Gandy and Chapman (1996)

#### **4.2.2 New Inter-organisational patterns**

Precisely what is the nature of banks' response to these environmental changes? In this section we provide a description of some of the changes that have taken place in banking. These changes have been classified into two main categories: new inter-organisational

patterns, and new intra-organisational patterns. Changes in inter-organisational patterns and structures involve a review of changes in banks' relation with external agencies such as customers, retailers and the IT industry. There have been changes to how banks deliver services to customers and in how they relate with retailers. Due to the increased importance of IT in the development of the industry, the relationship between banks and IT suppliers have also changed. Given these new patterns of relations, banks have established new structures to manage the new relationships.

#### *4.2.2.1 New delivery mechanisms: less focus on bank branches*

Changes in delivery mechanism involves the use of IT to provide direct delivery of services to customers, which in turn has led to a reduction in the number of branches in operation. Traditionally, the bank branch has been the main avenue for interacting with customers. Bank branches usually form the major component of a bank's strategy and banks compete based on the number of branches they have. A high presence in a particular area means that a bank will have a better advantage of attracting customers (and their deposits) than its competitors. Banks therefore tend to have a vast network of branches to maintain their competitive edge and to provide convenience for customers. This situation is however changing.

Given the increasing use of IT and the development of new banking products and services, there is less focus on branch banking as the main source of delivering services to customers. The Banking Administration Institute (BAI) in USA predicted that the proportion of transactions conducted by branches would fall from 40% in 1993 to below 20% by the year 2000<sup>16</sup>. However, branch networks are still regarded as banks' major source of differentiation from the encroaching non-banking participants (Gosling, 1996:24). Howcroft and Lavis (1987) believe that branches will still be useful as a measure of differentiation and to maintain customer loyalty and relationships. Examples of banking technology that have made significant impact in changing the delivery mechanisms are ATMs and phone banking.

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<sup>16</sup> In the UK, Barclays, Lloyds TSB and NatWest recently announced the closure of 172, 400 and 60 branches respectively. See, "MPs join battle to save branches" (The Guardian, April 1 2000)

ATMs were developed in the 1970s to provide an alternative to cashiers' work and as an addition to existing branch services. By the mid-1980s, it became a focus of banks' increasing emphasis on convenience in the provision of services to customers. Banks started using ATMs to link up with customers for the provision of routine transactions, loan and deposits services, account balance enquiries and for payment of credit card bills on a 24-hour basis (Dos Santos and Pfeiffers, 1995). ATMs are now regarded as an essential part of banking infrastructure to the extent that it is argued that any bank wishing to compete in the environment of the 1990s must offer customers more services through ATMs (Essinger, 1993). This means that the use of ATMs has become taken-for-granted within the banking industry. However, questions have been raised with regards to ATM adoption by banks. Howcroft and Lavis (1987) regards them as a means of replacing branch staff and a study of ATM adoption in the USA also suggest that despite banks' rush to install ATMs, there is no clear-cut evidence as to whether such investment actually produce adequate returns (Steiner and Teixeira 1988)<sup>17</sup>.

Phone banking is a relatively new concept in banking. It involves in its simplest form, a phone reply service, with a Personal Identification (PIN) number that allows customers to check their balances or to issue stop notices on cheques. There are other more comprehensive approaches such as First Direct Bank in the UK which is an example of a 'virtual bank' based entirely on telephone transactions (Gosling, 1996). It provides the full range of service that traditional brick and mortar (branch-based) banks would offer. Direct phone service by banks is aided by the use of Computer Telephone Integration (CTI) which involves a comprehensive database on customers which the telephone operator can access quickly for up-to-date information. Benefits of such approach to banks are the savings expected from freeing up staffs' time as customers do their basic data inputting (Gandy and Chapman, 1996). Secondly, it is cheaper to serve a customer whose only contact with the bank is through the telephone compared with branch network (Gosling, 1996). To customers, the benefit is convenience of doing business from home or the office and avoiding long delays in branches. One major limitation of an

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<sup>17</sup> Quoted in Bebbington et al (1991)

electronic interface with customers is the sacrificing of personal relationship, which branch banking offers (Gandy and Chapman, 1996)<sup>18</sup>

#### *4.2.2.2 Changes in bank-customer relationship*

In addition to changing the way banks deliver their services to customers, technology is also changing the type and form of products that banks sell to their customers and it is also changing the view of who a customer is. Traditionally, a customer is one that approaches a bank for service, thereby giving an image of a stable, demand-driven industry. In contemporary times, however, the combination of regulatory, market and technological changes coupled with the introduction of new technology-based products and services as well as new delivery mechanisms based on technology, has meant that banks now do not wait for customers to come to them. Rather, banks pursue customers through aggressive marketing techniques and advertising, to suggest a transition from a demand-driven culture to a supply-oriented culture in terms of the bank-customer relationship (Kolari et al., 1986; Carrington et. al, 1997).

Studies carried out, mostly in Europe and America, have highlighted the contextual nature of banking and the need to align banking products and services to the needs of the local context (O'Brien, 1992; Frazer and Vittas, 1982; Bebbinton et al, 1991; Gandy and Chapman, 1996; OECD, 1989). These studies point to the lukewarm attitude of customers to new banking products when introduced and fails to meet their needs (Gosling, 1996). Other studies also point to the lack of fit between technology-related products and the socio-cultural environment of their introduction (Gosling, 1996); failure to conduct proper studies into what customers want (Bebbington et al, 1991) and the fact that some technology-based products may actually be solutions looking for problems to solve (Carrington et. al, 1997).

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<sup>18</sup> The first bank in the UK to introduce phone banking was the Royal Bank of Scotland in 1985 (Bebbington et al, 1991).

#### 4.2.2.3 Changes in bank – retail industry relationship

The introduction of EFTPOS is at the core of changes in bank-retail industry relationship. As a funds transmission mechanism, EFTPOS links banks and retailers in the payment system and its implementation, in the UK for instance, revealed a major shift in banking from being a closed community to a more open industry - albeit reluctantly (Howells and Hine, 1993). The implementation of EFTPOS in the UK, according to Howells and Hine, came about after series of confrontation between bankers who regard the domain of money transmission as their exclusive domain and therefore, would not want to concede to the demands of the retail industry.

EFTPOS was developed on the knowledge and experience banks had already gained from the introduction of interbank EFTs and ATMs which came earlier (Howells and Hine, 1993). The development of EFTPOS, just like most other banking innovations, was adjudged to be technologically driven (Bebbington et al, 1991; OECD, 1989). The OECD publication - *Electronic Funds Transfer: Plastic Cards and the Consumer* highlighted the dangers in technology-driven payment systems modernisation. According to the report, this may lead to a neglect of the interest of consumers and may lead to developing technological products which consumers are not willing to accept. This same point was further highlighted by Bebbington et al, (1991) that “there is a danger that in a market driven or shaped by a technological imperative the customer and his needs take second place” (pg. 237)

In the study, the authors found out that despite the increasing trend towards electronic payment systems, traditional patterns of payment still flourish; people still prefer to use cheques for the extra couple of days of grace it grants before payment is finally settled and people still use cash for its anonymity and impersonality. Another effect of a technology-driven payment systems modernisation is the fear that EFTs may lead to a banking system which caters for the middle/upper class consumers thereby neglecting people in the lower classes. To prevent this, member countries of the OECD introduced the concept of ‘basic banking’, which is an obligation for banks to provide a minimum set of services to all customers.

#### *4.2.2.4 Changes in bank – IT industry relationship*

A two-way relationship is posited by Gandy and Chapman (1996) where bankers see technology as a vital element in the development of their industry and IT providers on their part see banking - and financial services in general - as an important market for their products. This means that the needs of the banking industry were viewed, by IT providers, as a driving force in new IT innovations. The effect is an increased level of relationship between banks and IT suppliers. This increased relationship is also borne out of the fact that IT spend in UK and U.S. banks, for instance, have consistently been high. In 1994, the total IT spend of UK banks was \$5.9 billion while in the USA, IT spend was estimated at \$16.3 billion in 1994 and expected to rise to 19.8 billion by 1997 (Gandy and Chapman, 1996). This sort of IT expenditure is seen as an indicator of the increasing level of relationship between the two industries. Smart Card technology is an example of a new banking product that has made some impact in this respect.

The electronic purse is an example of a smart card, and it involves inserting computer chips into plastic cards for computation. This is quite different from traditional plastic cards with magnetic strip where computations are made on a central computer and is activated by swiping the cards through a device. The electronic purse is designed as an alternative to carrying cash. It involves storing money values in the microchips to the value that is available in the holder's account. This can then be used for purchases in outlets that accept them. The popularity of this innovation has been more in countries where social circumstances such as high levels of crime and the risk of carrying cash have made it popular (Gosling, 1996).

In the UK, the system was tried out with the Mondex card, but with less success. This led Essinger (1992), to raise the concern about the lack of proper investigations into whether customers actually want technology-related payment methods. Howells and Hine (1993), also raised a similar question of whether customers would not prefer the use of cheques with the guaranteed safety window of 2-3 days before transactions are fully completed. This points to the fact that there may exist some barriers (institutional inertia) which prevents technologies from being readily accepted. Gart (1992) pointed out that in

countries where smart cards have been adopted, consumers did not depend heavily on credit and debit cards for their payments. Gosling (1996) also raised the point that smart cards have not met with the expected enthusiasm because of the heavy dependence of customers on other methods of payments such as cash or credit/debit cards.

#### ***4.2.3 New internal patterns***

Changes in the internal structures of banks include the focus on marketing activities in line with the change from a demand-driven industry to a supply-oriented industry. In addition to structural changes, banks have also witnessed cultural and management changes relating to how the training and recruitment of staff is carried out.

##### ***4.2.3.1 Increased focus on marketing***

In line with the focus on attracting more customers, banks have increasingly adopted retailing and marketing concepts. Banks now make use of extensive marketing techniques such as advertisements and sales promotions. This increased focus on marketing has been brought about partly by the need to sell new products to customers who may otherwise be skeptical and to help customers overcome their inertia. Because cheque-based transactions carry the advantage of delay payment and cash on the other hand has the advantage of being impersonal, customers may not feel too inclined to switch to the new EFT technology. The introduction of new Electronic Funds Transfer (EFTs) was thought by Kirkman (1987) to warrant a large-scale marketing of the new technology to consumers who were very comfortable with the long-established systems of carrying cash or writing cheques.

Banks have also introduced television advertising to provide a distinct image for themselves. Their marketing strategy has changed from mass marketing to a niche approach to serving customers. This type of strategy, to reflect the increasing segmentation of bank products, is called micro-marketing (Gandy and Chapman, 1996). Micro marketing has been made possible by advancements in technology such as in databases and networks which makes information about each customer and their spending habits more easy to track and has been necessitated by increased competition

brought about by new entrants such as Virgin Direct in the UK that targets only a segment of the market.

#### *4.2.3.2 Cultural Changes*

The study by Keltner and Finegold (1996) on human resource management in U.S. banks presented the view of banks using human resource policies as a means of generating cost savings where banks have started employing more part-time workers and are contracting out some services like investment services to outside independent consultants. This has helped banks to save on training costs for employees.

The recruitment, training and remuneration of bank staff were traditionally directed towards maintaining a 'financially secure and trustworthy workforce' which will reflect the fiduciary role of banks (Smith and Weild, 1987). Bank staffs generally rise through the ranks with employment from an apprenticeship stage through to a general management position. Training was done in-house with staff undergoing several years of training in different types of banking functions such as lending, personnel and operations. According to Smith and Weild (1987) the 'ethos of banking apprenticeship was traditionally paternal-autocratic': bank staff were expected to conform to the norms of the organisation.

The method of training was such that staff were trained to be able to handle a number of tasks within the bank branch. This kind of flexibility was considered beneficial if the branch was to operate efficiently. However, with the introduction of technology and the initial focus on automating branch accounting systems, there was a gradual shift from a generalist to a more specialised training (Smith and Weild, 1987). In line with this shift, the hub and satellite branch structure, offering different and specialist type of services gradually replaced the traditional branch structure. This structure consists of dividing bank activities into different specialist functions which are then carried out separately in different branches.



#### *4.2.3.3 Other Professional Changes*

Banking as a profession has indeed witnessed considerable changes in the recent past. The make-up of staff and recruitment procedures have also changed significantly, in line with the overall changes which the industry has witnessed. Banks now have a number of new departments added to their structure. Consequently, the demography of bank staff has changed to include professional managers such as marketing managers and IT managers. These professional managers with different mindsets, carry with them a different set of norms, values and expectations concerning the way organisations function which may be in conflict with traditional ethos of conformity with banking rules (Howells and Hine, 1993).

Historically, banks have been subject to a broad array of professional ideology in line with the tradition-based philosophy of banks. Banking is perceived to be a relatively exclusive society. The general normative structure of banks has therefore always supported its fiduciary role and the need to be seen as a profession with standards that have to be maintained collectively; thereby giving the picture of a very cautious, inward-looking and highly risk-averse industry (Howells and Hine, 1993). Consequently, recruitment and training have been largely tailored to support these norms of banking. However, recent developments may be leading to suggestions that some of these traditional ethos may be gradually giving way. Banks are now more concerned about issues of costs and efficiency and in the value-generating concerns of their customers. Branches are no longer just regarded as an overhead in the bank's costs but banks are now interested in which branch generate more profits.

#### *4.2.4 Discussion of changes in the institutional contexts of banks*

In discussion, changes witnessed by banks can be characterised as a shift from an oligopolistic market with stable growth pattern to that of a highly competitive market. Delivery mechanisms have shifted from a focus on branch networks to newer forms of delivery systems which rely to a lesser degree on brick and mortar branches. Services offered by banks are changing from a heterogeneous package of services to the provision of segmented services. Traditional role of collecting deposits, which are then channelled

into areas of need, is also rapidly being undermined. Finally, recruitment and training which for a long time had been internally driven and oriented towards serving the needs of the branch networks is changing to one that is increasingly targeted at the specialised needs of the organisation.

In addition, these changes can be classified as both exogenous and endogenous. Externally, we can identify developments within the wider environments such as in the case of deregulation and liberalisation where existing laws, which prevented certain banks from providing services and/or setting up branches in some locations (i.e. Glass-Steagall Act in USA), were repealed. Also, we identified advancements in technology and the favourable cost-price ratios of such technologies as another important external factor for the changes witnessed in banking. Such technological advances, coupled with the increasing deregulation of financial services, is leading to an increasing integration of financial services worldwide and is further diminishing the importance of geographic location in financial activities (O'Brien, 1992; Hoogvelt, 1994). Institutional borrowers are now able to source for funds anywhere deemed favourable, and directly from potential investors. This has diminished the importance of banks as the major providers of investment capital (Gart, 1992).

Other types of changes are those between banks and other institutions such as retailing companies who are now visibly active in providing services previously regarded the exclusive domain of banks. There have also developed contradictions with the most basic of social behaviour where customers now demand higher quality service and faster response to their demands and queries. Customers in most countries are increasingly favouring payments based on the use of plastic cards. Internally, the activities of banks also embody some form of endogenous impetus for change. As the number of people using banking services increase, so does the need to process these accounts more efficiently. As more people operate cheque accounts, there will be an increased desire to invest in technologies that will make the task of processing cheques faster and more efficient.

From these discussions, we can deduce that the banking industry of the 1990s is characterised by an increased level of competition, increased level of uncertainty and an increasing network of exchange both within and outside of the industry. All these have led to the transformation of a once conservative, slow moving and cautious industry into a dynamic one, which has responded by being more proactive and aggressive. It represents an exit from an organising principle based on caution, conservatism and tradition to that of an aggressive, dynamic and more open industry. To sustain this new image, the industry has responded accordingly with a set of new rules and procedures which have seen banking expanded to incorporate the new procedures into their structures (Meyer and Rowan, 1977). As a result, banks now adopt retailing concepts and an increasing emphasis on strategic planning (Essinger, 1993; Channon, 1988); marketing strategies (Combs and Graham-Bourne, 1995; McGoldrick and Greenland, 1992) and aligning IT/IS strategies with banking strategies (Baets, 1996; Broadbent and Weill, 1993; Gandy and Chapman, 1996). In addition, banks now have full-fledged IT/IS departments, automation planning and research and development departments<sup>19</sup> (Howells and Hine, 1993). Increasingly banks are redesigning their business processes and are investing in BPR projects with a view to operating more efficiently and refocusing the organisation (Maull and Childe, 1994; Willcocks and Currie, 1997)

In the competitive environment of the 1990s, the use of technologies by banks has come to be taken for granted (Essinger, 1992:13). The implication of this could be seen in the huge amount of resources that banks are now prepared to invest in IT (Gandy and Chapman, 1996). It could also be seen in light of the argument that technology is driving applications within the industry instead of the other way round (see for instance Essinger, 1992):

“Within the [financial service] industry the technology has usually come first, and then the application has been designed to fit with the technology” (pg. 19).

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<sup>19</sup> According to the Bank of America study (McKenney et. al., 1997), IT department (or Systems and Engineering Research, as they were then known) was a feature of banks' structure in the early years on IT use in banks. However, the intensity with which the industry as a whole has embraced the idea is quite phenomenal now. Then, not all banks have their own in-house IT teams but now for a bank not to have one could be seen as a sign of being a 'laggard'.

This taken-for-granted assumption about the use of technology in banks could mean a focus only on technology as the appropriate strategy on which to compete. This could lead to banking services becoming detached from the need of banks' customers and the wider context in which banks operate. This may be especially true of banks in DCs who are just introducing these technologies as a response to wider environmental demands of deregulation and increasing globalisation of socio-economic activities. A taken-for-granted attitude to technology implementation may restrict the ability of organisations in DCs to question the wisdom of transferring organisational forms and techniques in addition to transferring technology.

The taken-for-granted use of IT in banks also highlights some of the problems DCs are facing in selecting amongst the numerous technologies now available. Due to the proliferation of these products and technologies, bank management are faced with the enormous task of selecting and exploiting these new technologies in such a way that would afford them the chance of competing successfully in a fast moving and increasingly integrated environment. The decision on how best to use technology to restructure and introduce effective changes in banking practices is not an easy process. Most new or additional technologies in the 'west' are based on a mature base (Listfield et al, 1994; Howells et al, 1993) and this becomes a problem for banks in DCs just being exposed to the technologies and therefore lack the wealth of experience which banks in the 'west' have. Invariably, this would demand a much deeper understanding of the local context and an appropriate approach to implementing technology and technology based management techniques.

Finally, a taken for granted assumption about the importance of technology could mean a focus only on technology as the appropriate strategy on which to compete. This could lead banking services and products becoming detached from the needs of banks' customers and the wider context in which banks operate (Gandy and Chapman, 1996). With regards to banking in DCs, such a highly teleological view of IT use may sometimes lead to a mechanistic transfer of technology and technology-based products and services from developed to developing countries - which may not be ideal for the

local context. Such products and services may make a bank look global and modern but may not meet the needs of the local customer and the local context. Therefore, if the introduction of IT in Nigerian banking system is to make any meaningful impact, it must provide services and products which are relevant to the needs of the customers and to the local context. Gandy and Chapman (1996) puts this quite succinctly:

For technology to have a beneficial impact, it must not only relate to the needs of the organisation that employs it, it must also achieve a fit with the socio-economic and strategic (wider) context of such organisation (pg. 9).

The need to contextualise technology-related banking products and services is not an exclusive problem of DCs. As studies such as (Bebbington et. al, 1992; Gosling, 1996) have indicated, similar problems exist in developed countries. However, the context of IT implementation in DCs is much different than in developed countries given the lack of resources and infrastructural and technological capabilities (Madon, 1992; Odedra, 1990) which these countries have to contend with. It follows therefore, that the use of IT needs to be adapted to the priorities and contextual characteristics of the local context (Madon, 1992).

In the next section, we will examine, as part of the wider context of change in Nigerian banks, the Nigerian banking environment with a view to describing the institutional rules within which banks operate and factors which may influence the changes taking place in these banks.

### **4.3 The Nigerian banking industry**

In this section, we describe the Nigerian banking scene to examine the national context of changes taking place in banks. Such a description of the Nigerian banking context will aim to demonstrate how global practices are articulated through the reformation of the Nigerian banking system. The chapter will conclude with a discussion of the nature of globalisation from within the particular framework of the Nigerian banking system.

#### ***4.3.1 Historical evolution of the Nigerian banking industry***

For the purpose of this study, we have classified phases in the evolution of the banking industry in Nigeria into four stages namely: the era of free banking (Period up to 1959); the era of banking legislation (1959 - 1970); the era of indigenisation (1972- 1986) and the era of deregulation (1986 - Present)<sup>20</sup>. During the first era, banking activities in Nigeria were carried out predominantly by foreign banks. There was the African Banking Corporation which was opened in 1892, the Colonial Bank and the Barclays Bank which in 1917 absorbed the Colonial Bank. However, these foreign banks were found to be discriminatory against Nigerian indigenes in giving out credits. As a result of these discriminatory practices, coupled with the nationalistic fervour of the late 1950s, a large number of indigenous banks emerged to cater for the needs of local businesses. However, the majority of these banks did not last very long. One of the main reasons given for their collapse was the lack of a deep asset base.

The second phase in the history of banking in Nigeria witnessed the beginning of banking regulation. Prior to this period, there was hardly any form of regulation within the industry and in 1959, when the Central Bank of Nigeria (CBN) was set up, government could henceforth monitor and control the activities of the industry. From this period onwards government, through the federal ministry of finance and subsequently the CBN, introduced a number of laws aimed at injecting some stability into the system - a lesson learnt from the turmoil of the immediate period mentioned above.

The third phase is the era of indigenisation. The oil boom of the early 1970s brought quite a large number of foreign operators into the Nigerian banking system. A number of these banks were owned and controlled by non-indigenes and concern about profit repatriation led the government to embark on a wholesale attempt at indigenisation. With the National Enterprise Promotion Decree (also known as indigenisation decree) of 1972,

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<sup>20</sup> Others (Adekanye, 1990) have chosen to restrict this classification to two main periods: the immediate post-independence years up till the eve of deregulation (1960 - 1985) and the deregulation era up till the present time. The main difference between the two perspectives is the focus of analysis. While Adekanye was interested mainly in the developments within the regulatory environment, the intention here is to set the context of banking in Nigeria by tracing the historical evolution of the industry.

government acquired 40% of equity participation (which was later increased to 60% in 1977) in these companies with the sole aim of putting executive control in the hands of Nigerians. This was seen as a way to minimise the problem of profit repatriation. This period therefore witnessed increased government intervention in the banking industry, which continued until the deregulation of the industry began in July 1986.

The introduction of the Structural Adjustment Programme (SAP) in 1986 began the process of deregulating the Nigerian economy and led to the liberalisation of the banking industry. Nigeria's main foreign exchange earner is oil. Estimates put it that between 80-90% of Nigeria's foreign exchange earnings is derived from the sale of crude oil (EIU, 1993). In the early 1970s there was an oil boom, which meant an increase in earnings for the country. This led to government embarking on very ambitious development projects in which a number of industries were set up. However, these industries were highly dependent on import and hence on foreign exchange. The oil glut of the early 1980s hampered government's dash for growth because export volume reduced considerably, thereby cutting the country's foreign earnings by as much as 60% (EIU, 1993).

Government resorted to borrowing from abroad to continue some of their development objectives. However, this increased borrowing, coupled with the continued decline in export sales, seriously increased Nigeria's external debt burden and weakened the ability to raise further loan. Thus, government turned inwards for further loans and started borrowing from banks. A further collapse in oil prices in 1986 meant that the economic situation in the country worsened, consequently increasing the need for reforms. In July 1986, the government of the day introduced the Structural Adjustment Programme (SAP), which led to the liberalisation of the banking industry. Prior to liberalisation, the banking industry had been largely oligopolistic with three major commercial banks dominating the scene. These three banks – First Bank, United Bank for Africa and Union Bank - referred to as the “big three” had their origins in the colonial era and had strong ties with foreign partners (Lewis and Stein, 1997)

The link between the industry and government pre-SAP had been a very strong one. Then government controlled about 80% of assets in commercial banks and 45% in merchant banks<sup>21</sup>. It was therefore felt that deregulating the system and liberalising the process of bank licensing would, in principle, reduce government influence and introduce competition and innovation, which was lacking. Financial reform in Nigeria started with the relaxation of entry procedures in the financial service sector, which saw the number of banks more than doubled from 42 in 1986 to 117 by the end of 1995. The next stage of reform was the loosening of regulatory instruments in 1987. Prior to this, government had (through the Finance Ministry and CBN) used direct controls on credit allocation and interest rates (Falegan, 1987). However, with the relaxation of controls, banks were given more freedom to determine interest rates for lending and saving according to the demands of the 'market', and an inter-bank foreign exchange market was established. This further accentuated the rush into the industry, as banks were now able to deal in trade finance and foreign exchange transactions.

The major effect of SAP on the Nigerian banking sector was in liberalising the process of setting up new banks. Liberalisation was considered essential for promoting 'competition, innovation and efficiency' (Ebhodaghe, 1991). The first major change after liberalisation was the explosion within the banking system. Since liberalisation, the number of commercial banks increased and more than doubled from 30 in 1986 to 66 in December 1995, while the number of merchant banks increased from 12 to 51 between 1985 and 1995 (CBN, Annual Reports, 1995). Accompanying this increase in the number of banks is a profusion of supplementary organisations such as finance, mortgage and brokerage houses. This increase in the number of banking outlets, however, did not produce the much-expected financial deepening and economic upturn (Utomi, 1996; Lewis and Stein, 1997). Instead, following on the heels of the phenomenal increase in the number of banks, is the problem of financial distress<sup>22</sup> and the consequent credibility crisis which the system

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<sup>21</sup> Assets within the banking sector before liberalisation was dominated by commercial banks who owned more than 60% of the assets, thereby outnumbering merchant banks by a ratio of more than two to one (Lewis and Stein, 1997).

<sup>22</sup> Financial distress is defined as a situation in which a financial institution is unable to fulfill its obligations to its customers, its owners and the economy due to weaknesses in its financial, operational and managerial capabilities which in effect renders it illiquid or insolvent (CBN Briefs, 1996 Series). In 1989, 8



suffered in the immediate post-liberalisation era. As a result of this crisis, government closed down more than 60 banks (both old and new) as they were adjudged to be in a state of distress. A large number of customers lost their deposits and vowed never to use banks again<sup>23</sup> - as such the system suffered a major credibility crisis.

In an effort to restore some credibility into the system, banks have introduced programmes of reforms and implement new IT systems and IT-based products and services. In the next section, we will examine how the banking industry is changing and the nature of these changes. First, we provide a general overview of the financial service industry as a prelude to describing changes in the banking industry.

#### ***4.3.2 Structure of the Financial Service Industry***

The Nigerian Financial system is made up of the capital market, the money market and specialised institutions. The capital markets consist of the Nigerian Stock Exchange (NSE), the Securities and Exchange Commission (SEC) which is the regulatory authority for the capital market, issuing houses and stock broking firms. Within the money market, the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC) are the two regulatory/supervisory authorities. Merchant banks, commercial banks, discount houses and community banks are the other institutions within the money market. Examples of specialised institutions are the Nigerian Industrial Development Bank (NIDB); the Nigerian Bank for Commerce and Industry (NBCI) and the Urban Development Bank (UDB). The financial system also includes insurance companies, bureau-de-change and Primary Mortgage Institutions (PMIs) to mention a few.

The focus of study here is the money market and within that we have chosen commercial banks. The reasons for our choice relate to the fact that commercial banks are arguably the major players and users of IT within the industry. Discount houses are relatively new developments (post liberalisation) and although community banks have been in existence for much longer their use of IT is not extensive and deep enough for the sort of issues we

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banks were adjudged distressed and were subsequently closed down. The total number of banks closed down increased dramatically to 63 by January 1998 (CBN Annual Reports, 1998).

<sup>23</sup> See, "Echoes of recapitalisation in the banking sector" (The Guardian, April 24 1997)

wish to study in this research. Commercial banks in Nigeria have variously been referred to as 'first' or 'old' generation banks for those banks that have been in operation before liberalisation and 'second' or 'new' generation banks<sup>24</sup> for those that are the direct product of the liberalisation process.

### ***4.3.3 New Directions: IT and Organisational Change in Nigerian Banks***

In the following sections, we are going to describe changes within the environment of banks in Nigeria. This discussion will serve as background to providing a description of the context within which bank restructuring is taking place and to provide a picture of the institutional context (institutions and rules) with which to describe and analyse the two case studies in chapter 5.

#### ***4.3.3.1 Influence of regulatory authorities***

At the time of liberalisation, the Central Bank of Nigeria (CBN) was the only regulatory/supervisory agency within the financial service industry. This has led some to argue that the CBN was grossly inadequate to handle the supervision of the impending explosion; therefore, the rapid deregulation of banking was said to outpace the institutional means to oversee and regulate the process (Lewis and Stein, 1997). The implication of this was that a lot of bogus and inefficient operators came into banking with serious consequences for bank customers who lost a great deal of money as a result of the less than competent and (often times) illegal activities of these bogus bankers<sup>25</sup>. It was only in 1989 that the government set up a new body – the Nigerian Deposit Insurance Corporation (NDIC) – to share the burden of supervision/regulation with CBN. In addition, government promulgated a new decree<sup>26</sup> with the aim of 'sanitising' the banking sector. The decree, which has been criticised as being 'draconian and punitive', was used by government to imprison many bankers adjudged to have a hand in the distress within the industry (Uche, 1996)

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<sup>24</sup> This classification has consequences for the analyses that will follow in this study and we shall be using these terms in referring to the banks in much of our subsequent discussions.

<sup>25</sup> For more discussion on the failure of financial liberalisation in Nigeria see Lewis and Stein (1997) and Utomi (1996).

Much of CBN's interaction with the industry is based on regulation through the use of statutory controls. Instances of this that came across in the study are the directives issued to commercial banks to sort out and process their stock of currency before lodging them with CBN, failure of which carries a penalty of a surcharge<sup>27</sup>. This directive, which was first raised in 1995, met with some resistance from banks because they claim they do not, at the time, have the necessary equipment to sort out their currency notes. However, government proceeded with the decision and one year after the decision was made, CBN had penalised banks to the tune of one billion Naira for sorting banks' currency notes<sup>28</sup>. A consequence of this, albeit indirect, is that it has strengthened the resolve of banks to improve on the payment systems in the country and to facilitate the introduction and widespread use of non-cash forms of payment. This particular demand was mentioned as one of the major factors that has strengthened the alliance of banks, formed to introduce the joint smart card scheme, to forge ahead with the project. Prior to this, it was actually not a common thing to see 'supposed' competitors forging alliances and working together. Another major effect was the decision by government to introduce higher currency denominations so as to reduce the burden of carrying bulky notes in lower denominations<sup>29</sup>.

Another major directive that is influencing IT use and restructuring initiatives in banks is the Rural Banking Scheme, introduced by government in 1977. Through this scheme, government compelled all banks to increase their presence in rural areas by allocating to each bank a minimum number of branches they have to establish within a specified length of time in rural areas. This was initiated to encourage rural banking habits and also to mop up excess liquidity in the rural areas, with a view to bringing them into the mainstream financial framework of the country. In addition, the scheme was initiated to transform the agro-economic base of the rural areas through the provision of investment finance (Orji, 1989). The Scheme was however abandoned after the industry was liberalised in 1989, as it was argued that such a policy of establishing branches in

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<sup>26</sup> Bank and Other Financial Institutions Decree 1991 (BOFID).

<sup>27</sup> See, "CBN begins sanction on banks over currency processing" (ThisDay, April 8, 1997)

<sup>28</sup> See, "The cost of sorting dirty Naira notes" (Vanguard, August 12 1998)

<sup>29</sup> See, "Bank chiefs praise CBN for introducing higher currencies" (Vanguard, July 1, 1999)

“unprofitable” areas conflicts with the tenets of profitability and efficiency which government was preaching with the introduction of SAP. Despite the abrogation of the policy government, through the CBN, insisted that banks should not close any of the branches opened during the scheme. Banks, therefore, were compelled to continue operating these branches – much to their disapproval.

Competition within the industry was recently heightened when government transferred the accounts of its agencies and other parastatal accounts with the CBN to commercial banks in March 1999<sup>30</sup>. The accounts to be transferred are capital expenditure accounts, military and police accounts, domiciliary accounts as well as state government, ministries and parastatal accounts totalling about 80billion Naira worth of business for the banks<sup>31</sup>. As expected, this decision led to a big scramble on the part of commercial banks to win some of these accounts. It further accentuated the need by banks to improve their products and services and to focus more on marketing their products to customers, including the new ministries and parastatals.

Other regulatory reforms include the decompartmentalisation of the banking industry with the introduction of the “Universal Banking” scheme. Through this scheme, government hoped to encourage a level playing field within the industry by allowing merchant banks to operate in the domestic retail market. The easy access to cheap funds, which retail banks enjoy through private consumer accounts, had been a source of frustration for merchant banking institutions, who were forbidden to operate in this market. Consequently, merchant banks began putting pressure on government to break the barrier and remove the restriction which prevented them for participating in this “lucrative” sector. Thus, the lifting of the ban has further increased the level of competition as some merchant banks have since seized this opportunity and moved into the sector<sup>32</sup>, while others plan to join in the immediate future<sup>33</sup>.

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<sup>30</sup> See, “Transfer of retail banking from CBN takes off in July” (The Guardian, April 18, 1997)

<sup>31</sup> See, “Good news for borrowers: Government funds back to commercial banks” (Newswatch, May 17 1999)

<sup>32</sup> See, “Industrial, Fidelity, Fountain get CBN nod, convert to commercial banking” (Vanguard, May 31, 1999)

<sup>33</sup> See, “NIMBL may dump merchant banking” (The Guardian, April 26, 1999)

#### *4.3.3.2 Relationship with IT industry*

IT vendors (both hardware and software vendors) and management consultants equally exert strong influence as the major source of technology and technical know-how within the industry. The reason for this is the dearth of knowledge in banking systems within the industry<sup>34</sup> and the over-reliance of banks on vendors to keep them abreast of developments in technology; to impart knowledge of systems and for the general maintenance of systems. Six out of the eight banks studied use standard banking packages developed outside Nigeria and, therefore, rely on vendors or their subsidiary in Nigeria for maintenance and upgrades. This reliance on vendors has implications for learning within the organisations as most of the internal IT personnel act only as liaison between bank staff and foreign vendors to report faults. Aside the foreign imported products, the software scene in Nigeria is rapidly growing with a number of local developers and products. Examples of local developments are Branch Accounting and Information System (BRAINS) developed by the IT unit of United Bank for Africa (UBA) and P-Sale developed also by the in-house team of All States Trust Bank<sup>35</sup>.

Banks' choice of systems also depends largely on software/IT vendors, and management consultants. As a result of this, bank management are faced with a barrage of technologies with which to contend. Some of the excerpts from the interviews such as - "there's a lot of confusion out there"; "there's a general lack of direction from nowhere"; "knowledge of banking systems amongst managers is very poor, I will put at 2 to 3 on a scale of 10" - all point to the nature of the problems that exists within the industry. As such, banks rely a great deal on IT vendors and management consultants to inform them of what to do and how to do it.

#### *4.3.3.3 Changing Bank – Customer relationship*

Customer service is another prominent feature of banking within the Nigerian banking sector. The increasing presence of the new generation banks, as well as the foreign banks has brought about a new approach to serving customers - completely different from what

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<sup>34</sup> On the literacy level of banking systems within the industry, a CEO of one of the banks interviewed gave a rating of between 2 and 3 from a scale of 10.

<sup>35</sup> See, Significance of digital banking" (The Guardian, March 5, 1997)

existed before. Prior to liberalisation and to the coming of these new banks, the culture of banking within the industry was described as “armchair banking”. Armchair banking in the sense that the level and quality of service delivery was regarded as poor; customers were at the mercy of banks and were forced to accept whatever level of service banks offered.

However, the new banks brought a completely different approach to serving customers and a more advanced level of computerisation - some of which later became the ‘standard’ within the industry. Old generation banks’ customers, seeing what obtains in some of the new banks, started asking their banks for the same level and quality of service, which therefore meant that banks had to change. Different initiatives at improving customer service includes Union bank’s customer relations workshops for all branch staff and the establishment of dedicated counters in all branches to handle customer queries and the opening of new accounts<sup>36</sup>. Similarly, other banks have focused increasingly on presenting a friendly attitude to serving customers<sup>37</sup> and making customer service the focus of their strategy<sup>38</sup>

#### *4.3.3.4 Increased focus on IT and IT-based change programmes*

The financial distress within the industry, in addition to others, led to an increasing focus on finding better and more efficient ways of providing services to customers and winning back their confidence. Nigerian banks are spending an increasing amount of resources on IT in order to improve their services (Woherem, 2000). Banks are now awarding multi-million Naira worth of contracts in procuring banking applications software and the hardware on which to run them<sup>39</sup>. In addition to investing directly in IT, banks, with the assistance of IT and Management consultants, are now introducing IT-related change programmes such as Business Process Reengineering (BPR)<sup>40</sup>. A number of old generation banks embarked upon major reengineering initiatives<sup>41</sup> with a view to improving operations

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<sup>36</sup> See, “Union Bank: A new mission to satisfy customers” (Vanguard, 15 February, 1999)

<sup>37</sup> See, “ECOBANK: Courteous smile, and an inviting banking hall service” (Vanguard, 15 February, 1999)

<sup>38</sup> See, “Savannah Bank: A traditional stand for customer service” (Vanguard, 15 February, 1999)

<sup>39</sup> See, “NCR clinches 140 million Naira IT orders” (The Guardian March 10, 1999)

<sup>40</sup> See, “Afribank boost services with IT” (The Guardian, June 10, 1999)

<sup>41</sup> See, “Bank restructures, lays-off 900 workers” (The Guardian, June 6, 2000)

and redesigning their branch processes for efficiency<sup>42</sup>. In January 1997, First Bank introduced the “First Bank Century II” project with the purpose of re-engineering its branches to meet the demands of the industry. The project was piloted in two branches (regarded as strategic) and merging them to become what they call “the dream branch”. After piloting in these two branches, the project was subsequently rolled out to other branches nation-wide<sup>43</sup>. Other restructuring exercises include the Savannah bank initiative<sup>44</sup> christened “Renaissance” which, according to management, will help reposition the bank into a world class financial institution. The initiative involves a 50 million Naira investment in IT and telecommunications as well as a 200 million Naira investment in ‘strategic staffing exercise’ aimed at rationalising existing workforce and “to create a well trained, motivated and professional manpower to support the goal of a first-class rating in service delivery”.

#### *4.3.3.5 Introduction of smart-card products*

An increasing number of technology-based banking products such as smart cards, home and Internet banking are being introduced into the sector<sup>45</sup>. New generation banks such as All States Trust Bank and Diamond bank have pioneered the introduction of card-based payment systems with cards such as the ‘ESCA’ and the ‘Diamond’ cards for All States Trust Bank and Diamond bank respectively. The ESCA card was the first to be launched in the country in December 1995 with the aim of reducing dependence on cash and its attendant problems. Some of the problems relate to the depreciation of the local currency (Naira) and the huge amounts carried around, even for the most basic transactions. Carrying this huge amount of money around is a major security risk for both customers and banks and specifically for banks it represents a huge cost in terms of handling cash. On a normal day, it is not uncommon for bank branches to handle and process cash up to 40 million Naira.

ESCA and other Smartcard products allow customers to charge their cards up to the amount of money available in their accounts, which can then be used to pay for goods in

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<sup>42</sup> See, “Re-engineering in banking sub-sector propels investment in stocks” (Vanguard, March 16 1999)

<sup>43</sup> See, “First Bank Century II Project” (Business Times, March 23, 1998)

<sup>44</sup> See, “Savannah Bank outlines restructuring (Vanguard, June 13, 2000)

<sup>45</sup> See, Banks parade new products and strategies to keep afloat” (The Guardian July 5, 1998)

participating retail outlets and petrol stations. In addition, customers who travel around the country to transact business need only to carry the charged card with them as they can withdraw money from the card at any of All States branch. These products have received wide acceptance due to some of the problems related to handling cash and especially those related to security and risks of carrying large sums of money around. Old generation banks like UBA have also followed suit with UBA's Easy Card and First bank with its First Bank Value card. In addition to card-based products, other financial products that have been brought in to the market in Nigeria are deposit-based products such UBA's school savings schemes or Union Bank's UNISAVE - aimed at encouraging savings culture in Nigeria and at the same time providing savers with the opportunity to obtain financial help from the bank<sup>46</sup>.

Another major development within the industry is the consortium of 26 banks established to operate a multi-bank smart card payment scheme with a view to further reducing the dependence on cash. This joint effort runs in parallel with individual schemes already underway in some banks and it is intended to help banks achieve the critical mass that is needed in order to change people's orientation from cash transactions. In addition to providing a cashless wallet within the banking system, the scheme is also expected to facilitate and improve inter and intra-bank communication as well as developing an all-industry standard in smart card implementation<sup>47</sup>. To facilitate the implementation, a joint-stock company called Smartcard Nigeria Plc was incorporated to work in conjunction with a UK-based smart card software company (Card Services International) to provide the software and with IBM to provide the hardware.

#### *4.3.3.6 Inter-connectivity and money transfer*

Increasingly banks are connecting their branches to achieve "networked banking", where a customer of a branch can transact business in another branch different from where the account was held<sup>48</sup>. The aim is to have a situation where customers would be customers of the bank and not of a branch. This was seen as easing the problem of doing business across

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<sup>46</sup> See, "UBA to introduce new product" (The Guardian, April 2, 1999)

<sup>47</sup> See, "VALUECARD: How 26 banks changed the face of money mart" (Vanguard, June 21, 1999)

<sup>48</sup> See "Technology comes into banking hall" (The Guardian, March 5, 1997)



the country and the need to move huge sums of money around. The increasing interconnectivity is further complemented by an increasing focus on local and international money transfer schemes. Aided by the implementation of private networks, based on the Very Small Aperture Terminal (VSAT) technology, banks are able to take part in the money transfer business<sup>49</sup>. Quite a large number of banks are taking part in this business with numerous schemes and agreements signed with both local and foreign partners. UBA in 1999 introduced the UBAQuicash local money transfer alongside the Moneygram scheme, which is the international version<sup>50</sup>. Other such arrangements is First Bank's joint venture with Western Union Financial Services International to transfer funds locally with the Domestic Western Union Money Transfer (DWUMT) and its international version of Western Union Money Transfer (WUMT)<sup>51</sup>. All States Bank has also recently launched its own version of money transfer with Vigo Remittance Service and Union Bank recently launched its local money transfer scheme called Stallion Express to operate alongside the international version with Vigo International money transfer<sup>52</sup>.

#### *4.3.3.7 Focus on improving the professionalism of staff*

These various changes have therefore meant that banks would need to improve on the quality and professionalism of their staff. For instance, appreciating the role of technology in banking would require staff who understand the technology in relation to how the bank operates, and to improve customer service would require staff who are able to nurture and sustain a good relationship with customers. In addition, manpower development within the banking industry has also been seen to be important to prevent a repeat of the crisis which the system suffered after liberalisation. To this end, banks have increasingly focused on developing the requisite manpower to sustain these changes and encourage further development of the industry<sup>53</sup>. To develop these skills, banks are introducing seminars and training schemes organised by foreign academics and banking professional<sup>54</sup> with a view to

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<sup>49</sup> See, "Domestic money transfer: CBN approval stirs up stiff competition" (Vanguard, February 22, 1999)

<sup>50</sup> See "UBA to introduce new product" (The Guardian, April 2, 1999)

<sup>51</sup> See, "First bank's domestic western union takes off" (Vanguard 21 June, 1999)

<sup>52</sup> See, "Union bank introduces local money transfer" (The Guardian, March 30, 1999)

<sup>53</sup> See, "Afriland tests 7,000 graduates for jobs" (The Guardian, June 29, 1999)

<sup>54</sup> See, "First Bank holds seminar" (The Guardian, June 7, 1999)

improving the professionalism of staff and preparing staff for the challenges ahead<sup>55</sup>. Banks are also laying off staff and recruiting new ones both locally and from abroad with a view to strengthening the stock of skilled and professional staff within their ranks<sup>56</sup>. Such major revamp of staff profile covers the entire rank and file of staff ranging from tellers to chief executives<sup>57</sup>.

#### ***4.3.4 Discussion: The (Re) Institutionalisation of the Nigerian banking industry***

Relating these developments to the wider banking context, clearly there are similarities and differences between the Nigerian banking industry and the global banking context. Similar to the global context, the Nigerian banking industry, pre-deregulation, was a highly stable industry dominated by only a small number of big banks. However, after deregulation, the number of operating banks in the industry increased dramatically and the level of competition increased further with the increasing presence of foreign banks. Bank customers' expectations also increased and customers started demanding for an improved quality of service from their banks. Similarly, in Nigeria the increased level of competition was accompanied by aggressive marketing techniques, especially from the new generation banks, which in their quest to win more customers, started giving high interest rates to customers. In addition, these new banks brought in a new dimension of technology-based service delivery and products. The older banks, in the face of heavy competition and dwindling resources, sought new and better ways to serve their customers, which led to an increase in the use of technology by these banks.

It can thus be said that Nigerian bankers are increasingly appreciating the central importance of technology in banking services. A number of institutions, both local and foreign, are found to be active in influencing the adoption of IT within the banking sector. This description of the national environment of banks in Nigeria suggests an increased level of investment in IT since liberalisation:

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<sup>55</sup> See, "Banks prepare workers for millennial challenge" (The Guardian, February 24, 1999)

<sup>56</sup> See, "Union bank retires 27 top managers" (Vanguard, September 24, 1999)

<sup>57</sup> See, "Banks shop for Chief Executives" (Post Express, May 28, 1999)

“The basis of competing within the industry has since changed from just a focus on people and process to a more technology-based approach. Every bank in Nigeria today now knows that to survive the turbulence of the environment they have got to be able to provide on-line, real-time banking for their customers. In addition to this, the focus on people has also shifted from quantity to quality, in the form of dedicated, knowledgeable and empowered staff”.

(CEO of an old generation bank)

An increasing number of banks are computerising their operations and in addition are linking branches in a WAN to offer customers a unified banking system, whereby customers can go into any branch and transact business. In addition to this is an increase in the number and quality of financial services and products on offer. Products such as cheque guarantee cards and other plastic based payment systems, aimed to reduce the dependence on cash and its attendant problems, have been highly welcomed in the country. Banks are also taking advantage of the interconnectivity between their branches to offer various money transfer schemes to customers both nationally and internationally. To manage and sustain these developments, banks are increasingly focusing on staff development and training, with a view to introducing a more professional and competent set of staff. Seminars, local training schemes and overseas training were all identified as means through which banks are developing their staff to meet up to the challenges of the industry and to forge closer ties with their customers.

These various developments are being encouraged or supported by both local and international IT/management consultants. Consulting firms were found to be very active within the Nigerian business context in general, and the banking system in particular. It has become fashionable for banks to employ the services of consulting firms, as this would show customers that they (the banks) are serious, responsible and modern. Consultants are also a major source of knowledge about the change initiatives taking place within the industry. In addition to being a source of information, consultants have also been involved in the implementation of major change programmes. Similar to consultants, the activities of software vendors have also increased with the growth in IT investment. A substantial number of banking applications are developed outside the country by international IT vendors like International Computers Limited (ICL), Unisys, Temenos UK and International Computer Systems (ICS) UK. In supporting their

applications, some vendors have a local presence in Nigeria while in other cases, banks contact the foreign offices of vendors who send in their representatives to maintain the software.

The choice of technology and technology-based products and services, therefore, depend to a large extent on the prescriptions of IT/software vendors, peer pressures, prescriptions of IT/management consultants and the dictates of the regulatory authorities. The net effect of this is that banks in Nigeria are highly dependent on a number of similar sources of support for their vital resources. This in turn breeds some measure of similarity which is quite evident from the computerisation efforts of banks and the various IT-based changes and products being developed within the industry. This has created what we can describe as a 'family resemblance' (Kiely, 1998) in the computerisation efforts of banks and evidently in the type of banking products being introduced<sup>58</sup>.

A number of banks in the country have begun developing Internet sites while others indicated a strong desire to do same, as they believe it will promote the image of their banks. However, the implication of this is that banks may end up spending huge sums of money and other resources on technologies that hardly meet the demands of their specific context and the needs of their customers. A recent survey conducted to find out what factors influence customers' choice of bank in Nigeria revealed that "modern office technology" came 7th (out of 10) after other factors such as security of deposits, quality of management and proximity of locations (Ogbechie 1996).

Thus, the institutional context of banks in Nigeria suggests an increased level of interaction between banks and regulatory authorities, retailers and supporting institutions such as IT/management consultants and IT vendors. In addition, banks are increasingly working with each other, with retailers and co-operating more with IT vendors and consultants both local and foreign<sup>59</sup>. Banks have also come to the realisation that one

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<sup>58</sup> See, "Financial Products and the Image of Banks" (The Guardian, March 29, 1998)

<sup>59</sup> See, "Smart card experts visit Nigeria" (Vanguard, June 23, 1999)

major problem within the Nigerian banking system that needs to be tackled is the over reliance on cash within the economy. According to the CEO of Smartcard Nigeria Plc:

“The electronic purse we are introducing now is only the first step on a thorough process modernisation of the technical and financial structures and practices in the country. The [Smartcard] project has been made possible because banks decided to co-operate in an unprecedented move of solidarity and commonsense”.

Consequently, inter-organisational structures of coalition are being developed with the setting up committees that include representatives from each bank. These committees meet regularly to define the scope and model of the smartcard project. This close relationship between banks is rather an uncharted territory within the banking sector.

From an institutional point of view therefore, the various developments could be regarded as a form of institutionalisation of the Nigerian banking sector. Viewed from within the globalisation discourse, it could also be seen as a form of de-institutionalisation and re-institutionalisation (Jepperson, 1991) of the Nigerian banking system. De-institutionalisation being an exit from an organising principle based on caution, conservatism and on tradition. Some of these traditions include the poor service delivery culture and the “armchair banking” which Nigerian banks were so commonly known for. However, some re-institutionalisation is taking place. Influenced by changes at the global level, the industry is now organised on new sets of principles based on service quality, timely and accurate information, increased co-operation and technology input. To sustain this new image, the industry has responded accordingly with a set of new rules and procedures that have seen banking in Nigeria incorporate new global procedures and practices into their structures. Banks in Nigeria now have vibrant marketing and advertising departments charged solely with the responsibility of building and sustaining relationships with customers. There is an increased investment in IT - leading to the introduction of the unified banking platform in most banks, new technology-based payment systems as well as an improved focus on manpower development to sustain these various initiatives.

However, despite the incorporation of global practices, major differences still exist in the acceptance level of some of these practices within the Nigerian context. New technology-based products such as Electronic Home and Office-Based Systems (EHOBs), Magnetic Ink Character Recognition (MICR), Smart Cards and ATMs, are increasingly being implemented in the country. However, the level of acceptance of some of these technologies varies. While smart cards are increasingly being implemented, ATMs have been tried with very little success. Similarly, because the use of cash has come to be institutionalised within the payment systems of the country, despite the increasing use of plastic mode of payments, the Nigerian economy is still predominantly cash-based:

“The Nigerian economic environment is purely a cash system. It is not uncommon to see customers coming into the bank wanting to withdraw One million Naira in cash; perhaps to buy a car and the car dealer wanted cash. The customer has no choice but to collect the money and lock it in his car. This is very much unlike what we have in other economies whereby a withdrawal of such magnitude would generate a lot of controversy and a lot of eyebrows would be raised. This, in a way, is also a reflection of the confidence that people have in bank instruments such as cheques and bank drafts. Although we have laws guiding the issuance and use of these facilities, people still believe that these laws are not stringent enough and their enforcement is also very poor. People are therefore very reluctant to use or accept them; they will rather accept cash and prevent the headache of bad cheques and the argument that follows”.

(Senior Manager of a ‘new’ generation bank)

As a result, an innovation like smart card can become attractive - in an environment like Nigeria - in view of the attendant problems (risks, inconvenience and security) associated with the use of cash and as a result of the high rate of inflation. This high rate of inflation has consequently led to a decline in the value of the local currency and has therefore made it imperative for people to carry huge sums of money around to carry out even the most basic of transactions. These same reasons of security and risks have made the use of ATMs rather limited, due to the risks associated with the use of such machines, especially in the evenings and out-of-office hours. Also the high rate of inflation, coupled with the small currency denominations, have made ATMs a less attractive option for banks. In the words of an IT Director in a new generation bank:

“Giving the importance and popularity of ATMs in the banking world, we discussed the idea of installing ATMs in all our branches nationwide but we had to shelve the original plan of installing outside ATMs given the security fears in the country and the problem of vandalism. So we decided that instead of having outside ATMs perhaps we should install them inside the banking halls for quick service to customers who do not really need to see a teller. But even this plan had to be reconsidered given the state of our economy and the inflationary pressures on our economy. In addition to this, the highest currency denomination in Nigeria is 50 Naira which, coupled with the inflation, makes it unworthy to install ATMs”<sup>60</sup>.

Also, the heavy reliance on cash, coupled with the poor telecommunications infrastructure, still makes branch banking quite popular within the country. According to a manager interviewed:

“Some of our customers required that we are close to them because to remain competitive you need to be close to the customer. This is because of the difficulty of travelling several miles to transact business. Given transportation problems and traffic situation, plus the added risk of carrying huge sums of money all over the place, you really need to be close to them. So the issue of proximity to customer is an important one for us”.

Unlike in the advanced economies where technology is replacing the need for geographic presence, in Nigeria, proximity to customers is still very much a part of the business strategy of banks. This shows the importance of the local environment in shaping the type of changes taking place in the industry and the argument that organisational forms are not equally adapted to all environments (Aldrich, 1979:17). Environmental selection favours the use of cash and smart cards in the Nigerian environment, at the expense of ATMs.

#### **4.4 Summary**

In sum, the deregulation of the economy and the subsequent liberalisation of the banking sector were new experiences that brought a great deal of anxiety both for industry operators and regulators in Nigeria. Bank management were confronted with a big hurdle to win back the trust of customers, who in the aftermath of a financial crisis in the immediate post-liberalisation era, became weary of the banking system. As a result, there have been several attempts by management to devise strategies to manage the ensuing

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<sup>60</sup> The government recently announced plans to introduced higher denominations of 100, 200 and 500 Naira, which banks hope would ease some of the problems associated with the use of ATMs.

change and to try to institute some stability into the system. Management are increasingly focusing on changing the image of their banks, developing staff profile by bringing in a higher level of professionalism into the industry and improving the quality of service they offer to customers. A lot of energy is also going into computerising bank branches and winning back the confidence of customers. The increasing use of IT in Nigerian banks represents a huge change for management and with it, the additional responsibility of managing such change. Management are faced with a plethora of banking technology and products/services, majority of which have been brought into the country either by foreign banks now operating in the country or international IT vendors and management consultants who now work very closely with banks.

It is against this background that individual bank management instituted a number of “reorganisation” and “repositioning” initiatives aimed to gear up their respective banks in the face of an increasingly competitive environment. Such initiatives would demand that management possess the necessary expertise to implement these changes innovatively in order to have any meaningful impact on the local context. A highly teleological approach to technology implementation could mean a focus on technology as the appropriate strategy, and consequently, a neglect or inappropriate understanding of the local context and the needs of the local context. It could also mean an uncritical acceptance of models and techniques from different contexts in the quest to implement the ‘best technology’ and upgrade operations in order to stay competitive. While evidence from this chapter suggests that in response to the changes in the environment, banks are undertaking restructuring exercises, the exact nature and composition of such change initiatives in individual organisations and the factors driving them have not been adequately accounted for. It is to such task that the remainder of this thesis is devoted. In chapter 5, we examine the restructuring efforts of Wema bank Plc and UBA Plc respectively.



## **Chapter 5**

### **Empirical investigation into the implementation of information technology-based change programmes**

#### **5.1 Introduction**

The case studies described in this chapter concerns the implementation of planned technology-based organisational change programme in two 'old generation' banks in Nigeria. The change initiatives are the culmination of earlier attempts by the banks to transform themselves from regional, government-owned banks, to banks with national outlook and to become major players within the industry. At the time of data collection, the programmes were well advanced in implementation and a substantial amount of human, physical and financial resources had been committed to the projects. They therefore provide us with illustrations of how Nigerian banks are changing in response to global pressures of deregulation and liberalisation, and how they are using technology in this change process.

#### **5.2 Access to case study sites - a confessional tale**

The difficulty of gaining access to case study sites and getting informants to co-operate has often been discussed in studies employing the case study strategy (Grant, 1996). In this research, similar situations were encountered, first during the initial fieldwork, and also during the second field trip. At first, informants were very reluctant in exposing their organisations, for fear of revealing "important strategic secrets" especially given the changes taking place within the banking industry and the political deadlock within the country<sup>61</sup>. This was further compounded by the fact that the researcher, though a Nigerian, does not live in the country and most of the access negotiations being

undertaken were with low to middle-level bank officials. This problem was however eased, to some extent, by a personal introduction from one of the Deputy Governors (DG) of the Central Bank of Nigeria (CBN) whose son was a former tutee of the researcher. Through the DG's introduction, the researcher was able to gain access to the banks either through the Chairman or the Chief Executive Office (CEO). These higher level contacts no doubt eased subsequent access to banks.

After the initial problems with getting access, it was also discovered that informants were not used to doing case study interviews and thus committing substantial amount of time to a research whose benefit are not immediately apparent to them. In the two banks, and indeed in others sites visited during the pilot study, officials would rather have questionnaires that they can fill out in their own time and at their own pace. An important factor, which in our view may have influenced this reluctance, is the share scale of work involved in the restructuring exercises going on in the banks as well as the resulting high level of uncertainty, given the wide-ranging changes that are taking place within the banks.

At UBA, over half of the workforce had just been sacked as a result of the restructuring initiative. Consequently, staff were very careful of what they say and wary of 'putting any foot wrong'. Several times during interviews for the case study, informants will request that the interviewer switch off the tape recorder before giving an answer to a question or discussing a particular issue. Therefore, interviews at this particular bank were short and interviewees' responses were somewhat 'guarded'; thus requiring a great deal of patience on the part of the researcher and more visits to the bank than to the other case study site. A total of 18 interviews, lasting between 45 minutes and an hour, were conducted in this case study site over the entire length of the field trip. Interviews with the consultants also did not fare any better. Initially, the consultants were reluctant to discuss their work and "reveal top business strategies" given that the reengineering initiatives, which the researcher was interested in, were "important competitive tools" for

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<sup>61</sup> See chapter one and the section on 'data collection and analysis' for more on the influence of the political situation in the country during the fieldworks

consultants within the Nigerian business environment. It took a personal introduction from an Executive Director in one of the case study banks (Wema Bank) and a similar introduction from a former tutee of the researcher, who works as a consultant with the consulting firm, before access was granted.

The experience of collecting data in Wema bank was mixed and alternates between initial reluctance and total co-operation. This co-operation did not come about easily. It took a lot of patience, and at one stage informants had to be instigated into discussing the implementation process when it was suggested by the researcher that the implementation had taken place without any input from bank staff; implying that bank staff were handed down plans and instructions which they blindly follow even when they do not agree with such plans or instructions. This provoked some reaction in the informants and it opened up a floodgate of stories of how and where they had to “correct” the consultants - and management - because they did not understand the way the bank or the branch operates. Over a two-month period 12 interviews, averaging about 2 hours each, were held at this case study bank.

### **5.3 Reorganisation through “Reengineering”: WEMA Bank Case Study**

“Reengineering is part of the on-going implementation of Wema bank’s strategic plan that has transformed the bank into a major player in the banking industry. It is a bold attempt at creating a sample of future Wema branch (from Wema bank internal document<sup>62</sup>).”

The first case study described is Wema bank’s Branch Process Reengineering (BPR) programme. In presenting the case study, we first present the inner (organisational) context within which the restructuring programme took place before going on to examine how the inner and outer and contexts influenced, and are influenced, by the process of change (see table 5.1).

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<sup>62</sup> “Reengineering Overview”, Wema Bank BPR Team.

### **5.3.1 Organisational context**

#### **5.3.1.1 Wema Bank Plc: historical context**

As at December 1998, Wema Bank Plc had a capital base of 519 million Naira<sup>63</sup>, its total asset stood at 17 billion Naira, which made it the ninth largest bank in the country, with about 1,789 employees. Domestic commercial banking is one of the bank's major business and its total local deposit base stood at 13 billion Naira or 4% of the market. In a 1999 survey by a firm of financial analysts, the bank was given "A" rating to signify a 'sound financial standing and a strong capacity to meet its obligation' (Agusto and Co., 1998). However, the story of Wema Bank Plc is far from straightforward (See Table 5.3).

Wema Bank Plc. was formed in 1945 by a group of Nigerian private investors. It was among a number of banks that were established during this period as a direct response to allegations of anti-Nigerian activities levelled against colonial banks operating in the country. The bank was established under the name of Agbonmagbe Bank, with the sole aim of assisting indigenous business men and women who were discriminated against in the provision of credit facilities by expatriate banks (Adebite, 1994). Since these heady days of pre-independent Nigeria, the bank has not only grown, but it has also firmly established itself as one of the key players in Nigeria's financial market. As at December 1999, Wema Bank was the only surviving indigenous bank in Nigeria and the only surviving member of its generation.

During its early years, the bank was beset with a number of problems which new banks of its generation faced - lack of a strong management and an inadequate capital base. In order to keep the bank afloat, it received a lot of support and grant from the government of the defunct Western region of Nigeria. This was to enable the bank to meet its obligation of providing credit facilities to local businessmen, and perhaps, as a kind of face-saving measure in view of the patriotic motive behind its establishment. In fact, the massive injection of public funds has been attributed as one of the main reasons why the bank survived the turbulent years of its infancy (Adebite, 1994). A statement by the then

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<sup>63</sup> 110 Naira = U.S. \$1 (2000)

Premier of the old Western Region<sup>64</sup> clearly shows the intent of the government vis-à-vis the new indigenous banks:

“The government intends to pursue vigorously its policy of giving financial assistance to indigenous banks so that they be better able to provide credit facilities to Nigerian businessmen and women and others who have profitable projects on which to invest the funds”.

Government awarded the bank a grant of £200,000 through the Western Marketing Board, 40% of which was later converted to equity. Consequently, this made the government of the old western region the largest shareholder in the bank. In 1969, government bought over and took full control of the bank. By 1970, its name had changed to Wema to reflect the full extent of government involvement, as the name WEMA is an acronym for Western Marketing Association - which was a government-owned marketing association. This increased government involvement had two effects on the bank. First it strengthened its capital base as government injected more funds; and second, it increased patronage from the ordinary public, especially from the people of the western region, as they saw the increased government involvement with the bank as a confidence booster.

The western region of Nigeria as at this time was well known for its agricultural prowess and especially in the production of cocoa, which was sold abroad. This generated a considerable income for both the country, and the western region, a substantial part of which Wema bank benefited from, because several of the cocoa farmers patronised the bank. However, this was to put the tag of a regional bank on Wema as it became synonymous with cocoa farming and with the western government of Nigeria.

In 1990, the bank was privatised<sup>65</sup> in response to the increased level of competition within the industry following the introduction of the Structural Adjustment Programme (SAP) and the consequent liberalisation of the banking industry. With Privatisation, the ownership structure of the bank changed to 60% private ownership and 40% ownership by O’dua Investment Company, jointly owned by the governments of 5 western states of

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<sup>64</sup> Quoted in Adegbite (1994).

<sup>65</sup> Wema bank was among the first set of old generation banks in the country to go private.

Nigeria. As stated in a company communiqué, the decision to go public was informed, amongst others, by the need to strengthen the capital base of the bank, to raise necessary funds for computerisation and for expansion and growth. Consequently, its branch network increased from about 25 before privatisation to 70 branches by 1994. According to the Chief Executive of the bank, this expansion was needed to increase its presence across the country and to “somewhat remove the stigma of being referred to as a regional bank”. As at December 1999, the bank had 75 branches and 5 area offices nation-wide. However, of the total 80 branches (including area offices), 68 (or 90%) are located in the Western part of the country, and 21 of its branches are located in ‘rural’ areas.

#### *5.3.1.2 Organisation of IT function at Wema bank*

Wema bank’s IT department came into being in 1987 with the establishment of the Data Processing (DP) unit; prior to this period the bank had been operating manually. At its inception, the DP unit was charged with the twin objective of computerising the operations of the bank and developing the bank’s computerisation strategy. The Information Technology (IT) Department is headed by a Principal Manager (PM) - a Computer Science and MBA graduate from the University of Lagos, who has also been working in the IT department since its inception in 1987. The PM reports directly to an Executive Director in charge of Operations and Information Systems. The IT department is made up of the Systems and Operations units. The systems unit - with a total of 18 staff - comprises the information systems team, the engineering team and the systems development team. The operations unit has 12 staff and it is made up of the operations and the administration team. The systems development team is involved in systems implementation, user liaison, training, and help desk. Engineering deals with networks and the maintenance of hardware at the Head Office.

Essentially, when the department was first established the bulk of the staff were mainly programmers and software developers with no hardware engineers. Given this lack of expertise in hardware maintenance and given the size of the branch network, the decision was reached then to outsource maintenance of hardware and equipment in all the branches and at the head office to an external vendor. However, with the increasing focus

on computerisation at the head office and the move to automating back office operations, it was decided to have an in-house hardware maintenance team that are able to respond quicker to the needs of the bank. Therefore in 1997, the engineering unit was set up to handle all the hardware and network-related problems that the bank might have. However, the maintenance of hardware and network problems at the branches still remain with the vendor as it was felt that the small and relatively inexperienced engineering department would not be able to handle hardware maintenance in all the 80 branches. Software maintenance, on the other hand, is handled internally both for the Head Office and the branches as the bulk of the staff within the department, historically have been programmers and software engineers.

The process of selecting and implementing new IT systems within the bank is designated to an IT steering committee headed by the MD/CEO. Monthly, the committee meets to review the bank's IT plan and to appraise the long-term direction of the bank, with regards to IT. Any decision that has to be taken, that would change the strategic focus of the bank, is a collective effort of the steering committee. This committee is made up of all the Directors of the bank, the Head of IT, all sectional heads within the IT department and all other key operational staff in other departments. Occasionally, consultants are invited in to come and review IT plans, processes and procedures if there is a need for it and to make suggestions. Clearly, there has been a shift in the importance of IT to the bank: starting from being regarded as a support function - where strategy formulation was carried out by the Data Processing unit - to one of strategic importance involving all board-level directors and senior managers in the decision-making process.

#### *5.3.1.3 Previous experience with computerisation*

Wema bank's first IT project involved the procurement of a banking application software called Customer Accounting Package (CAPs) in 1987. CAPs was installed at the Head Office and was running on a mini computer, in a batch mode. Essentially, this meant that branches would batch their vouchers at the end of every day to the central computing centre at the Head Office for processing and to generate reports for the next day's business. This practice was carried on for 3 years until in 1989-90 when, in accordance

with the wind of change blowing over the industry, the bank started installing CAPs in some of its branches. However, these systems were "single user systems" whereby only one person can run the system at any given point. In 1991, the system was changed to a "multi-user" environment, which was seen as essential to accommodate the increase in the amount of processing carried out in branches. It was also in response to the changing environment of computing within the industry as a result of the new IT systems being implemented by the new generation banks. Wema started using a new application software called Globus in 1995 as part of a major restructuring exercise contained in the 2<sup>nd</sup> Strategic Plan. The software - developed by a UK software company called Temenos Systems UK - is marketed and supported in Nigeria by Inlaks Computers Ltd, a subsidiary of Unisys. By mid 1999, Globus had been installed in 12 branches with another 8 expected to be converted before the end of that year. The majority of branches still run CAPs while some branches do not have computer systems at all.

In conjunction with the installation of Globus, and as part of the branch reengineering exercise, the bank started linking up some of its branches in a wide area network (WAN) for the purpose of achieving on-line, real-time processing. By mid 1999, 8 of its branches had already been linked together. To achieve this connectivity, the bank uses Very Small Aperture Terminals (VSAT), radio links and telephone/dial-up links. In addition, a new policy of putting all new urban branches on the network from inception was put in place as part of the bank's IT strategy.

Thus, the history of computerisation in the bank has witnessed a steady progression from batch-mode processing at the head office, on to single-user systems installed in selected branches. By the time competition started "hotting" up within the industry, the bank migrated to a multi-user environment which at the time was becoming the norm of computerisation within the industry as a result of the efforts of the new generation of banks. By the mid-1990s, the bank had to change its focus again. A new application package (Globus), used by a substantial number of banks<sup>66</sup>, and which at that time was regarded as one of the best in the industry, was procured for the bank. This was done

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<sup>66</sup> See, "Eleven banks join Globus group" (Vanguard, 29 March, 1999)



simultaneously with linking up some of its branches in a WAN for the purpose of unified banking. Unified banking, in line with developments in the international context, was also becoming the norm within the Nigerian banking system as new generation banks have it as standard to link up all their (comparatively smaller number of) branches. In addition, we see a corresponding upgrade in the status of the IT department from being a mere support unit to one with a board-level director at the helm. Also, IT policies moved from the domain of the IT department to involving all directors and operational heads.

#### *5.3.1.4 Structure and culture of branches at Wema bank*

The structure of Wema bank branches before re-engineering reflects an organisation highly structured along functional lines, with the Branch Manager wielding tremendous power in the running of the branches. In addition, there was a lot of segregation of duties and roles were fragmented along functional lines (see Appendix II). For instance, cashiers in one department (i.e. Savings Department) are not allowed to attend to customers in other departments (such as current accounts) and are thus restricted to carry out transactions related only to their units. Similarly, in the area of opening new accounts, different members of staff handles different types of account and each is only restricted to their units. So, for instance, savings cashiers are allowed to open only savings accounts and current cashiers could open only current accounts.

The effects of these have been a highly cumbersome process of banking and a sub-optimal use of staff. A lot of time was wasted in carrying out basic transactions such as the checking of customer accounts. Stories were told of how there would be a long queue in the savings section with virtually no current account customers in sight. Because cashiers are not allowed to cross functions, cashiers sit idle in their cubicles while savings customers wait for several hours to carry out their businesses. Given the fact that these units operate separately, there were serious duplication of processes between the current and savings sections. The net result was an inefficient workflow and a highly sub-optimal job design, a highly burdened and disillusioned team of workers who worked in a rather strict environment. Cashiers, for instance, were put in cage-like structures where they had

little interaction with other members of staff and with the customers. In addition, cashiers job was purely mundane with the implication that cashiers were not allowed to pay out any amount of money (even as little as 1 Naira) without seeking approval from a supervisor. All these add to the already cumbersome process of branch banking at Wema Bank plus the added stress of a poor delivery response time.

An implication of this was a poor bank-customer relationship, where staff had no desire in establishing any relationships with customers except for their personal gains. According to a manager in Organisation and Methods Unit (O&M), “similar to most other banks pre-liberalisation, the bank was run more like a government agency and not as a business entity”. The sort of relationship that existed between banks and customers was described as “armchair banking” because customers had very little choice. The average length of time for transacting business within the branch was between 2 - 3 hours, even for simple transactions such as checking account balance or for cash withdrawal. Banking was regarded as a full day’s business with people depositing their cheques in the morning on their way to work and returning several hours later (probably during lunch breaks) to complete the process. This discouraged customers from keeping money in banks and it encouraged a practice known in local parlance as “man know man”. By this practice, a customer sees it as important to make friends with one of the branch staff to be able to get through the cumbersome process of banking - in return for some form of gratification. Customers who are unfortunate enough not to know anyone are thus made to suffer, as they are the ones who spend hours in the bank<sup>67</sup>. A side effect of this practice is the lack of orderliness in bank branches and the absence of a queue culture. Given the fact that banking transactions are based on who a customer knows, there was therefore no reason, as far as customers are concerned, to queue up in order to be served.

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<sup>67</sup> An advert in the local press paints this picture quite clearly where a customer came to the bank with his folded chair because he knew it was going to be a long wait and all the seats in the branch would have been occupied.

### ***5.3.2 Planned change initiatives at Wema Bank Plc***

#### ***5.3.2.1 The First Strategic Plan***

For most of the 1980s, Wema bank continued to face a huge survival battle in spite of continued injection of funds by the western government. The bank did not record its first substantial profit until 1988, and it was not until 1989 that it was able to declare its first dividends. By this time, competition was becoming tougher within the industry following the deregulation of the economy and the liberalisation of the banking sector. As a direct response to this increased level of competition, the management of the bank sought to put some strategies in place in order for the bank to continue to be a key player within the industry.

To bring this to reality, the CEO at the time approached the management of the government-owned majority shareholding company -O'dua Investment Company Limited - in June 1988 to obtain their support in having a strategic plan for the bank. The benefits of having such a plan were listed by the CEO to the Board of the company as including:

- (1) an opportunity for the bank to create an identity in the banking industry;
- (2) improved ability to safeguard shareholder's assets
- (3) an opportunity to rejuvenate staff;
- (4) an opportunity to win more customers; and
- (5) an opportunity to develop specialised skills to handle sophisticated financial products.

In October 1988, the Board approved the appointment of a group of management consultants to handle this project. Work on the Plan started in May 1989 between the consultants and members of Wema Bank Plc and by the end of August 1989, the team came up with the bank's first strategic plan. The Plan consisted of a Mission Statement, Goals and Objectives, and Strategies and Action Steps that would be taken in achieving the objectives. These strategies and actions were aimed to guide the bank through the first strategic plan - which was to run between 1990 and 1992.

The cardinal features of the Strategic Plan were based on achieving substantial level of change in three key areas, namely: Geographic Spread; Business Focus and Image Management. In focusing on these areas, the aim was to carry out a total overhaul of the way the bank was managed, to change its operational focus, its human resource capabilities and organisational culture. According to the CEO in a company report:

“If Wema Bank’s decision to move from being a primarily government-controlled and regional bank to that with a national outlook and coverage is to be realised, then a fundamental change in management approach and organisational culture is needed to be accomplished”.

A shift in geographic coverage was to see the bank open new branches in areas other than the Western part of the country from which it originates and from which about 90% of its current branches are located. Changing the business focus entails building and sustaining a viable marketing culture, which would portray an image of an urban bank and would ultimately bring in new sets of customers. This focus on bringing new sets of customers is reflected in the desire to move more into the corporate market sector and in the introduction of tailored products and services to fit the needs of this market. Finally, the focus on image management would see an increase in private ownership of the bank to 60%, to further remove the tag of a government-controlled bank and thus improve its corporate standing. The sum total of these initiatives was “to see Wema rank amongst the top five banking institutions in Nigeria in terms of key industry indicator of size, financial performance, improved quality of service and overall corporate image” (Adegbite, 1994).

#### *5.3.2.2 The Second Strategic Plan*

The 1<sup>st</sup> Strategic Plan lasted till the end of 1992 after which it was replaced with the 2<sup>nd</sup> Strategic Plan in 1993. Aiming to build on some of the gains of the first phase, the bank identified as being of crucial importance, the task of “significantly improving retail banking efficiency”. In other words, to focus on a comprehensive restructuring of its branch activities to achieve better service delivery to its customers. This central aim of achieving better service delivery was based on the “statement of strategic intent” contained in the Plan which emphasised:

- (1) Quality service using modern technology
- (2) Process re-design for improved customer service
- (3) Improved quality, speed and responsiveness of customer service
- (4) Aesthetics and location of branches

By emphasising these areas, the bank hopes to achieve a significant transformation of its branch activities. Five key areas were identified:

- I. People - To have in its branches, a high performing, highly motivated, highly skilled and customer-oriented, courteous and friendly professionals.
- II. Processes - A streamlined, customer-driven processes with a high technology input. Also to achieve efficient and effective computer-based controls, coupled with a set of empowered customer-contact personnel. In other words, to empower those members of branches who are in direct contact with customers.
- III. Technology - To achieve a high level of branch automation and to implement state-of-the-art communication technologies.
- IV. Infrastructure - To have an aesthetically appealing work environment (branches) with a professional and corporate outlook.
- V. Branch Management - To have a forward-looking management at the branch level who are able to foster closer and lasting relationship with customers and who are able to market the bank and its products effectively.

By the time the second Strategic Plan was launched in 1993, competition within the industry had heightened with the increased explosion in the number of operating banks. Perhaps of more consequence is the financial (and credibility) crisis the system suffered in the early 1990s. As a result of this crisis, more than 60 banks (old and new) were closed down by government as they were adjudged to be financially insolvent. A large number of customers lost money in the liquidated banks and vowed never to use banks again. Surviving banks - of which Wema was one – had to find better ways of keeping existing customers and attracting new ones. Competition was also heightened up with the influx of foreign banks and new local banks with a mixture of expatriate and local staff.

**Table 5 : DYNAMICS OF CONTEXT/PROCESS INTERACTION – WEMA BANK Plc.**

	<b>PRE-RESTRUCTURING CONTEXT</b>	<b>INFLUENCE OF CONTEXT ON BANK'S RESTRUCTURING EXERCISE</b>	<b>INFLUENCE OF BANK'S RESTRUCTURING ON CONTEXT</b>	
<b>O U T E R</b>	Liberalisation of the Nigerian banking industry, which increased the number of operating banks.	Privatisation of Wema bank in 1990 to signal the beginning of the restructuring process – from a regional bank to a national bank	Increased attempt by the old generation banks to privatise; subsequent adoption of Strategic Planning Initiatives	<b>O U T E R</b>
	Increased use of IT within the banking industry which coincided with the influx of new banks (some are local affiliates of multi-national banks) with more advanced technology	Management consultants appointed to draft the bank's strategic plans and guide the implementation process. Wema bank focused on using modern technology and "implementing state-of-the-art telecommunications technology	Bank restructuring became synonymous with Strategic Plans drafted by management consultants	
	Financial crisis and the consequent loss of confidence in the banking system by customers who lost a great deal of money	Search for new ways to serve customers led to the adoption of BPR as a survival strategy to "at least keep its customers" and win the confidence of new ones	New banks embraced BPR as old bank customers went back to their former banks after reengineering. Customer service became the norm within the industry	
	Government regulations to increase banking activities in rural areas under the Rural Banking Scheme (RBS)	Branches established under the RBS - regarded as 'political' branches - will not be reengineered. Adoption of a three-tiered BPR	CBN plans to change the RBS to allow banks to sell off some rural branches to community banks; multi-layered approach to reengineering became the 'norm' within the industry	
	Increased focus on quality customer service to remove the problem of "Armchair banking"	Introduction of customer relationship management as an integral part of BPR	Focus on marketing and customer relationship leading to the separation of marketing from other banking activities	
<b>I N N E R</b>	Little or no authorisation at branch level for cashiers	Empower cashiers to pay out money and use computer-based controls	Cashiers given authorisation limits and job title changed to "Tellers" to reflect new roles	<b>I N N E R</b>
	A rowdy banking hall due to a lack of orderliness and queue culture leading to a practice referred to locally as "man know man"	Plan to give equal treatment to all customers and remove the need for 'internal help' in branches	Most bank customers started queuing up in branches to get served	
	The tradition of promoting a 'Wema Family' which had been a part of the bank's HR policies	BPR implementation did not result in any massive layoff of staff	A cautious approach to BPR implementation and the rationalisation of staff; only staff in the twilight of their careers were made redundant	

The new banks employed aggressive marketing techniques and enticed customers with a lot of ‘sweeteners’ such as higher interest rates on deposits. For a while, the tactic worked as the market share of the old generation banks dwindled. The new banks also brought with them completely different approach to serving customers and a more advanced level of computerisation to what existed previously. Some of these approaches to customer service and computerisation was to later become the ‘standard’ within the industry. Existing old bank customers, seeing what obtains in these new banks, started asking their banks for the same level and quality of service – which therefore meant that banks like Wema had to change. According to the Corporate Affairs Manager:

“With deregulation and liberalisation, things began to change when new banks started springing up. Some people refer to the new banks as ‘yuppie’ banks because these banks came around with a lot of technology input and so the competition began. The older banks, of which Wema is one, had no choice but to sit down and start thinking about what we need to do at least to keep our customers”

It was therefore not surprising to find that the main focus of Wema bank’s 2<sup>nd</sup> strategic plan was to improve retail banking efficiency with a view to increasing, or at least maintaining, its share of the domestic retail market. It is also worth noting that by now the bank had started talking about “using modern technology” and “implementing state-of-the-art telecommunications technologies”. This is because the period of the 2<sup>nd</sup> strategic plan coincided with the period of increased IT input from new generation banks.

### *5.3.2.3 The BPR initiative*

The main thrust of the 2<sup>nd</sup> plan was a comprehensive restructuring of branch activities to achieve better service delivery to customers. Implementation of this plan focused mainly on a Branch Process Re-engineering (BPR) project, which was commenced in 1995. The bank, like many others in the industry, decided to embark on process reengineering as a “survival” strategy in the face of dwindling margins, increased competition and growing sophistication of customer demands. In the words of a senior manager:

“When the new banks came in and people started seeing things being done differently, they realised that the world is rather different. Also, a lot of people that travelled out of the country came back with their own experiences and expectations of what banking should look like. When they saw what the new banks were offering, words started going round that a new dawn has arrived for branch banking in Nigeria. As a result, old banks were forced to sit up in order not to be left behind.”

The BPR project was hinged on three smaller interrelated projects which were: branch computerisation, inter-connectivity and networking of branches in a Wide Area Network (WAN) and branch process redesign. In branch computerisation, it was recommended that the bank should aim to make more effective use of IT in branch operations and to automate some of its head office functions. New banking application software called Globus was to be installed along with new and powerful PCs on which to run the software. To aid inter-branch transactions, it was also recommended that branches should be linked up in a wide area network (WAN) as this has become the standard within the industry. With regards to branch process design, the aim was to achieve “quantum leap improvements in quality, speed, efficiency and effectiveness of customer delivery”. To achieve this aim, it was recommended that major changes in branch operations, including a complete overhaul of staff profile, was to be undertaken. New sets of staff, mostly university graduates were to be employed to work in the reengineered branches.

The absence of a proper service culture in branches had led to a poor bank-customer relationship. This was attributed to the general culture of banking in Nigeria before deregulation. According to one branch manager interviewed:

“Prior to deregulation, the general thing within the banking industry here is what we call ‘armchair banking’ where bankers would sit down in their offices and expect customers to come around. Even when customers do, banks are not really bothered whether they really get service or not. There were few banks around and there was nothing like competition and so banks do what they like. If you compare what is happening in other countries- especially the advanced countries – to the Nigerian situation, then we are not really practicing banking”.

Bank processes are regarded as cumbersome and a lot of time is spent transacting even the most basic banking function. The implication of this is that a lot of people were discouraged from using banking services and as such a substantial amount of cash lies outside of the banking system. Therefore to improve banking process, attention was focused mainly on three aspects of branch banking, namely to improve branch processes, to rearrange the organisation of branch management and to improve the infrastructures in branches.



Processes were also characterised by inefficient workflow and unempowered personnel. Therefore it was decided to “empower” cashiers and give them some authorisation levels to allow cashiers to pay out cash (up to a level) without having to refer to a superior. This was aimed at reducing the long process of cashing cheques and cash transactions in general, when previously each cheque being cashed goes through almost four different authorisation levels. A new customer service point was to be established to take care of all non-cash transactions such as checking of accounts, which was previously done by cashiers.

To complement process changes in branches, it was also decided that branch infrastructures would be overhauled to complete the changes in branch banking. Previously cashiers were confined to sit in cage-like structures on their own with very little interactions with other staff and customers. To reflect the new focus on customer service, it was suggested that cages were removed and cashiers work in an open space with more interaction with customers and staff. This open platform was essentially seen as symbolising the new era of openness with which the bank wants to deal with its customers.

Finally, in addition to structural changes, changes in organisation and management of branches involve the changing of branch staff nomenclature and the reorganisation of roles and responsibilities. The roles and responsibilities of the two most senior personnel – the Branch Manager and the Accountant – were regarded as not been clearly defined. Therefore, a clear definition of duties in which the branch manager sheds most of the daily operations management duty to focus more on marketing-related duties was planned. The accountant will take on this responsibility and oversee the day-to-day management of branch operations. In addition, the title of the branch accountant would be changed to Branch Banking Operations Team Leader (BBOTL) to reflect their new role and cashiers’ title would be changed to Tellers to reflect their new status and widened responsibilities within the branch. These essentially were the changes management planned for restructuring Wema bank.

### ***5.3.3 Implementing BPR: Decisions and actions taken to effect change***

Once the plans had been laid out, institutional and resource-based factors influenced how the plans were implemented. Some of these factors include the financial strength of the

bank, the diversity of the bank's branch network, which in turn had been influenced by government regulations in the form of the Rural Banking Scheme (RBS). As we observed in chapter 4, government – through the RBS - had forced all banks to open a number of branches in rural areas, irrespective of whether such area was profitable to the bank or not. The implication of this was that the original plan of effectively utilising technology was downgraded to a pragmatic approach to reengineering and computerisation. According to the CEO:

“Although, we aim to invest in technology, we are not specifically aiming to lead the industry... We will be pragmatic as to the choice of technology and the extent of automation”.

In implementing the BPR initiative, the target of branch computerisation was to proceed with caution. Management appreciated that despite the importance of branches to its operations and despite the goal of “effectively utilising all branches and mobilising rural funds”; it could not computerise all of its branches. A resource-related factor given by management was the sheer cost of computerising the branches, the financial strength of the bank and the productivity of a branch. Given that it cost between 12 and 15 million Naira to implement the new banking software (Globus) in branches, the bank decided to introduce Globus only into those branches regarded as “strategic” in terms of volumes of transactions and contribution to the bank's overall earnings. This means that a substantial number of branches - especially the ones regarded as “political branches” were excluded from the being computerised.

These “political” branches were those opened in compliance with government regulations under the RBS, that all banks should increase their presence in rural areas to encourage widespread banking. As a result, non-economic factors, from the bank's point of view, informed the opening of these branches and they have been kept alive only because government would not permit their closure - even after the Rural Banking Scheme had been abolished.

Apart from government's insistence on keeping the branches alive, close bank-community relations as well as inter-communal strife were also cited as reasons why the rural branches could not be closed down. Because the bank had been forced to open-up

branches in rival communities due to the RBS, it became difficult to close or merge branches in these communities given the rivalry that exists between them. If the bank was to close down the branch in a community, the people of that community will resist going to the branch in the rival community. In the worst case scenario, it could lead to inter-communal clash as the community with a branch may perceive this as a sign of superiority - to the wrath of the other community. In other instances, the bank had enjoyed the hospitality of the people of the local community when starting business and thus forged a close bank-community ties which are not easily broken. According to the Corporate Affairs Manager:

“In one of our rural branches, the bank was offered a building free of charge by the community when we were about to open. Initially business was good and the bank enjoyed the good reception of the people. Now things are not so good but we still have to bear it, because when business was good they were good to us. These are the sort of situations that does not really allow you to take decisions as you would like to”.

Therefore, to avoid some of these problems, the bank had to keep the branches open and adopt “a careful and calculated approach to computerisation” and branch reengineering in general. The realisation was a three-tiered approach to reengineering where the BPR project addressed the diversity of branches in its network. The bank introduced new computer systems only in selected branches, and the level of restructuring that took place was based on the size of the branch, the volume of transaction, the types of customers and whether it was a rural or urban branch.

The actual process of implementation or “roll-out” (as it is referred to within the bank) started with the piloting of the project at two of the bank’s branches in Lagos followed by a period of phased-rollout to all the other branches. The two pilot sites were chosen for their size and for the volume of transactions conducted. In addition, management decided that it would be ideal to “try” this new idea in some branches before embarking on the implementation on a much larger scale. Another reason for piloting the project was the desire to try out the project in two different settings - computerised and manual - which typifies the diversity of branches within the bank’s branch network. Thus BPR was going

to be introduced in a manual branch as well as in a computerised branch in line with the 'pragmatic approach' of management.

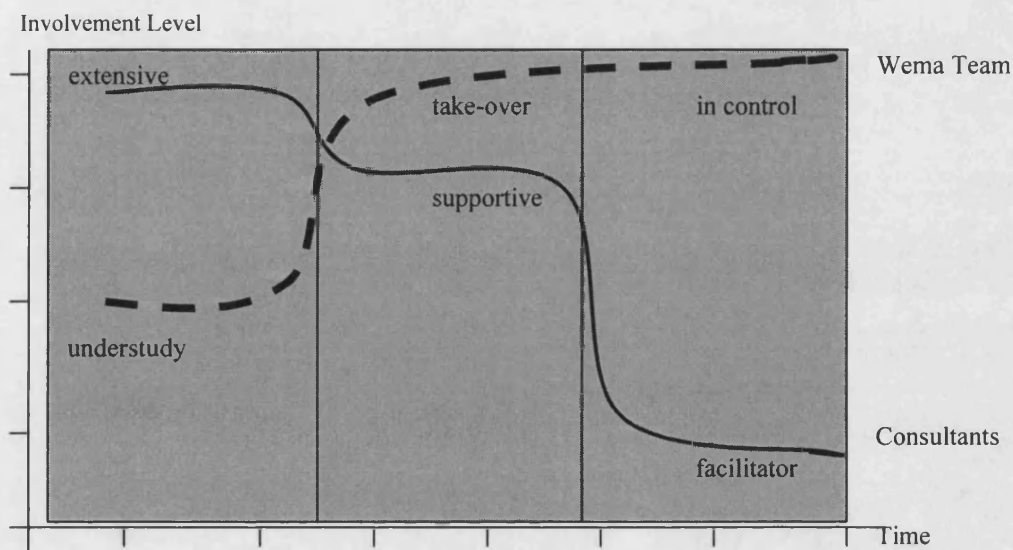
Two sites - Otta and Dopemu branches - were chosen with Otta representing the manual branch and Dopemu representing the computerised branch as it was already using CAPs. Another important factor that informed the choice of Dopemu was that prior to the start of the project, a research study by a group of consultants had suggested that the branch had the highest volume of transactions of all bank branches in Lagos on a weekly basis. It was thus felt necessary to test the durability of the new procedures in a busy environment. Implementation at the pilot sites involved the team of management consultants taking a lead role in selecting new members of staff to man the branches and also in conducting training exercises for the new members of staff. Training focused on selling the idea of the project to the team and highlighting the benefits of restructuring existing procedures to both staff and customers.

After a period of about 6 months, the project was adjudged to have been successful at the pilot sites and as such could be "rolled-out" to other branches of the bank. The process of rolling out was to be conducted in phases with branches classified into zones to ease the burden of implementation. By now, it had been decided that the management consultants would no longer take the lead role in implementing the new procedures at the roll-out phase. Instead, a four-man implementation team - chosen from among members of staff who had undergone intensive training and worked under the new procedures at the pilot sites - was to take over from the management consultants and was expected to take the lead in the implementation process. Consequently, the role of the consultants was reduced to that of giving support to the implementation team to ensure that lessons learnt from the pilot sites were applied at the other sites. As the rollout progressed, the role of the consultants would be reduced further to a facilitative role and the implementation team was expected to be in full charge of the implementation (see Fig 1)

It was thus felt necessary to retain the services of the consultants to give the new implementation team some confidence in carrying out their tasks. According to

management, the benefit of having an in-house team to take over from the consultants - besides cost reduction - was that it will help to speed up the process of assimilating the new culture of work by members of staff. This decision was based on the assumption that because the implementation team handling the process were former branch staffs, they would be more informed about the workings of a bank branch.

**Figure 2 : Wema Bank Plc. - Consultant involvement in implementation process**



Source: Wema bank reengineering manual

The first phase of implementation involved a ‘period of roll-out with extensive assistance’. The rollout plan during this phase depended heavily on the dedicated implementation team which determined the extent of modification that was needed for the branch’s infrastructure, selected new staff and conducted training exercises for personnel on the new procedures. Finally, the team was expected to provide a “a hand-holding assistance” in the weeks following the conversion to the new procedures.

The next phase of the plan saw the implementation team acting only as facilitators, with branch officials such as bank managers and their assistants taking the lead role in the implementation process. At this stage, the expectation was that the new procedures would have been firmly entrenched in the system and that major issues associated with

implementation would have been highlighted and ironed out. As a result, the branch manager and other officials would be in a much better position to take charge of procedures. Also to further help the branch manager before taking charge, a one-week seminar was held to introduce them to some of the basic ideas behind the project and the new work procedures. One of the main reasons for adopting this approach was the need to foster closer relationship between the manager and the rest of the staff who will be working together in the branch. The seminar was also expected to increase branch managers' commitment, as they may view the project as their own and thus take it more seriously.

Implementation continued with the selection of staff to work in the newly restructured branches. Interviews were conducted to select entirely new teams to work in these branches. The thinking behind this was that restructuring a branch, and achieving the level of 'rebirth' needed, would entail a complete overhaul of personnel in each branch. Specifically, this was seen as needed to prevent a continuation of old practices where customers familiarise themselves with staff and give gratification, in order to speed up the process of getting service. In a restructured branch, this culture of 'internal help' was deemed unnecessary, as every customer will be served on time and with the quality of service that they deserve. Therefore, a complete set of new staff were selected from other branches within the network so as to symbolise what branch restructuring stood for, and to drive home the point that restructuring was indeed aimed at breaking away from the old ways of doing things. In the words of the O&M manager:

"We favour moving people when we want to convert because under the old dispensation nobody cares about service delivery, nobody really cares as to whether customers get served or not and so you discover that that system actually gives room for fraudulent and unprofessional practices on the part of staff. So we feel that if we allow such staff to remain within that branch at the early stage, it will go a long way to derailing the exercise. We want customers to go as they come in - first come; first served".

Apart from symbolising change to Wema bank staff, this process of moving staff around was also felt necessary to change customers' mindset and to make them break away from the past. This was the view of one of the branch managers interviewed:

“All of the staffers were moved around so that the sort of relationship that existed before whereby each staff had a customer would be removed. Failure to do this would have been anti-reengineering as those customers that have in-house assistance would continue to do so.”

This particular decision to move staff around was influenced by the bank’s long-standing tradition of promoting a family of staff. At the onset of the project, it was recommended that the bank would have to sack members of staff without a university degree, as they are perceived not qualified to work in the new environment of a restructured branch. However, management took the important decision not to layoff staff, but to adopt a system of rotating staff and moving them around the branches. In effect, this approach saw that reengineering at Wema Bank did not result in any massive layoff of staff as was the practice in other banks - which resulted in serious collision with the unions and in one case a total collapse of the BPR project in that particular bank. This approach to rotating staff between branches also provided management with the avenue to deal with staff who could not cope with reengineering and those that were finding it difficult to understand what the new concept of working involved. These members of staff were thus moved to branches that would not be reengineered or at times they were moved to area offices where they would not have to deal with customers.

After the selection process was the infrastructure modification stage where existing infrastructure were analysed with a view to determining what new infrastructure was needed and also to do an analysis of the layout structure and how conducive the environment was. This then led to a recommendation of the type of facilities that are needed. Usually, infrastructure modification involves the removal of the cages in which cashiers work, giving the building a face-lift, installing air conditioners and cash counting machines. The information technology department was invited in at this stage to recommend how the implementation of new or refurbished systems would be put in place. The IT team determined - based on the new work area that had been designed - the amount of computer terminals needed and the sort of system upgrading that was required for the new work procedure. According to the IT manager, the role of the IT team in the restructuring exercise is basically that of support:

“The idea here is that if you want to reengineer a branch you must have the right kind of IT infrastructure in place. So whenever a branch is going to be reengineered we are informed and we need to review the operations to determine how IT would support the reengineered processes of the branch and put all the necessary machinery in motion”.

Training of new members of staff followed infrastructure modification. Training was given to staff in the new procedures that have been designed for the branch. The training period was usually within a week and it involved a series of sessions handled by the O&M team on the meaning and importance of re-engineering and team work. Efforts were made to carry staff along as a substantial amount of time was spent on explaining why the project was needed and what the bank stands to benefit from the project. In typical reengineering style, members of staff were told of what they stand to gain from giving their utmost co-operation to the project and the fact that everybody gains with reengineering. There was also a lot of emphasis on ‘teamwork’ and a substantial part of the training programme focused on “Teaming for Excellence”. In one of the training manuals, training sessions were actually described as a process of creating the “great” team required for process reengineering. Tellers were trained in the use of the new computer systems, their new duties under an empowered regime, demonstration of how the new system and authorisation levels work.

The final phase of implementation involved the introduction of the new banking application software - Globus- in branches identified as needing one. This phase was deliberately left to the last stage given the cost of implementing the software in branches, which was put at between 12 - 15 million Naira. It was therefore felt necessary that adequate plans would have been made to ensure that the branch was ready for the new software and that it was financially justifiable to implement the software. After introducing the new software, implementation process concluded with the conversion stage, where the new processes were put into practice. At this stage, the implementation team stayed in the branch for about a week to guide the conversion and to make sure that staff complied with the new procedures. After this period, the implementation team began to wind down their involvement within the branch and restricted their involvement to occasional visits, once or twice a week to ensure that staff continues to comply with the new ways of working.



#### ***5.3.4 The results of reengineering: Changes after BPR***

Reengineering brought about a number of changes in terms of how the branches were managed, the physical layout of branches, and in banking processes. Other changes identified by members of staff involve relationships with customers and changes in customers' attitude. With regards to processes, one of the major changes experienced involved the redesign of the work of cashiers. The first major change concerning cashiers involve an expansion of the scope of their duties. Prior to reengineering, cashiers' jobs were highly segmented with different cashiers performing different functions. There were separate cashiers for opening of accounts, separate cashiers for paying out cash and separate cashiers received cash from customers. This fragmentation made the task of banking highly cumbersome. However, after reengineering, a new concept of "Universal Telling" was introduced to signify that one teller can now perform all of the previously segregated functions. This means a teller can now accept deposits, pay out cash and open accounts - irrespective of whether it is current account or savings account.

In addition to the expansion of duties, cashiers were also given the go-ahead to pay out cash within a certain limit. Previously, cashiers had to obtain authorisation from a senior member of staff before any cash is paid out at all. This, however, slowed the process of cash withdrawal. The new procedure to increase cashiers cash pay-out limit was in line with the 'empowerment' initiative of reengineering and in line with management's desire to adopt "efficient and effective computer-based controls" in the form of on-line approval based on new authorisation limits at reengineered branches. As a result, more 'customer-facing' staff (i.e. Tellers) were given more autonomy in carrying out their duties - especially in paying out cash to customers. With reengineering, Tellers could pay out as much as 5,000 Naira without getting authorisation. If the amount to be collected was in excess of 5,000 Naira, then Tellers are expected to refer to the Head of Tellers (whose authorisation limit is set at 25,000 Naira) for authorisation. If the amount in question was more than 25,000 Naira, then approval is sought from the Branch Banking Operations Team Leader (BBOTL) whose limit stands at 50,000 Naira. Any claim or transaction in excess of 50,000 Naira will go to the branch manager who has the highest authorisation limit within the branch. Authorisation limits were subsequently programmed into the

banking application software and thus only allow staff to authorise the limits awarded to them.

In line with empowerment changes, there was also a symbolic change of title to signify a change of role, as cashiers' jobs no longer concentrate on collecting and paying of cash; cashiers, after BPR, were now referred to as Tellers. According to one of the managers interviewed:

“Over the years, the title of cashier has become synonymous with counting of cash, and do not forget that it is a name that is as old as banking itself; therefore we needed a new name to go with the new job. We are now talking about empowered staff who have been given the opportunity to make decisions on their own – at least up to a limit. So I think the change of name is important because it also shows them their job has changed.”

This change of title was also meant to symbolise a change in the calibre of people now involved in the job as more and more graduates and higher education certificate holders are now employed as tellers. In addition, tellers' cubicles (or “cages” as they are referred to) have been replaced with a more open platform which has also facilitated communication amongst tellers and with customers.

In line with the increased focus on customer services, a separate customer service point was created to handle customer requests and the opening of new accounts and also to handle general customer requests. This reduced the length of time spent on customer enquiries - previously handled by cashiers in addition to some of their other duties. Still under customer services, the bank introduced new standard forms to replace the long established tradition of letter writing as a form of communication between customers and the bank. Thus, if customers wish to change their addresses, all they need to do is to fill out a standard form with their new addresses, as opposed to writing lengthy letters.

Another major change to the management of branches involve the role of the traditional bank accountant. Before restructuring, the task of the accountant was to assist the branch manager in operations. The branch manager was the overall head of operations and the accountant was the deputy or sub-head. However, after restructuring the accountants' nomenclature changed to Branch Banking Operations Team Leader (BBOTL); the

BBOTL or OTL became the overall head of operations. The OTL now co-ordinates the activities of three major departments, formerly under the direct control of the manager - the customer service department, the IT support group, and the tellers. This relates to a broadening of the OTL's role, as opposed to the narrow view of the branch accountant. In addition, the OTL also liaise directly with customers and respond directly to customer requests. Prior to taking up their posts, OTLs attended a number of courses including a special OTL course focusing mainly on developing leadership skills and effective team working.

Changes in the branch manager's job involves a more direct role in the marketing of bank products, winning more customer accounts (especially corporate and "high net-worth" accounts), as well as building and nurturing good bank-customer relationships. The branch manager, in effect, shed some of the traditional duties of head of administration and operations (to the OTL), to take on a new role of a marketing executive. In line with this change in duties, branch managers were given training sessions in marketing and relationship management techniques. A clear link between the new role of the branch manager and the changing context of banking in Nigeria could be established, as this statement from a bank manager shows:

"There is an increased focus on marketing and the manager has got to learn new marketing skills. This is because we previously played down the role of marketing as we always have customers, they always come; we did not have to look for them. But now, you have to search for customers. Therefore, you need the marketing skill to look for them and the relationship skills to keep them."

Technology has indeed played a major role in most of the changes identified above. Because data is now captured at the start of the process (i.e. at the point of opening an account or at the teller point), staff can now have a better knowledge of customer account history and queries could be answered more correctly and quickly too. Technology also played a part in the process of "empowering" tellers because it makes customers account more visible and they are able to determine if there is enough balance in the customer's account. On the other hand, the increased use of technology has raised the level of control placed on staff as authorisation levels were programmed into the banking software. This was deemed necessary given the problem of fraud that was becoming rampant within the

industry<sup>68</sup>. It was thus felt that with technology, the issue of control could become much more robust. On the other hand, the implication of this is that 'empowerment' has resulted in more controls being put in place.

Culturally, the changes that took place borders on 'de-familiarisation' of service. This involves a re-orientation from the earlier practice where members of staff have their own customers that they serve regularly and promptly. According to one of the managers interviewed:

"Normally, a cashier would have some one, two or three customers that they serve regularly and so they become that cashier's customers. Customers too are used to that because they see it as a way of getting round the problem of sitting in banks for hours. Thus, if they do not see the particular member of staff, they refuse to be served; they would rather wait for that staff because they believe this is the only way they can get service. At times, customers even come in to inform cashiers that they are coming in to the branch at a particular time just for the cashier to be available. So, you can see that the business was being run more like a family affair."

In addition, some measure of orderliness have been introduced into the branches following reengineering and discouraging the habit of customers patronising staff. As a result, there is a new emphasis on customers queuing up in order to be served. When the system was first introduced, there was a lot of agitation from customers who were used to the old system. However, this changed with time as customers started getting comfortable with the new system, so much so that in the morning when branches are yet to open, customers line themselves outside the building and allocate numbers, in order to maintain the orderliness even when the branch is opened.

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<sup>68</sup> See, "Banks lost 2 billion Naira to electronic fraud" (Vanguard, June 21, 1999)

**Table 6 : Wema Bank Plc. - Summary of important dates/events**

<i>Year</i>	<i>Events</i>
1945	Wema bank was established under the name of Agbonmagbe Bank
1960	Bank was awarded a grant of £200,000 by the western state government to help stay afloat
1969	Western state government bought over and took full control of the bank
1970	Bank's name changed to Wema – an acronym for Western Marketing Association – a government-owned marketing association
1987	Bank's IT department was established; first IT project with the implementation of CAPs at the bank's head office
1988	CEO sought board's approval to embark on strategic planning; board approved the appointment of management consultants to draft strategic plans
1989	Bank's 1 <sup>st</sup> Strategic Plan drafted to start the process of "major organisational change in geographic spread, business focus and image management"
1990	Wema bank was privatised as part of the bank's 1 <sup>st</sup> strategic plan
1993	2 <sup>nd</sup> Strategic Plan launched to "significantly improve retail banking efficiency". Main focus of the plan was the BPR project.
1995	Implementation of BPR started with a 6-month pilot in 2 branches. Bank started implementing Globus applications software and linking up branches for on-line real-time inter-branch connectivity
1999	8 branches linked up and Globus installed in 12 branches

Bank staff dress more formally after reengineering, based on the belief that staff appearance matters a great deal to the new practice being encouraged. According to one of the OTLs interviewed:

"Changes here also include the dress code, because with this new culture everything is supposed to be open and neat. We have this belief in our bank, where we tell people that if customers see you neat and tidy, they would have no doubt that all their transactions with you will be neat and tidy."

The implementation of BPR also led to the formation of a Quality Monitoring Team charged with the responsibility of ensuring the success of the reengineering initiative and

a continued adherence to the new ways of working, engendered by the programme. The team employed both formal and informal tactics to get staff to adhere to the new ways of working. Formal methods include the use of performance targets and quality measures such as the length of time it takes a teller to serve a customer and reducing the length of queue in branches to an agreed minimum. Informal methods include an end-of-the-week social gathering between branch staff and the quality monitoring team called: Thank God It's Friday (TGIF). The meeting is aimed to allow branch staff review their performance for the week and to highlight areas for improvements.

In sum, the new approach or culture of work represents physical, cultural and behavioural changes to old practices within the bank. The highly segregated and functional structure had been replaced with a less hierarchical structure focusing more on team-work and collaboration (see Appendix II).

## **5.4 Reorganisation through “Practical Restructuring”: UBA Case Study<sup>69</sup>**

*“Consistent with the need to evolve a coherent business strategy and respond to environmental changes, UBA Plc embarked on a comprehensive, realistic and practical restructuring exercise in 1995 which involved changes in structure, staffing, systems, skills profile and shared values (from UBA Plc Annual Report '98)”*

In this section we describe the process of restructuring UBA plc. The section starts with a presentation of the inner (organisational) context within which the restructuring took place before going on to describe the interaction of the inner and outer contexts and the process of change (see table 5.2).

### **5.4.1 Organisational Context**

#### **5.4.1.1 Historical context of UBA Plc**

By December 1998, UBA Plc's total asset was 79 billion Naira<sup>70</sup>, making it the third largest bank in the country with over 4000 employees. Domestic commercial banking is

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<sup>69</sup> See table 5.4 for summary of case study

<sup>70</sup> 110 Naira = U.S. \$1 (2000)

one of the bank's major business and its total local deposit base was 38 billion Naira or 11% of the market. In a 1998 survey by a firm of financial analysts, the bank was given "A" rating to signify a 'sound financial standing and a strong capacity to meet its obligation' (Agusto and Co., 1998). UBA Plc is ranked among the top 1000 most capitalised banks in the world by the Institutional Investors magazine.

UBA Plc. was established by a consortium of five international banks, which at that time took over the business of the former British and French Bank Limited in Nigeria. The British and French Bank, which had been operating in the country since 1949, was itself an offshoot of the Banque Nationale Pour Le Commerce et L'Industrie (BNCI), Paris. The five international banks that founded UBA Plc were: The British and French Bank; Banca Nazionale del Lavoro of Italy; Monte dei Paschi di Siena of Italy; Bankers Trust Company, New York, USA and Amsterdam Rotterdam Bank of Holland. Four of these five banks still retain their shareholdings ranging from between 2.5% to 25% ownership of the bank.

UBA Plc, as it is presently known, started business in October 1961. By its incorporation in 1961, it became the first bank among the international banks operating in Nigeria at the time to be registered under the Nigerian Legal system. In 1973, as part of an indigenisation initiative aimed at giving control of businesses to Nigerian citizens, the Nigerian government decided to acquire equity share in the capital of major international banks in Nigeria. It acquired 1,750,000 shares or 38% of the issued share capital in UBA, which increased over the years to 91,527,680 shares or 60% as at when the bank was privatised in 1994. With its 60% majority shareholding, government took full control of the management of the bank. In its new role as the owner of the bank, government became responsible for appointing a substantial number of the bank's directors and executives. This affected the decision-making capability of these directors, as they were subject to government demands and were constantly threatened with board reshuffles. It also led to a number of politically motivated decisions such as loans and advances given out to family members and government 'cronies'. However, with deregulation gathering

momentum, government sold its majority shareholding in 1993 to signify the start of a Plc status for UBA.

#### *5.4.1.2 Previous experience with computerisation*

Computerisation in UBA started in 1973 with the appointment of a firm of IT consultants to define the bank's IT plan and infrastructure. The main focus of the plan then was to computerise routine accounting processes in the branches and to provide the Head Office with access to centralised data. The first major IT project of the bank was in 1976 with the installation of a centralised Accounting package called B1 Accounting System. The system operated on an IBM mainframe system kept at the computer centre within the Head Office in Lagos. Daily transactions from the branches were fed into the system to generate reports showing their accounts position, which were subsequently dispatched to the branches in preparation for the next day's business. By the end of 1985, in an effort to improve data capturing activities at the branch level, the bank installed the B1 Accounting System in seven of its branches in Lagos. By mid-1986, over 15 branches in Lagos had been equipped with an IBM mini computer and the B1 Accounting package to significantly improve data capture in branches. However, the processing of this data was still carried out at the Head Office in Lagos. With the deregulation and liberalisation of the banking industry in 1986, and the increase in the number of branches away from the Head Office in Lagos, the speed of data processing was becoming a major concern for the bank which they had to resolve fairly quickly. The resolution of this problem therefore formed the major focus of the bank's second phase of computerisation.

The second phase of computerisation started with the development of an IT masterplan. This masterplan was aimed at achieving the company's goal of 'providing quality service to customers and to be amongst the first in the county to introduce new banking and technology related products'. The main feature of computerisation, based on the recommendations, was the implementation of the MicroBoss Accounting System to serve the needs of independent branch processing and especially in the upcountry branches farther away from the Head Office in Lagos. The system has the full functionality of the BI Accounting System, but unlike the BI, it is PC-based. It also has a major advantage



over the B1 Accounting system in that branches are fully independent in processing whereas on the previous system, data capture is done at the branches while processing is carried out centrally at the Head Office. Given the national telecommunications infrastructure, which was regarded as unreliable, the need to achieve independent processing by branches was seen as paramount. According to the IT manager:

“The key reason for choosing the decentralised system was the environment in Nigeria with problems such as poor telecommunications which made it imperative that we select the option we went for. As at that time, leased lines from government-owned Telecommunications Company was always packing up. So we were very concerned about how we carry data across as there were lots of communication restrictions in the economy. It will be foolhardy for a big bank like ours, with over 200 branches nationwide, to say we want to centralise.”

By the end of the 1980s and early 1990s, due to the continued increase in the number of banks operating in the country and especially the influence of the new generation banks who have brought in new IT standards for banks, UBA Plc started looking towards achieving branch interconnectivity. Branch interconnectivity had become the ‘norm’ of banking in Nigeria by now and so UBA wanted a system that would allow independent branch processing as well as some measure of connectivity between the branches. Although MicroBoss allowed for independent branch processing it did not adequately support branch connectivity.

The decision to adopt a decentralised platform informed the bank's choice of developing their applications software in-house. Having decided to decentralise, the next step was to search for an applications software in the market that would support decentralised processing and would allow for on-line real-time processing as well. The bank's search for a suitable software with a track record of adequate after-sales support yielded no result. It was at this stage that the decision was reached to put the many computer science graduates in the bank to work. A new applications software was procured, which, although did not meet all of the bank's requirements, was felt useful enough to be customised. A decision was reached to have the bank's IT team work in collaboration with the developers on how to improve and upgrade its features. After several customisations to the software, it was decided that the system was close enough to what the bank required. So in May 1993, the new system was rolled out, first to two of its

branches in Lagos to see if and what problems existed, before eventually rolling them out in large numbers to other branches. This banking package is called Branch Accounting and Information Systems (BRAINS).

The development of BRAINS was an achievement for the bank and especially the IT team as they saw it as a sign of maturity of the IT department. It also increased the role of the IT team within the bank and inevitably increased the department's workload. Given their role as the 'developers' of the system, it became inevitable that all faults would be addressed to the IT team to be resolved. In addition, there was an increase in user requests for enhancements as well as requests to add new features to the system, which no doubt increased the workload of the IT team. In addition, operations procedure within the bank also suffered because requests coming in for enhancements were not uniform across the bank's branch network. Different branches started making requests according to their demands and expectations of how their branches should operate. As a result, banking operations procedure within the bank became dissimilar. This point was put forward quite clearly by the IT manager:

"Because you are in the system you find it difficult to force the procedure on the system, so things keep changing and you have people wanting you to change things every now again because they know it is in your hands and you can do it as the IT team. So it makes it difficult to have a strict procedure to follow, but maybe if you have a package it forces you to operate in a particular kind of way and when people start asking for funny things then you can tell them sorry this is what the procedure is and so you have to comply with its features."

This decision to implement BRAINS marked the beginning of the third phase of computerisation at UBA Plc. in 1993. The focus of computerisation then was on the development of on-line real-time systems with the aim to provide up-to-date information to customer, staff and management. By the end of 1994, BRAINS had been implemented in all Lagos branches and in some urban branches in other parts of the country. In addition, the bank had also invested in a number of management information systems such as the General Ledger: Millenium (GL:M) system implemented at the Head Office finance section that accepts accounting transactions directly from other systems such as BRAINS and Payroll system and consolidates them for management reporting. BRAINS

thus allowed for independent processing in branches and at the same time supported connectivity amongst the branches and with selected Head Office applications. Branches were able to link up with other branches and with the Head Office to access information and carry out inter-branch transactions processing.

By August 1999, computerisation at UBA had entered a new phase. The bank had replaced most of the mainframes and minis with new open, non-proprietary servers and workstations in majority of its branches. BRAINS was upgraded and new features incorporated in line with user demands and changes in the wider environment. Over 100 branches have BRAINS running on their system with about 70 of these branches linked in a WAN via the VSAT technology. In line with the restructuring initiatives of the bank, computerisation efforts in UBA Plc. is moving to a new level with the decision to implement SAP/R3 which is an enterprise wide integrated system.

#### *5.4.1.3 Structure and Culture of bank branches*

With regards to branch sizes, UBA Plc. is the third largest bank in Nigeria with 210 branches in its network. The bank established its first branch in May 1949 and for the first few years after this, most of its branches were established in or around Lagos (i.e. the western part of Nigeria). However, by the mid-1950s, the bank started to establish branches in the northern and eastern parts of the country. All of the branches established during this period were sited in areas of high business activities such as Kano, Kaduna, Port Harcourt and Lagos. It would therefore appear that the initial strategy that informed branch network expansion was the need to establish a presence in the major business and commercial centres in the country, such that by 1976 all of its 32 branches were sited in urban centres. However, this was to change when, in 1977 the federal government, through the Central Bank of Nigeria (CBN), introduced the Rural Banking Scheme (RBS) which encouraged banks to increase their presence in rural areas. Thus UBA, which hitherto had no rural branches, was forced to open more rural branches than new urban branches when government allocated specific numbers of branches to be opened within a specified period. During the first phase of the scheme between 1977 and 1980, government allocated 27 rural branches, which the bank opened. During the second phase

between 1980 and 1984, the bank was able to open all the 32 branches allocated to it and by the end of the third phase in 1989, UBA opened another 28 rural branches allocated by the government. Thus, between 1977 and 1989 UBA had opened a total of 87 rural branches allocated to it through the RBS. Given government's opposition to banks' request to close these rural branches, all the rural branches opened during this period are still in operation and represents around 42% of its branch network.

Apart from the rural branches, two other types of branches can be identified within the bank's branch network. In the first group, are about 60 branches which are regarded as strategic branches and which colloquially are referred to within the bank as the 1<sup>st</sup> tier branches. These consists of corporate branches targeted at corporate customers like the big multinational oil companies and other branches in areas of high economic activities and industrial estates targeted at the Nigerian business class and "high-value" customers. In the second category of branches are the 2<sup>nd</sup> tier branches which consists of around 63 branches aimed at mobilising savings and some of which serve as controlling branches for rural branches. Rural branches are regarded as 3<sup>rd</sup> tier or political branches. UBA also has a branch in New York, a representative office in London, and an offshore branch in the Cayman Island.

Culture of majority of branches before reorganisation reflects the general culture of banking within the Nigerian system before liberalisation. In addition, years of government influence – through its ownership of the bank, has meant that a substantial number of board level directors were government appointees who were there to facilitate government's access to the bank and to do government's bidding. This particular link between government and top-level management was further translated to the branch level, where directors felt it important to appoint their own staff who would also do their bidding. The implication of this was a highly undisciplined branch set up where people were not motivated to work and did not see a need to - given their link to the top management of the bank. In the words of a senior manager:

“If you look at UBA before privatisation, it was more of a government bank and you do not see it as a business entity, really. You see people come in and go as they like, people spending a lot of time talking, sleeping and loitering about. It was like working in a government ministry, not a business enterprise. You look at the personnel and you see that they are not being properly utilised, you see crowded offices and generally people are not just motivated.”

This lazy attitude of staff to work was attributed clearly to government influence and more specifically to the calibre of management at this time. Another senior manager interviewed concluded that:

“When you give ideas or suggestions, you discover that it takes forever before your ideas and suggestions can see the light of the day. It seems the distance between management and staff was so long and far away. Also, our directors then, were more or less political appointments and theirs was to satisfy the people that sent them. There were lots of constraints in getting decisions to be taken.”

The overall effect of this on branch operations was the poor enforcement of controls and standards. Wide differences existed in how the branches operate because of a lack of control and the general feeling of apathy that existed in the bank. In the 1970s, an operations manual was drafted to guide the activities of branches and to enforce some control on branch processes, but this manual was never enforced given the highly political atmosphere of the bank and the lacklustre performance of both staff and management. According to the head of BPR team:

“If you happen to find any branch where transaction is similar to any other one, it is only by chance. So, each branch was like an island to itself and booked (carry out) transactions based on whatever they thought was right because the procedures and the controls were in people’s heads and were not documented.”

Technology has played a central role in shaping the culture of branches and in the evolution of branch culture. Before privatisation, the bank was mostly operating a centralised batch processing system with an IBM mainframe as its main processors. Branches fed in daily reports and decisions were mainly taken at the back office. The front office staff (i.e. cashiers) were regarded as low-end staff and were mainly there to channel requests to the back office, where officers would use the computer reports generated to make decisions. The implication here was that cashiers were not allowed to pay out any amount of money without seeking approval from their immediate boss.

The bank has also introduced unified banking systems into some of its major “strategic” branches. This is an on-line, real time system that allows customers of the bank to

transact business from other UBA branches other than their branch all over the country. This system is based on a combination of private satellite telecommunications systems and leased lines from the Nigerian Telecommunications Ltd (NITEL). One of such private systems is called Very Small Aperture Terminals (VSAT) and the other is based on Microwave links. VSAT satellite earth station is a private communication platform that allows for the transmission and reception of voice and data signals over satellite and it is used to connect the Head Office in Lagos with other regional offices nationwide. Microwave links are used to connect branches within each region. In Nigeria, due to the unreliability of the public telephone system, the company felt it was important to use these private service providers to be able to achieve the desired result of an uninterrupted service delivery to its customers.

#### ***5.4.2 Restructuring UBA: Launching the change initiative***

Perhaps, the greatest impetus for the restructuring of UBA Plc was the liberalisation of the banking industry and the subsequent increase in the number of banks operating in the country. The liberalisation process itself was because of the deregulation of the Nigerian economy with the purpose of reducing government influence in directing the economic affairs of the country. It was in the midst of this that government decided to reduce their stakes in banks and UBA was among the first set of banks, in which the federal government had majority shareholdings, to be privatised. UBA was privatised in 1993 and thus signalled the start of operations as a Plc.

The Plc status was to see a major reshuffle at the top, as the new private owners sought to rid the bank of government influence by removing a substantial number of directors and managers. The restructuring exercise began with the appointment of a new Chairman and a new CEO. The new chairman, a Harvard Business School graduate, had worked in the USA for a number of years before coming to Nigeria. On assumption of office, he set the wheel of change in motion to tackle what he described as "the old management's style and unwillingness to get attuned to modern management strategies". His first task was to sack over 60 top managers of the bank and to replace them with a new set of young, but experienced professionals. In addition, four new directors were elected to the board to

**Table 7 : DYNAMICS OF CONTEXT/PROCESS INTERACTION – UBA Plc.**

	<b>PRE-RESTRUCTURING CONTEXT</b>	<b>INFLUENCE OF CONTEXT ON BANK'S RESTRUCTURING EXERCISE</b>	<b>INFLUENCE OF BANK'S RESTRUCTURING ON CONTEXT</b>	
<b>O U T E R</b>	Liberalisation of the Nigerian banking industry, which increased the number of operating banks.	UBA was privatised in 1994 to signal the beginning of the restructuring process	More old generation banks were privatised and also adopted Strategic Planning Initiatives	<b>O U T E R</b>
	Increased use of IT/management consultants within the banking industry	Choice of consulting firm to carry out a major diagnostics of the bank leading to the drafting of the bank's strategic plans	More banks drafted Strategic Plans, which became synonymous with organisational restructuring	
	The financial crisis and the coming of the new generation banks	Focus on providing first class service to customers by improving branch operations and redesigning branch processes	More banks, including the new ones, embraced BPR as old bank customers went back to their former banks after reengineering. Customer service became the norm within the industry	
	Government regulations to increase banking activities in rural areas under the Rural Banking Scheme (RBS)	Branches established under the RBS - regarded as 'political' branches - will not be computerised. Adoption of a two-level approach to achieving connectivity	Increased pressure on CBN to change the RBS and to allow banks to sell off some rural branches to community banks and other interested buyers	
	Increased focus on quality customer service to remove the tag of "Armchair banking"	Introduction of customer relationship management as an integral part of redesigning branch processes.	Improved focus on marketing and customer relationship leading to the separation of marketing from other activities. Marketing-related activities were taken to the head office	
<b>I N N E R</b>	Little or no authorisation at branch level for cashiers	Empower cashiers to pay out money and use computer-based controls	Cashiers given authorisation limits and job title changed to "Tellers" to reflect new roles	<b>I N N E R</b>
	Lack of a standard practice in UBA branches	Drafting of the OPC manual to ensure better standardisation and co-ordination	Increasing number of banks invested in documenting their branch processes	
	A rowdy banking hall due to a lack of orderliness and queue culture leading to a practice referred to locally as "man know man"	Plans to remove "internal help" and to give equal treatment to all customers	Most bank customers started queuing up in branches to get served	
	The highly political environment of UBA due to the heavy involvement of government in the appointment of directors and branch staff	Massive retrenchment of staff, including board-level directors. Graduate recruits employed as contract staff and experienced professionals also recruited from abroad	An increasing number of banks started employing graduates to the post of Tellers as contract staff	

replace some of the previous directors who were retired. This change of top-level management was to have an impact on the future direction of the bank and the change process which the bank embarked upon.

Soon after privatisation, major reorganisation effort started in 1994 with the appointment of a major consulting firm (the consultants employed by Wema bank in the previous case) to carry out a major diagnostics of the bank and to make recommendations on how to reposition the bank for the new banking environment in Nigeria, post-liberalisation. The consultants carried out a SWOT analysis of UBA and came out with a number of recommendations which formed the mainstay of a Strategic Plan put together by the consultants. According to one of the Managers, the main aim of this strategic plan was to “combine the traditional strength of a big bank - some of which are its customer reach and the availability of cheap deposits - with the efficiency and the service delivery of a new generation bank”. Essentially, the Strategic Plan looked at every conceivable aspect of the bank including Branch Network Development, Human Resources Development, Business/Marketing strategy, Operations Procedure Development and Computerisation.

In computerisation, the bank sought to invest in modern state-of-the-art technology and aims to put technology right at the heart of its restructuring exercise. In a company report, this pivotal role of technology was stated clearly as “providing first class service to our customers delivered by well trained and highly motivated people aided by the best technology”. In reality, the bank aims to have over half of its branch network on a WAN using the VSAT technology and also to have the banking software BRAINS installed in over 100 of its branches, mostly in urban areas.

A direct consequence of liberalisation was the explosion in the number of operating banks within the country. A substantial number of the new banks are subsidiaries of foreign banks and some are local banks with a mixture of expatriate and local management.



A major consequence of the explosion in the number of banks is the increase in fraudulent activities and a surge in the employment of inexperienced and bogus operators, mainly interested in making quick gains. By the early 1990s, the banking system suffered a major financial crisis and a lot of customers lost money as a result of the actions of these individuals. The immediate impact on banks was that majority of customers withdrew their money from banks and vowed never to use banks again. Majority of the banks that went under were the new generation banks and for UBA and other old generation banks, this served as an opportunity to combine their strength, in terms of the reputation they had built up over the years, with the new technology input and focus on customer service brought in by the new banks.

This focus on customer service by the new banks was in reaction to the existing culture of a poor bank-customer relationship, which had existed before liberalisation. Given the small number of banks in operation then, and the near oligopolistic nature of the industry, customers had very little choice, were at the mercy of banks, and were forced to accept whatever level and type of service banks offered. However, with the coming of the new banks, a different approach to serving customers and a more advanced level of computerisation was introduced into the system and some of these later became the 'standard' within the industry. Old generation banks customers, influenced by some of these developments, started demanding the same level and quality of service, which consequently meant that the 'old' banks had to change.

For UBA, it was an opportunity to improve branch operations, because branches are the main outlets to improve customer service. Branch network development was to be approached from three fronts. The first relates to the branches established under the rural banking scheme and the need to reduce the number of such branches, either by closing them down (when government permits) or selling them off to community banks. The second approach involved a further expansion of the network of corporate branches to cover a wider range of customers. The bank's business/marketing strategy in this respect focuses on identifying potential market which needs to be penetrated. Three major

markets had been identified, which are the corporate sector to cater for customers in the energy sector and the MNCs, commercial sector and consumer sector to cater for the SMEs consisting mainly of local (Nigerian) businesses and retail customers respectively. Previously, much of the bank's focus had been on developing an all-purpose network of branches which catered for the financial needs of both the retail market segment and the corporate sector. However, the new focus on corporate banking service was as a result of the bank's realisation that its 'blue chip' clients deserve tailored services and customised attention, which could only be rendered through the development of the relationship banking approach.

The third aspect of branch development involved looking into how branches carry out their transactions, with a view to redesigning processes and to separate documentation of transactions from the actual transaction itself. Operations such as credit processing, treasury matters, cash deposits and withdrawal, and also procedures for opening new accounts all were identified to be redesigned in line with the new focus on providing "efficient and faster service to customers". In addition, the plan also included the introduction of performance management criteria with a view to having a "meritocratic" organisation in place of what existed previously. In line with this, staff were to be appraised at regular intervals and targets were to be set from the Head Office down to the branches, which the branch managers will in turn pass down to the various team leaders within the branch.

The redesign of branch processes served as an impetus for the establishment of a Business Process Reengineering (BPR) team in 1997 to oversee its implementation. According to the Manager of the unit – an MBA graduate from Wharton - "the BPR team was constituted to look at operations process across the bank and to redesign them for efficiency based upon best practices." The BPR team was responsible for the Public Relations campaign which preceded the restructuring by stating out what the restructuring was about, what the bank intended to achieve and generally stating out the business case for embarking on the project. In effect, this was meant to soften the ground

and prepare staff for the impending change. Simultaneously, members of the BPR team were being trained on reengineering techniques and were reading materials on BPR.

At the branch level, there were a number of politically motivated appointments, where top-level directors and managers who were appointed by government, felt the need to appoint their own 'men' to branches to facilitate access to branches, and satisfy government demands with as little disruption as possible. This particular practice was further reinforced by the enormous power given to branch managers especially in the area of lending and investments. Within the branches, branch managers were regarded as the 'king of the turf'. This over-concentration of power ensured that the branch manager and branch operations were within a touching distance of top management and directors who in turn were mostly responsible to the government. This practice of political appointments was to cascade down a step lower as branch managers also ensure that they have loyal staff working with them by appointing their own 'cronies' to work in the branch.

A major implication was the general air of apathy that existed within branches before privatisation and the subsequent restructuring exercise. Because staff had powerful "office fathers" watching over them, a substantial number of staff were not motivated to work. It was this general air of despondency that motivated the new management's attitude to staff during the restructuring exercise. One of the recommendations in the strategic plan was that UBA would have to overhaul its stock of employees to substantially improve the quality of staff. Therefore, the bank would have to recruit new staff who are able to carry the bank through the new competitive environment and personnel who are able to exhibit the sort of skills needed for maintaining good relationship with customers. In addition to recruiting new staff, a substantial amount of resources was going to be spent on staff training.

#### ***5.4.3 Implementing change: decisions and actions taken to effect change***

Implementation of the plan started in 1995 after the consultants disengaged leaving members of staff of the bank to carry out the implementation. The implementation

process kicked off, with different projects aimed at each segment of the Strategic Plan, all taking place at once. At the start of the project, implementation covered branch development, business/marketing strategy, operations procedure and human resource development. To oversee the implementation of the different strands of the Plan, the bank constituted several change management groups or divisions which were given the task of handling the different aspects of the plan. The first unit formed was the Strategic Management group, charged with the task of overseeing branch network development and designing the bank's business and marketing strategy. The SM group, headed by an AGM who graduated from Harvard with an MBA, is made up of 6 full-time members of staff with qualifications ranging from a Ph.D. in Economics to a B.Sc. in Accounting and Finance. The unit was designated with the task of ensuring that the bank stays on track in terms of its Strategic Plan and in carrying out series of studies and research into potential markets for the bank and also to carry out research into potential locations where the bank can establish branches. The Strategic Management group also carries out competitive analysis of the banking industry and also carry out economic research by analysing and interpreting the macro-economic environment and forecasting future economic trends.

Implementation of the project ran into a hitch after only some few months, as the bank was trying to implement all the different projects at once. It was realised that the scale of the project was too big and was not really working out. As a result of trying to do everything all at once, the bank lost ground with series of staff strikes. Staff who did not understand what was going on and those that felt aggrieved, due to the pace of change, decided to cause as much disruption as possible for the bank. As a result of these strike actions, two important decisions (as far as the restructuring was concerned) were made: first was to split the project up into its constituent parts and implement them on a project basis and the second was to cut down on the total number of staff.

Due to the slow pace of change, the bank decided to split the project up and implement them in stages. Rather than attempting to implement the changes all at once, the bank started the implementation process with branch network development by concentrating,

at first in 1996 with the corporate banking sector before moving on to the commercial banking sector in 1997 and consumer banking in 1998. Branch operations redesign started with the documentation of existing branch processes and the imposition of controls. According to the head of the SM unit: "It is good to talk about radical change (at least that is what we have on paper) but the implementation will force you to consider less radical options".

Problems with the unions also presented management with an opportunity to cut down on the number of staff. It was evident at the onset of the project that the restructuring was going to result in the massive layoff of workers, in view of the need to inject a new air of seriousness into the bank. By May 1997, when the discussions with Union about the fate of employees was going nowhere, management decided to ignore Union and 'wield the big stick' by sacking about 4000 employees (representing half of its total workforce) - in line with the need to inject new 'blood' into the system. Given the general air of despondency, and Union's reluctance to play along, management felt compelled to take this action as one of the Directors puts it:

"We spent the whole of 1996 battling the union and there were series of strikes as staff were aggrieved at the pace and scope of change because they could not absorb it all. While all of these was going on, management realised that not all of these people will be required to carry us into the new millennium and so on the 23rd May 1997, management fired almost half of the workforce. Before this, management had been trying to carry everyone along but it just got to a stage when we realised that we could not carry every one along and we had to make that drastic decision"

Undoubtedly, this massive retrenchment created a lot of ill feeling within the bank as a number of experienced staff were laid off and even those that survived the purge felt unsecured as to what would happen to them next. Management felt this was totally necessary given the recruitment policy adopted in the past when the bank was still government owned. Quite a substantial number of appointments (especially at the management level) were regarded as political appointments, where government cronies were appointment to the board. The new management therefore felt the need to purge the system of these employees and appoint new staff based on qualifications and banking experience to carry the bank through its new dispensation. This gave management the

opportunity to employ graduates and banking professionals – several of whom had either studied or worked abroad - to see the bank through the restructuring exercise, and beyond.

Towards the end of 1997, the restructuring effort of UBA was to take yet another turn. In October, a new Executive Director (ED) in charge of Operations was recruited to move the restructuring programme further forward. The new ED, who was in charge of bank operations and IT, had worked for a major American bank for over 25 years in several other countries as well as in Nigeria. This bank was regarded within the Nigerian banking system as the role model of how banking should be practiced. With the coming of the new ED, the direction of the change programme shifted considerably. Based on previous experience, he brought in a different focus to the restructuring exercise and particularly in restructuring branch operations and the role of IT. Essentially, he redefined restructuring at UBA and his new idea of restructuring was to concentrate on three issues, namely: standardisation, centralisation and computerisation.

With centralisation, the intention was to take out of the branches, procedures that were not necessarily done at the branches so that they can focus more on transactions that are customer-focused as opposed to back office type processing. According to the new ED, certain things clog up the branches and create a lot of work and one of this was cash counting. What he did was to set up a centralised cash management centre where all the bulk cash that are brought to the branches are transported and counted; that took a lot of the chaos out of the branches. The other thing he did under centralisation was that investment type products, which tends to be a little bit complicated in booking was moved to the treasury department at the head office. By doing this, branches only became a conduit for investment requests while the actual booking was done at the head office.

Another important element of centralisation was redesigning the inter-branch communication system. A lot of transactions that relate to different branches gets communicated through an inter-branch mailing system that was highly prone to fraud. Physical documents transferred between branches were being misplaced and manhandled.

So, he sought to eliminate this problem by computerising inter-branch communication with the introduction of SAP/R3 which is an enterprise-wide system to facilitate the communication of documents from paper-based to electronic in order to reduce fraud and manhandling of documents. The introduction of SAP/R3 was central to the computerisation arm of the new ED's change strategy. Implementation of the system was slated to take place in stages starting with the introduction of the back office module of the system in line with the centralisation initiative.

The third focus of standardisation came about because every branch in UBA processed transactions differently. According to one of the managers interviewed:

"If you happen to find any branch where transaction is similar to any other one, it is only by chance. Each branch was like an island to itself and booked transactions based on whatever they thought was right because the procedures and the controls were in people's heads and were not documented".

This meant that the initial plan to redesign business processes was changed as it was felt by the new ED that the problem was not actually with the old processes. The real problem was that processes were not properly documented and, as a result, staff were not aware of them. Consequently, the new ED sought to update the existing process manuals and put new controls in place to ensure that procedures were standardised. These procedures and controls were documented in what was called the Operations Policy and Control (OPC) manual. Essentially, this manual was a policy and control document that covered all areas of the bank's operations, focusing essentially on the minimum control that must be in place. In doing this, the new ED aimed to ensure uniformity in practices bank-wide. According a manager in the BPR team:

"Despite the fact that most procedures were general, we found out that there were major differences in practice. So, the idea was that if we document our procedures, then we can all do it the same way because we all have the same reference point."

The OPC manual was also meant to aid customer service because copies were made available in the bank library and in all branches. Any member of staff interested in any unit or operation within the branch can pick up the manual and read through to see if things are being done correctly. For processes that have interfaces, it was deemed useful

because it makes more explicit the trail of processes, making them more visible for staff to be able to respond to customer request and possibly predict how long it would take to complete a process, thereby giving customers accurate information. In addition, the manual was meant to aid in the training of new staff and serve as a reference material. According to the manager "it does not really matter how much of on-the-job training you give, new staff still need to have a reference document that they can go and access for information".

Training staff on the new OPC manual involved weekend training sessions followed by a series of case study-based tests for all branch staff, from branch managers to tellers. For the two categories of staff in the branch - the managers and the operators - the training schedule was split into two. The first aspect, which relates to the general management of a branch, was targeted at managers and it entails that they know everything that relates to branch management. This implies that they learn and know everything in the manual to ensure that they do their jobs according to the procedures of the manual. Managers were tested in the new procedures to ensure that they read the manual and not just put them aside. For the operators, training focused mainly on the part of branch operations where they function i.e. Cash and Tellers, Funds Transfer, Customer Service and Operations Management. According to the BPR manager:

"To ensure that the manual is used and not turned into an encyclopaedia that stays on the shelf, we decided to examine them on aspects of their job as contained in the manual and they have to pass the test. If they fail, they have to retake them until they pass."

The training sessions and the tests, at first, did not go down well with branch managers who felt that it was totally unnecessary. As a result, it was backed up with pressure from the top management to ensure compliance and thirdly it was to serve as a weeding out process for branch managers (BM). The implementation, training and testing on the OPC manual was meant to serve as a selection tool in line with the plan of having a meritocratic organisation:



"There was a lot of resistance initially with the branch managers complaining. So the ED told them that if you cannot do the test, then you are not fit to be a branch manager. The first time around most of them failed the test and they got a letter from the ED saying they have to do the test again and obtain the necessary 65%. Second time around most of them failed again and they were given a third chance at which point most of them passed and those that failed were moved elsewhere. Ultimately as part of the weeding out process there will be a part of the people right at the bottom, not just the BM but across the entire bank, who would not have a job anymore. But this would be after a very long haul because people, especially those from the branches, are coming from a disadvantaged position having been there all these while with little or no training over the years".

Implementation of the OPC manual was also meant to aid the standardisation initiative of the new ED and to put some structure into the branches. As part of the initial BPR study of branch processes, it was decided that there was no clear-cut structure in bank branches and staff were doing things in an adhoc manner. The OPC manual therefore, was aimed to give a clear structure that can be replicated across branches. Different units within the branch would be better informed of their functions as it was clearly stated and clearly defined in the manual.

#### ***5.4.4 Changes after restructuring***

The restructuring exercise at UBA led to a number of changes in branch banking. There were both structural and functional changes as well as cultural changes. One major structural change was the separation of functional areas and the creation of new areas of operation (See Appendix III for branch organisational chart). Branch operations were split up into two main divisions: operations and marketing. Operations consist of four main business areas namely, Funds Transfer; Cash & Teller; Administration and Logistics and finally Customer Service. All credit related operations were moved to the Head Office under the new Marketing Division that was redesigned to cover three distinct business areas of Consumer Credit, Commercial Credit and the Corporate Credit Groups. The corporate credit group deals with the provision of investment capital to large corporations including the multi-nationals corporations and the energy sector, while the commercial group focuses on the 'middle market segment' of the Nigerian economy. These include the SMEs, as well as other small businesses within the 'informal' sector. Finally, consumer credit deals with the provision of loans, ranging from personal loans, car loans, and mortgages to the personal customers.

Centralisation of credit processes resulted in some changes to the banking application software. Unlike previously when all credit decisions were made at the branch level, with the new arrangements, branch staff could initiate credit processes but are not allowed to make the final decision as to whether the credit will be granted or not. According to a senior manager, this decision was taken in order to curb fraudulent activities in the branch where credit decisions were often made not based purely on business criteria, and also to reduce some of the “powers” of the branch managers, who central management perceived as becoming too powerful. As a result, a link was established between the Head Office and the branches to allow the officers to access the branch system for the details of the credit arrangement and in turn enter their decisions, which the branch staff could then relay to the prospective customer. This served as a measure of control on the credit decision process where the approval and disbursement of funds were separated with one acting as a check on the other.

In line with the new focus on quality service to its customers, a new customer service point was established to attend specifically to customer requests such as the opening of new customer accounts, account balance requests and other requests such as cheque book and passbook requisition. This new department was established, amongst others, to respond quickly to customer request. According to a Senior Manager:

“Customer service is the main essence of all our operations. UBA Plc is totally committed to customer service, adding value to our client’s business as well as building an enduring partnership. Every part of the organisation is geared towards delivering a first class service to our customers”.

Because of introducing the new banking software BRAINS, branches are able to provide real-time information both to customers and staff. With the implementation of BRAINS, customers are able to check their accounts more frequently and an up-to-date picture can be given at the end of each business day. This has benefited customers more in the sense that they can receive their statements faster, and staff are also able to access and process information more quickly and can make quicker decisions in areas that affect customers.

Other changes include the length of time it takes to cash a cheque. Prior to the restructuring and the installation of the applications software, it takes anything up to 8 hours to cash a cheque and most customers leave their cheques with the teller to come back hours after to complete the transaction. However, with the restructuring and the implementation of the new system, customers are able to cash their cheques within minutes as opposed to the hours they were used to. The new system was able to help in this respect through the reduction of the authorisation time between tellers and head tellers. Previously, when tellers need authorisation, they would call the attention of head cashier who would call physically at tellers' counter to authorise the payment and verify customers' signatures. However, with the new system, head tellers do not go to the tellers' counters, but call up transactions from their own system, verify the signature and authorise the payment. Once the transaction is approved, it will appear on tellers' terminals and they can then proceed to pay customers.

These further led to some behavioural changes, as customers who come to the branch to ask for the branch manager or other branch staff with the hope of seeking their 'assistance', were subsequently told to queue up and get service normally with any of the cashiers. Similarly, the culture of orderliness has been inculcated as customers now see it as important to queue up in branches in order to get served.

Changes to the staffing of branches involve the change of cashiers' title to that of tellers to specify a wider and empowered role for the cashiers. Cashiers are no longer just in charge of collecting and paying out cash but more involved in giving advice to customers. In addition, the bank now use graduates as tellers, and the bank is among the growing number of banks that use contract staff as tellers. Although the use of such graduates has improved the profile of tellers, however, the fact that they are contract staff has raised some questions and practical issues of 'trust' given that these sets of staff have a supposed "tenuous" link with the bank. Similarly, the wholesale sacking of 4000 staff in 1997 and the introduction of the OPC manual and test has stirred up remaining members of staff. The downside of this, perhaps, is the claim by some staff that they have been working consistently for up to 3 years without taking any leave for fear of losing

their jobs. The drafting of the OPC manual, the documentation of branch operations and the segregation of duties has resulted in a highly functional branch network in which clearly delineated set of functions are specified in the manual. Staff are not expected to cross functions and could only work within teams as opposed to working across teams.

**Table 8: UBA Plc. - Summary of important dates/events**

<i>Year</i>	<i>Events</i>
1961	UBA Plc was registered under the Nigerian legal system by consortium of 5 international banks that took over the business of the former British and French Bank Ltd.
1973	Bank was taken over by the Nigerian government as part of the indigenisation programme
1973	Start of computerisation with the appointment of a firm of IT consultants to define bank's IT plan and infrastructure
1976	Bank's first major IT project with the installation of the B1 Accounting System at the Head Office in Lagos
1985	Installation of the B1 Accounting System in 7 branches in Lagos
1989	Installation of the MicroBoss Accounting System to allow for independent branch processing
1993	The installation of a 'home-grown' software package – BRAINS – in 2 "strategic" sites (branches); BRAINS allowed for better decentralisation & branch processing
1994	UBA was privatised in line with wider changes in the industry
1994	BRAINS installed in all Lagos branches and some "important" branches outside Lagos; branches are linked to achieve inter-connectivity
1994	Bank appointed consulting firm to carry out "major diagnostics of the bank" and make recommendations on how to "reposition the bank in the face of changing business environment"
1995	New chairman – a Harvard Business School graduate – appointed to spearhead the "repositioning" initiative
1995	Implementation of "repositioning" initiative started
1996	Extensive discussion with banking union over the "pace and scope" of change
1997	4000 staff sacked as part of the "repositioning" exercise and inconclusive discussion with union
1997	As part of the "repositioning" initiative, operations and IT departments merged and a new Executive Director (ED) was appointed to head the new department. New ED changed the focus of the "repositioning" exercise
1998	BRAINS installed in 60 branches with 40 of them linked by VSAT

Since reorganisation, the bank has also introduced a number of technology-based products and services such as the UBA Easycard, which is a cheque guarantee card aimed at reducing the dependence on cash; the UBA Valucard, which is an electronic purse based on smartcard technology, targeted at reducing the burden and risk of carrying cash around for transactions. According to a director of the bank, smartcard-based products are well overdue for the Nigeria market given the over reliance on cash with its attendant problems:

“Nigeria is developed, in relative terms, to most other African countries and there is too much cash circulating within the economy. It not uncommon in Nigeria to see private individuals conducting cash transactions that run into millions. Therefore there is a need for electronic and card-based banking products such as Easy card”.

Other services include MoneyGram international funds transfer that allows for the transfer of money from any part of the world to Nigeria; and also the UBA Save for school initiative. Through this scheme, the bank offers educational financial assistance to savings account customers who are able to meet certain qualifying conditions. Customers are encouraged to keep a certain amount in their account for a period of time, after which they are nominated for a bursary award. Another new product that has recently been introduced is the Global Depository Receipt Programme which allows the bank to raise capital in the USA and European securities market through private offering to large institutional investors known as Qualified Institutional Buyers. Through this programme, the bank recently sold 30.7% of its equity (307.1m shares) to five foreign investors who have also taken up membership on the bank’s board<sup>71</sup>

## **5.5 Summary**

This chapter has provided two case studies illustrating the implementation of technology and organisational change initiatives in two Nigerian banks. Both banks, in response to changes in the context of operation, responded by initiating major programmes of reform in which computerisation, branch development and reorganisation was a major component. Both banks employed the service of a major international consulting firm and were subsequently given similar recommendations. However, the implementation of

these recommendations in both banks, as described in this chapter, resulted in significant differences within the various branches of each bank and also between the two banks. It is the analysis of such differences and what it implies for the transfer and implementation of global practices in local contexts that we consider in the next chapter.

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<sup>71</sup> See, “International investors take five seats on UBA Board” (Vanguard, 12 December, 1998)

# Chapter 6

## Analysis and Discussions

### 6.1 Introduction

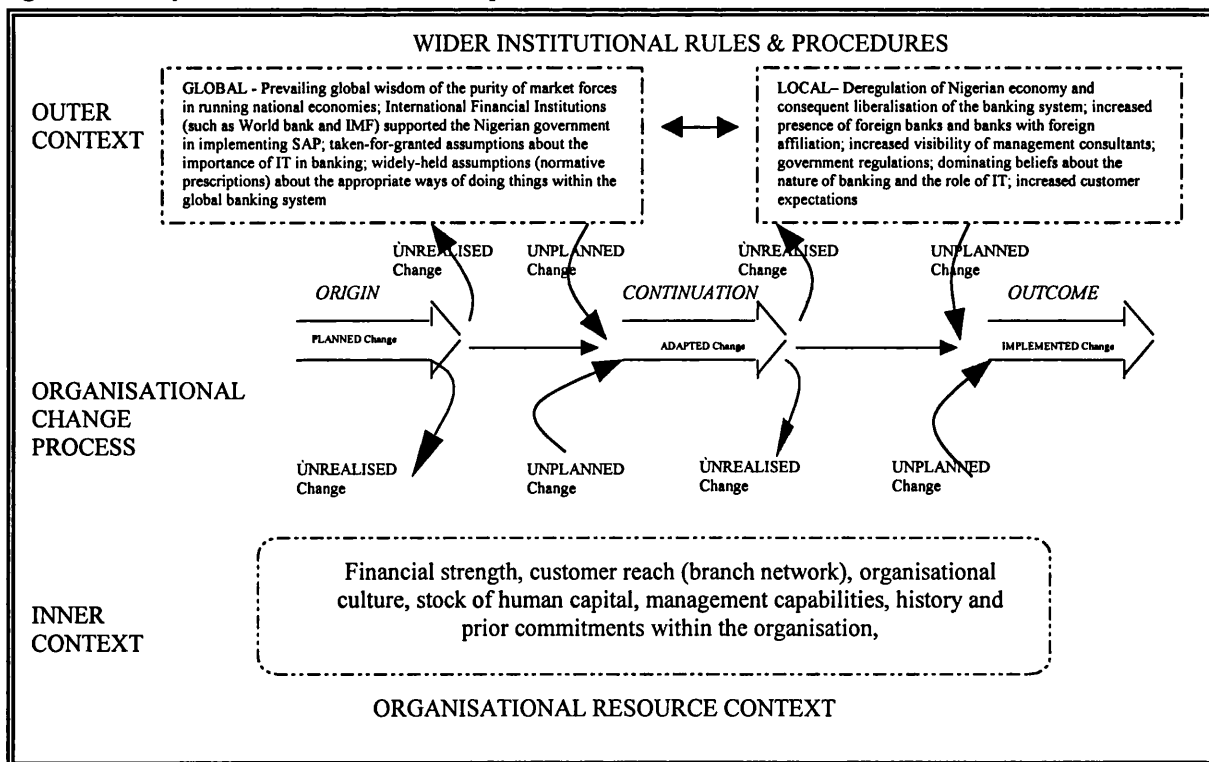
From a contextualist perspective, why is the implementation of IT and organisational change programmes in the two banks found as it is? In this chapter, an attempt is made to provide answers to this question. In the sections to follow, we will attempt a synthesis of the conceptual models discussed in chapter 3 to lay the foundations for an analytical model of local adaptations to planned technology-based organisational change programmes. This model will serve as a framework for analysing planned organisational change initiatives in the two case studies presented in the previous chapter.

### 6.2. Local adaptations to global practices: an analytical framework

An important part of a contextualist model is how the inner and outer contexts influence, and are influenced by the process of change. Walsham (1993) regards this linkage as being of crucial importance in understanding how technology and organisational change are constrained by the context in which they are taking place and in turn how they maintain or alter the context. This linkage between the context and process of change has been a major concern of organisation and management researchers over the years. The important linkage between structure and action takes from the view that organisational actions are neither purely deterministic nor purely voluntaristic (Van de Ven, 1988). Pettigrew (1983) also talks of the importance of adopting a non-linear and rational approach to the study of organisational change. He suggested that to examine change, we need to examine the interaction of the rational and the non-rational, the social as well as the economic and the enabling and constraining forces of intra and inter-organisational contexts and to examine instances where a combination of both elements takes place.

According to Mintzberg's typology organisational change, especially realised or implemented change, can be conceived of as consisting of the deliberate and intended plans of management as well as the unintended plans and actions that unfold as change progresses. However, Mintzberg's model has been criticised as making too big a leap from the intended to the realised and therefore paying less attention to the process by which the intended gets realised (Tsoukas, 1989). Such a focus on process is regarded as essentially important for organisational and managerial actions. In addition, Mintzberg's strategy typology could not adequately account for the multi layers of contextual pressures and demands, which are found to influence IT and organisational change in contemporary times. To make up for these limitations, it may be appropriate to expand on Mintzberg's model to be able to account for how and why change processes move from the intended or planned to the realised or implemented. Such an elaboration is achieved here by incorporating ideas and concepts from both institutional theory and the resource-based approach within the contextualist framework, to explain how global practices get adapted and implemented in a DC context (Fig. 6.1).

**Figure 3 : Analytical Framework: Context/process interaction**





### *Origin: Planning for change*

The process of change starts with an explicit decision by management to implement a programme of change. Such programmes are introduced into the organisation as planned change and they consist of blueprints or guidelines on which the change initiative will be based. They also involve the setting of goals and objectives to improve how the organisation functions. These goals and objectives entail a plan of how the organisation is going to respond to changes in its environment and exploit new opportunities engendered by such environmental changes (Porter, 1980). In addition, they may also involve the implementation of new IT to transform the organisation and design new business processes (Hammer and Champy, 1993). These constitute the **planned change** initiatives or programmes. In introducing these initiatives, management may employ the services of external agents such as consultants who would diagnose the organisation in relation to its environment and suggest possible new approaches to redesigning organisational processes.

As well as resulting from the rational efforts of management and consultants, planned change initiatives may also be in response to wider expectations of the appropriate ways of doing things. Sometimes, government mandate or regulations could also be the source of the plan to bring about changes in the organisation when decision-makers respond to or comply with these regulations. Planned change initiatives of management could also be taken in concert with other decision-makers within the community or environment within which the organisation operates. By being part of a wider community discourse, such plans may be in line with widely held beliefs and assumptions of how to do things within the wider community (Swanson and Ramillier, 1997). In contemporary times, the wider community of an organisation includes both its ambient society as well as the wider global context.

Global social and cultural pressures influence organisational actions in the form of normative prescriptions spelling out the appropriate ways of doing things. Tillquist (1996) refers to such prescriptions as “cultural models” that regulate the activities of organisations. From the globalisation perspective, Kaye and Little (1996) talks about “standards” which are regarded as the appropriate means of achieving ‘inter-operability’ among diverse organisations; standards can be regarded as a response to the globalisation

process. Such standards can be used in highlighting technical infrastructure and requirements of organisations, and it could also relate to what constitute 'appropriate ways of doing business'.

These standards or cultural rules are spread by professional practice and within popular management discourse. According to Swanson and Ramillier (1997) as IS professionals, management consultants and other agents of change move across organisations they tend to spread their traditions of practice. These traditions, in turn, may impact on the change efforts of organisations and may also become taken-for-granted rules and prescriptions which govern the practice of organisational change and utilising IT, which all organisations must adhere to in order to survive.

Examples of these found in the literature about planned technology-based organisational change are: that planned technology-based change are management-led, top-down change which are designed in advance of the change initiative by top management and consultants (Levy and Murray, 1986; Ginsberg and Abrahamson, 1991). As a result, it is this design or plan that influences management's ability to 'make and implement timely, technically and economically sound, and organisationally acceptable decisions' (Weick, 1993). These decisions made by management then affect the effectiveness and successful implementation of the change initiative. Specifying the role of IT, it is suggested that IT takes a leading role in the change process where the technology can be deliberately employed to bring about substantial changes to an organisation.

At the more concrete level, planned technology-based change programmes like BPR also suggest radical redesign of business processes starting from a 'clean slate' or 'greenfield site' (Hammer and Champy, 1993). With IT and BPR, employees' roles within the organisation can be widened and workers are "empowered" to take on more responsibilities, based on the power of IT which makes more and better information available (Hammer and Champy, 1993).

In banking, the use of technology such as ATMs has come to be regarded as taken-for-granted such that any bank that wants to compete effectively in contemporary times, must invest heavily in IT and ATMs (Essinger, 1993). The increasing use of IT in banks has shifted the emphasis from branches as the primary means of delivering services to customers. This has led to the closure and/or merging of branches to make way for new methods of delivering banking services. There is a renewed focus on the use of new technology-based delivery mechanisms such as electronic kiosks, Internet banking and phone banking.

Influenced by some of these prescriptions management, with the aid of consultants, design the blueprint upon which the organisation's change initiative will be based. It is this plan, which may be based on a formal change technique such as BPR or TQM, that will be the focus of the implementation stage.

*Continuation: Implementing the plan*

Once the plans are made, appropriate courses of actions will be decided upon to bring the plans to reality. However, because actions are not totally under the control of individuals (DeCocks, 1996; Weick, 1993), they are often influenced by their context. Therefore, the appropriate course of action decided by consultants and management may become subjected to influences from both within the organisation and the external environment. At the organisational level, management may need to evaluate the quality and amount of resources at its disposal and assess whether and to what extent existing resources will be sufficient to carry out the plan. If resources are available, management may go ahead with the plan as intended and if not, alternative or additional resources will be sought, perhaps using its reputation or financial leverage to obtain these additional resources. If the resources are unavailable, management may need to shelve part of the plan and how much of the intended plan will be implemented.

In addition to financial and reputational resources, other organisational factors which may influence the carrying out of the intended plans are the culture and tradition of doing things within the organisation. Certain ways of operating within the organisation may

have been enshrined into the fabric of the organisation. Where new plans for organising are seen as contrary to this established pattern, management may be unwilling to change from the old ways which may have served them well. This institutional inertia (DiMaggio and Powell, 1992) or cognitive sunk costs (Oliver, 1997) may therefore prevent the adoption of the new plans or perhaps may lead to a new configuration of the plan.

Other studies have also shown that organisations do not just compulsively conform to institutional demands; that in fact organisations are active in creating and defining institutional arrangements (Scheid-Cook, 1992). Through a process of enactment, organisational members interpret and create their own definition of environmental demands to suit their needs and in accordance with the history of the organisation, its resources and its culture. When organisations construe the environment, they create a context for actions which are aligned to the newly construed environment. Enactment process therefore examines the ways in which organisational members select, manipulate and/or ignore institutional arrangements (Pfeffer and Salanick, 1978). This will have implications for the planned change initiatives, which may lead to modifying the original plan or adapting the plan to suit the demands of the organisational context.

From an institutional perspective, organisational change does not always entail a deliberate or conscious action; rather actions take place unconsciously as a result of widely-held views and taken-for-granted assumptions within the organisation. According to Zucker (1987), constitutive expectations in the form of norms of behaviour play a more active and important role in explaining change than the individual interests of organisational members. According to the author, “processes of organisational change are ... based on preconscious understandings that organisational actors share, which is independent of their interests” (Zucker, 1987). From this perspective then, adaptations also occur when members of the organisation ceremoniously act to sustain certain taken-for-granted assumptions or realities within the organisation and the wider socio-cultural contexts. Therefore, the planned change as contained in the management or consultant blueprint may become modified and becomes the **adapted change**. This adapted change, in addition to consisting of calculative and planned decisions of defining the feasibility of

implementing the planned change vis-à-vis organisational resources and practices, also involves the symbolic and unconscious actions of organisational members when they unquestioningly perpetuate long-established traditions of doing things within the organisation as well as widely-held beliefs emanating from the external environment.

*Outcome: Realised implementation*

Therefore, realised or **implemented change** emerges out of the deliberate decisions made within the organisation as well as outside of conscious and deliberate plans. The explanation of local adaptations to planned change will thus focus on decisions and actions taken to implement the plan and to make it workable in different contexts. In this respect, the outcome of the change exercise could not have been adequately explained by reference only to the guidelines of top management or change agents, but by concentrating on the streams of decisions and actions taken at different stages of the implementation process and at different levels within the organisation. It is argued that these streams of decisions and actions are both rational and symbolic. It is suggested therefore, that the above schema can be used to explain the dynamics of the two reported cases. Its application is demonstrated in the next section by initially discussing separately, and then comparing, the cases of Wema Bank Plc and UBA Plc.

### **6.3 Another look at Wema Bank: planned, adapted and implemented change**

For Wema bank, the deliberate guidelines on which the process of change was based are to be found in the strategic plans which management - in conjunction with consultants - drafted in 1990 and 1993 respectively. These represent Wema bank's response to changes in the environment within which they operate. Perhaps, the greatest impetus for change in Wema bank was the deregulation and liberalisation of the banking industry which paved the way for the privatisation of the bank in 1990. Privatisation brought a new focus of a corporate bank to remove the image of a government-controlled bank.

Additionally, the liberalisation of the industry also brought in a whole new set of banks with different approaches to providing banking services in Nigeria. This new and improved provision of services became the norm or standard of service provision within the industry when customers of the old banks started asking for the same level of service. Therefore, management perceived that the structure of the industry as well as the norms of practice are changing, which therefore meant that the bank had to put some structures in place to respond to these changes in its environment. Clearly influenced by developments within the industry, the CEO at that time stated:

“In 1988, the need to plan for the future became a reality as it became increasingly obvious that planning at the corporate level has become a prerequisite for success as a result of the deregulation and increasing competitiveness of the Nigerian banking industry<sup>72</sup>”.

Wema bank’s response to changes in its environment was to institute some strategic plans which was to form the basis on which subsequent change initiatives were built. According to management, changes within the banking industry demanded that the bank transform itself completely and this transformation was to encompass all areas of the bank including its culture, management style, staff profile, service provision and in the use of information technology:

“If Wema Bank’s decision to move from being a primarily government-controlled and regional bank to that with a national outlook and coverage is to be realised, then a fundamental change in management approach and organisational culture is needed to be accomplished<sup>73</sup>”.

An international management consulting firm, in consultation with management, drafted the bank’s strategic plans. In drafting the plans, the consultants carried out major diagnostics of the bank and made a number of suggestions based on their understanding of the challenges facing Wema bank and the appropriate way(s) to respond to these challenges. The first strategic plan, which was drafted in 1990, formed the basis upon which subsequent plans to restructure were built, by providing a statement of management intent as to the direction of the bank for the first two years after privatisation.

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<sup>72</sup> See, Adegbite (1994)

<sup>73</sup> See, Adegbite (1994)

The cardinal features of the first strategic plan were based on achieving a substantial level of change in three key areas namely: Geographic Spread; Business Focus and Image Management. In 1993, the first plan was replaced by another strategic plan, which essentially was the blueprint for much of the restructuring that took place in the bank between 1995 and 1999. The major component of this plan was the Branch Process Reengineering initiative with the central aim of achieving better service delivery by “significantly improving retail banking efficiency”.

A closer look at the implementation of the BPR project between 1995 and 1999 revealed some interesting issues and events relating to organisational resources, institutional demands and IT-enabled reengineering. Evidence from the implementation process suggests adaptations to the BPR initiative. Members of the organisation, including the top management, the implementation team and branch management drew upon their own beliefs and understanding of what was feasible and desirable in implementing BPR, based upon the culture, history and resources of the organisation as well as the demands of the institutional environment.

The adaptation process led to different participants modifying the plans to suit their particular definition and context. In addition, instances of adaptation based on institutional inertia were demonstrated in the study. In discussing these adaptations, we identified different levels of the organisation at which different types of adaptation took place (Table 6.1). First, we identified adaptations at the corporate level when management redefined BPR to suit organisation’s resources and traditions of practice. Secondly, adaptations were identified at the branch level where the original plan from the top was redefined by branch management to suit how the branch operates and the nature of the branch’s customers. We will discuss each one in turn.

### ***6.3.1 Management level adaptations: The three-tiered approach to restructuring***

The first level of adaptation was the decision by management to adopt “a careful and calculated approach to computerisation and reengineering”. This involved a cautious approach to branch automation and investment in information technology. In practical

terms, the bank's pragmatic approach meant that the BPR project addressed the diversity of branches in its network. The bank introduced new computer systems only in selected branches, and the level of restructuring that took place was based on the size of the branch, the volume of transaction, the types of customers and whether it was a rural or urban branch. According to the CEO of the bank:

“Based on the effort, financial commitment and time required to roll-out these (new) procedures, it was decided that the inclusion of some branches in the roll-out plan would amount to a waste of resources, given the existing and likely future transaction volumes and business opportunities in these branches”

This entailed a redefinition of BPR, quite different from that envisaged. Consequently, it led to the total exclusion of the bank's 21 rural branches and a three-tiered approach to restructuring the remaining 51 branches. These three layers of the BPR project are re-engineering, re-designing and streamlining. The top end – which was *re-engineering* – involved investing in state-of-the-art technology, new banking application software and network inter-connectivity in a small number of “strategic” branches, with “high-end” customers and which contributes the most to the bank's earnings. The next tier of BPR consists of *redesigned* branches. This layer consists of the largest number of branches regarded as important to the bank's earnings but not strategic enough to warrant investing in new technology. Branches in this category were restructured but did not have any new technology introduced. Rather, existing software and hardware were upgraded and then put back to use. The third category of BPR involved restructuring the operations of branches, but with no technology input. These are the *streamlined* branches. Existing manual systems were re-worked and changes made to the aesthetics of branches, but essentially data was still kept on card files and signatures are verified manually with the use of mandate cards.

This particular decision was influenced by both organisational and external factors. External influences that were found to be at play included the directive from the government that, despite the abolition of the Rural Banking Scheme, all branches opened under the scheme are to be kept opened. This meant that the bank had to keep all of its 21 rural branches in operation despite the fact that some of them are not “economically



viable”. A resource-related factor was the sheer cost of computerising the branches, the financial strength of the bank and the productivity of each branch. Given that it cost between 12 and 15 million Naira<sup>74</sup> to implement the new banking software (Globus), the bank decided to introduce Globus only into those branches regarded as “strategic” in terms of volumes of transactions and contribution to the bank’s overall earnings. This 3-tiered approach to reengineering was to later become the norm or standard within the industry as subsequent change initiatives in other banks were modelled around this approach.

### ***6.3.2 Management level adaptations: Rotating staff for reengineering***

A long-established tradition, in terms of human resource management, had led to what was known in the bank as the culture of a “Wema family”. Given this tradition, the bank realised it was going to be difficult to adopt the initial suggestion of sacking staff without university degrees. This was in view of the fact that over the years, Wema bank’s recruitment policy had been geared towards building a team or a ‘family’ of employees, not purely based on academic qualifications or other formal methods of recruitment. The culture of “Wema family” has thus led to a relatively stable workforce and a low employee turnover that has consequently led to an experienced team of professionals, some of whom had been in the services of the bank for more than 20 years. This experience and stability had, over the years, served the bank well and constituted a major source of strength for Wema. To sustain this culture, management therefore redefined the concept of BPR as stipulated by the consultants, based on their own construction of Wema ‘reality’ in terms of the bank’s recruitment policy. According to one of the Managers interviewed:

“If you look at the staff profile, you discover that even some of the Directors do not have a BSc. These people are vastly experienced in banking, they can tell you banking -and especially as it relates to the Nigerian environment - in and out, but they do not have a BSc. However, their experiences are extremely valuable and you cannot just wish them away”

This redefinition instead led to a system of rotating staff between branches and retraining staff for the new challenges of a reengineered organisation. The few redundancies that

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<sup>74</sup> 110 Naira = U.S. \$1 (2000)

occurred were made voluntarily and consisted mainly of staff in the twilight of their careers with the bank. Whereas, the consultants on their part defined Wema bank's needs in terms of overhauling the entire staff profile, to management this conflicts with their long established policy of promoting a 'family' of staff.

### ***6.3.3 Management level adaptations: Selecting the implementation team***

In selecting the implementation team, the original plan was to appoint a senior manager to head the implementation team so as to give the team the "necessary power and authority" to carry out the expected changes. However, based on management's past experiences in dealing with the union and based on the experience of other banks' confrontation with the union, a member of staff from the middle management cadre - who was still a member of the union - was appointed to head the BPR implementation team. The importance of this was that anytime the union tried to raise some concerns, management was quick to point out to them the involvement of their members in the project and the fact that one of their members actually headed the implementation team.

At a particular meeting between the Board and the Union, (union) members wanted to know why, despite the huge profit declared by the bank, only a small fraction went to staff pay rise. The MD/CEO directed union members to ask the head of the implementation team (who is also a member of the union) for an explanation and that he will explain to them (union members) that the bank had been spending money on BPR and investing in new technology. According to the team manager:

"The whole idea is that as a union member, what ever I say will be believed by the union leaders as they would not start thinking that I am working against the interest of the union"

According to the manager, this may not have been possible if the head of the implementation team had been a senior member of staff who is no longer a member of the union. In this particular example, management was able to use their capability and 'knowledge of the terrain' to checkmate the union and to cover their backs. This was regarded as one of the factors responsible for the rather smooth implementation of the project at Wema - as most of the problems other banks had was with the union.

#### ***6.3.4 Branch level adaptations: Accommodating 'local culture and politics'.***

One of the important tenets of BPR at Wema was the desire to eradicate the practice known in local parlance as “man know man” and the idea that with reengineering, everybody gets treated equally. This equal treatment was meant to translate in practice that it was not necessary for customers to know anyone in the branch before conducting business, and all that was necessary was for customers to take their turn by queuing up until they get served. However, the reality of the situation is that given the culture of the Nigerian society, certain groups of people with leadership status within the society are not expected to queue up in bank branches. Therefore, there was a need to accommodate such people even within the reengineering initiative. According to one of the branch managers interviewed:

“Given the nature of our branch and the type of customers we have, we still try to accommodate some set of people, like for instance, the chairman of the local government council or the traditional head of this community. If such a person comes in to the bank we cannot ask him to queue. What we do is to send him up to the bulk room away from the main banking hall and from the glare of other customers; here he can get service quicker”.

In other branches of the bank (such as in corporate branches), this was not the practice and branch management did not see a need for this modification, given the type of customers they serve. In effect, this local form of accommodation led to a toning-down of the initial plan to serve every customer equally. Given the demands of its cultural setting, a branch of the bank had to find ways to accommodate some of these idiosyncrasies of its local context.

#### ***6.3.5 Branch level adaptations: Semi-automated authorisation***

Another important expectation from implementing BPR was the adoption of an “efficient and effective computer-based controls” in the form of on-line approval based on new authorisation limits at reengineered branches. These new authorisation limits was in line with the ‘empowerment’ initiative of reengineering as more customer-facing staff (such as tellers) were given more autonomy in carrying out their duties - especially in paying out cash to customers. The new authorisation limits, which were programmed into the banking application software, allowed staff to authorise and pay out only those limits

awarded to them and allowed by the system. In all branches, the Branch Manager has the highest authorisation limit of 50,000 Naira.

However, this translates to some form of restriction for branch managers who, based on the new reengineering initiatives, were expected to focus more on marketing-related activities and building strong and viable relationships with customers. This focus on marketing and customer relationship meant that branch managers operate more outside the branch and so a potential situation exist where the branch manager would be out on marketing duties and there would be cash withdrawal requests of over 50,000 Naira waiting to be approved. In a high inflationary economy such as Nigeria's, cash withdrawals of over 50,000 Naira is a very common phenomenon.

To get round this problem in some branches, branch operations team leaders (BBOTLs) were allowed to pay out cash of 50,000 Naira and over. This practice was actually started in a particular busy branch, when the branch manager took the decision that his Branch Banking Operations Team Leader (BBOTL) should authorise payments of 50,000 Naira and above when he (Branch Manager) was not present in the branch. Although the software would not allow the BBOTL to authorise the transaction electronically, he can still give the go ahead and do a manual authorisation pending the arrival of the branch manager who will do the electronic authorisation on his return. According to this manager:

“When Globus (applications software) was first installed, it conflicted with reengineering service time because Globus was so designed that there must be 3-level authorisation with the manager having the highest level of 50,000 Naira. As you may know, in Nigeria of today 50,000 Naira is a small amount of money. So this is a constraint to service delivery because if I have to see every customer of 50,000 and above we would not go on time. So what was suggested - and was adopted - was that we need to get a strong and reliable BBOTL who will deputise for the manager when he is not around or he is busy with something else. By this we can terminate the service with the BBOTL and do our own system authorisation after the customer had been served. This is the only way we can blend the reengineering concept with Globus and achieve the required downtime”

In the branch manager's view, the new authorisation limits present a constraint to service delivery because customers would have to wait for his approval - which may compromise

the faster response time promised with reengineering. In effect, what we have is a mixture of both on-line (electronic) and manual authorisation as opposed to the all electronic authorisation envisaged at the onset of the project. Nigerian economic situations (i.e. high inflation, the heavy reliance on cash and the large number of over 50,000 Naira withdrawals) influenced the manager's decision and led to a need to adapt the original plan.

**Table 9: Types of adaptations and influential factors – Wema Bank Plc.**

<i>Adaptations at the management level</i>	<i>Resource and Institutional Influences</i>
Three-tiered approach to reengineering	<ul style="list-style-type: none"> <li>• Government regulations in the form of the Rural Banking Scheme</li> <li>• Size of branch network</li> <li>• Financial strength of bank and cost of computerisation</li> <li>• Wider societal expectations due to close ties with rural communities, inter-communal rivalries</li> </ul>
Selection of the implementation team	<ul style="list-style-type: none"> <li>• Management capabilities in the form of their 'knowledge of the terrain' to check the unions</li> </ul>
Rotation of staff during reengineering	<ul style="list-style-type: none"> <li>• Bank's recruitment policy</li> <li>• Culture of a "Wema family"</li> </ul>
<i>Adaptations at the branch level</i>	<i>Resource and Institutional Influences</i>
Accommodating local culture and politics Use of the bulk room to attend to 'special' customers	<ul style="list-style-type: none"> <li>• Societal culture and expectations</li> <li>• Power distance/respect for traditional rulers</li> </ul>
BBOTL to authorise payment of funds Electronic authorisation after payment Semi-automated authorisation procedure	<ul style="list-style-type: none"> <li>• Nigerian economic environment</li> <li>• High rate of inflation</li> <li>• Institutionalisation of cash as a payment method</li> </ul>

## 6.4 Summary

In sum, implementation of BPR at Wema bank had taken place through a number of modifications to the technique of BPR to fit the local context. Both the resources of the organisation as well as wider institutional rules and expectations influenced such adaptations. For instance, the pragmatic approach to computerisation meant that despite the importance of branches to the bank and the idea of "mobilising rural funds", computerisation may not necessarily be the only answer as some of the rural banks will

not be computerised. This led to the idea of a three-tier BPR. According to one of the managers, the management consultants came in with “a lot of Hammer and Champy in their head” but the realisation was that the Wema situation was different.

## **6.5 Another look at UBA Plc: planned, adapted and implemented change**

Similar to Wema bank, the process of change had been influenced by both the inner resource context as well as the demands of the wider institutional context. Just as in Wema bank, a major driving force for change in UBA was the deregulation of the Nigerian economy and the consequent liberalisation of the banking industry, which led to the privatisation of the bank in 1994. Privatisation immediately brought about a change in management especially at the board level. Also with privatisation came an urgent desire by the new directors to rid the bank of “government cronies” who were then sitting on the board. This, it was hoped, would give the bank the new focus of a corporate bank thereby removing the tag of a government bank.

The liberalisation of the industry and the attendant increase in the number of operating banks - coupled with the new and emerging focus on customer service and improved technology use - forced UBA’s new management to embark on strategic planning. The aim of the strategic plan was to combine the strength of UBA - which being an old bank were its huge customer base and the availability of cheap and stable deposits - with the flexibility, responsiveness and quality service-delivery focus of a new generation bank.

The result of adopting the strategic plan was the bank’s “restructuring and repositioning” exercise which commenced in 1995. Describing some of these challenges which had forced the bank to embark on this exercise, the Chairman of the bank noted that:

“...the international and local contexts of banking business have been faced by such emerging challenges as the sustained attack on the market share of the big banks by leaner and younger players; ... [and] the growing sophistication of bank customers in an increasingly competitive environment<sup>75</sup>”

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<sup>75</sup> See, “UBA’s Belo-Osagie lists challenges of banking” (Vanguard, 13 November, 1997)

According to management, changes within the banking industry demanded that the bank transformed itself completely and this transformation was to encompass all areas of the bank. This was made clear by one of the directors:

“The board of UBA was convinced that the prevailing corporate culture, organisation structure, sheer size, and degree of efficiency of resource was needed to be significantly reviewed if the bank was to enter the 21<sup>st</sup> Century as a major player in the country.”

A change management team, consisting of key officers experienced in different aspects of the bank's operations, were brought together to work with the management consultants. Their brief was to assess the bank in terms of its strengths and weaknesses and to come up with a vision of how the bank would progress in years to come, especially with changes in the banking environment. The team came up with a report which formed the nucleus of the bank's strategic plan and on which much of the restructuring and repositioning was based. The cardinal features of the Strategic Plan were based on achieving substantial level of change in four main areas namely: Computerisation, Operations Process Re-engineering, Branch Development and Staff Training and Development.

Inspired by the recommendations of consultants, management perceived the task of restructuring UBA with utmost urgency based on their perception of the pace of developments within the industry. As such, it was decided that all the projects identified above would be carried out concurrently so that the bank would not lose ground to changes in its environment. Work commenced immediately on the implementation of the projects and project teams were formed to handle the different projects. The Strategic Management and Business Process Re-engineering (BPR) teams were formed to handle Branch network development and process reengineering and staff training respectively. The IT unit which was already in place was upgraded by bringing in new staff to take over the computerisation part of the plan. Much of the computerisation initiative centred on implementing the homegrown applications software in BRAINS at all the branches. However, by the time data was gathered on the status of the restructuring exercise in 1999, much of the original plan contained in the strategic plan had either been dropped or modified. The implemented

change, at the time of collecting data, showed a series of modifications and adaptations at different levels of the organisation including the management and branch levels (Table 6.2).

**Table 10: Types of adaptations and influential factors – UBA Plc.**

<i>Adaptations at the management level</i>	<i>Resource and Institutional Influences</i>
Radical plan; incremental implementation	<ul style="list-style-type: none"> <li>• Staff strength</li> <li>• (Non) availability of “capable” staff</li> </ul>
Two-tiered approach to inter-connectivity	<ul style="list-style-type: none"> <li>• Government regulations - Influence on establishing new branches</li> <li>• Size of branch network and cost of computerisation</li> </ul>
Drafting OPC manual and redefining BPR	<ul style="list-style-type: none"> <li>• Appointment of a new Executive Director</li> <li>• Mimetic influences as the new ED tailored the restructuring programme based on past experience in an “exemplar” bank</li> </ul>
<i>Adaptations at the branch level</i>	<i>Resource and Institutional Influences</i>
Standardisation and the use of bullion officers in certain branches	<ul style="list-style-type: none"> <li>• Size of the branch</li> <li>• Volume of cash transactions</li> </ul>
Contract staff and authorisation levels	<ul style="list-style-type: none"> <li>• Staff strength and experience</li> <li>• High volume of cash withdrawals</li> </ul>
Responding to communications breakdown	<ul style="list-style-type: none"> <li>• Personal knowledge of customers</li> </ul>

### **6.5.1 Management level adaptations: Radical plan; incremental implementation**

By the middle of 1997, roughly about 18 months into the implementation of the strategic plan, the restructuring exercise took a turn. Management realised that the implementation was not going as smoothly as expected. Due to changes taking place in the bank, there were series of strikes by staff who were fearful of the impact of the restructuring on their jobs. The bank spent the whole of 1996 in negotiations with the union about the impending rationalisation of staff and in appeasing staff complaints about the pace of change taking place. In addition to these complaints, the bank realised that it did not have the required skills and staff to carry out the intended plans at the required pace. According to a manager in the Strategic Management unit:



“In 1995, we started off with a grand design to change every area of the bank. However, in reality the implementation proved difficult; we realised we could not change everything all at once. We cannot change things overnight because people have a limited ability to absorb change and also because we are short of people to lead the change. Even the ones who are leading the change now have a limited ability to control things; there are only 24 hours in a day and 7 days in a week. People’s ability are limited even where they are 400% committed to the plan”

In effect, this led to management’s decision to reconsider implementing the restructuring exercise in stages. It was decided that all the projects could not be carried out all at once and that they would need to be implemented in phases. At the onset of the project, management, armed with the recommendations of the consultants and burning with eagerness to wipe the slate clean, decided the best way forward was to change everything all at once. However, the reality of the organisational context was that there were not adequate resources to carry out the project as intended. It was therefore decided, given the available resources, to redefine the scope of the change.

#### ***6.5.2 Management level adaptations: The two-tiered approach to inter-connectivity***

Similar to Wema bank, UBA’s computerisation strategy (especially branch networking) was influenced by both the characteristics of the bank – in terms of the diversity of its branch network, as well as influences from the external environment in the form of the Rural Banking Scheme. Given the different types of branches in its network and the level of business activities that takes place in them, management decided that it was not going to be cost effective to connect all the branches. Instead, a two-way strategy was adopted in which ‘strategic branches’ were connected using the VSAT technology and all the other branches were connected via a hub system. With the hub system, a networked regional branch acts as a gateway to other branches within the region. The major reason for this choice of system was explained by the IT manager:

“Although it is desirable for the bank to have all its branches connected and to be able to access and to determine the financial situation or balance of every branch at a go and at the beginning of everyday, but there are constraints. These constraints are in the areas of resources - do you install expensive systems in marginal branches. Or do you first concentrate on key branches and then expand the scope for the others?”

The two main types of resources referred to are the financial strength of the bank and the bank’s customer reach in terms of its branch network. The bank’s branch network is the

third largest in the industry with over 200 branches out of which 87 are rural branches. The cost of installing state-of-the-art technology and WAN into all these branches resulted in the adoption of a two-tier hub system to link up branches.

### ***6.5.3 Management level adaptations: Drafting OPC manual and redefining BPR***

The OPC manual, which is an operations and policy manual drafted by the BPR team to guide branch operations and to serve as a standard reference point for all branches, was not part of the original restructuring initiative. It came about after a new Executive Director (ED) was employed in 1998 to take over the operations and IT units of the bank. Prior to this appointment, the restructuring programme was not going smoothly with problems from banking union and staff who had already been sacked. Also, staffs that were still in employment were worried about the impact of the restructuring on their jobs. Therefore, the appointment of the new ED was to give the restructuring programme a fresh approach.

When the new ED came in, he decided to change the focus of the bank's restructuring exercise. Based on his experience as a manager in a top U.S. bank, he redefined some of the problems UBA was facing. According to him, one major problem that needed to be tackled quickly was the adhoc manner in which UBA branches operate; there was no standard format for branch operators to follow and so branches were able to operate in an uncoordinated manner. He therefore took the decision to standardise operations across all branches. The result of this standardisation policy was the OPC manual, drafted by the BPR team that was initially mandated to redesign branch process.

In drafting the manual, branch processes were documented and layers of control were added to ensure compliance. In doing this, the initial plan of redesigning branch processes, in line with the BPR initiative was dropped. Although the restructuring team kept the BPR title, the coming of OPC - aided by the appointment of a new ED - sounded the death knell for the BPR project as was originally envisaged. According to the BPR general manager:

“The BPR team was constituted to look at operations process across the bank and to redesign them for efficiency based upon best practices. After the new ED came in, we did not change processes anymore. We just added additional layers of control to existing systems where they were necessary. We found out that most of the procedures and controls were already in place from the old operations manuals, which was last updated in the 1970s and so there was not anything significantly different from what we had except that the old one was hardly updated. Also, we found out that people did not have a copy of that document to guide them, so as a result we created the OPC manual and we said that people have to know how to use this manual and so we had to train people”.

This particular modification was as a result of the new ED’s definition of the UBA situation and his experience of what obtains in other ‘exemplar’ banks. According to his definition, it was paramount that processes were documented so that staff would know what their jobs entail and non-compliance can be easily identified and dealt with.

#### ***6.5.4 Branch level adaptations: Standardisation and the use of bullion officers***

Along with the focus on standardisation was the decision by the new ED to centralise a number of branch processes, thereby removing certain operations that clog up the speedy delivery of service in branches. This move towards centralisation led to the decision to remove cash counting in Lagos from branches and to locate them in a central office. However, in some of the branches there were some modifications to the ‘rule’. Based on the size of the branch, some branches have bullion offices handled by a bullion officer who takes charge of the flow of cash within the branch. Depending on how busy the branch is, some branch managers decide whether to use the bullion office for cash counting as opposed to sending them to the central counting office. Therefore, the decision to use the central office for cash counting was moderated by individual managers to suit the condition of their branch.

#### ***6.5.5 Branch level adaptations: Contract staff and authorisation levels***

Another form of modification discovered during the implementation was how the OPC manual was used, based on the peculiarities of a branch. The OPC manual stipulated the authorisation levels given to each level of branch staff and this authorisation level was expected to be replicated across the branches. However, in some branches, based on the high number of contract staff used as tellers, and based on the high volume of cash withdrawals, some branch managers decide to tailor authorisation levels to the experience

of tellers and whether such tellers have a record of malpractice or not. In the words of one of the branch managers interviewed:

“It will be nice if we do not have to reduce authorisation levels, but we need to put responsible staff on the counter. Like now, majority of our tellers are contract staff, and you do not want to put that kind of responsibility to people whose interest in the bank are not deep-rooted.”

This implied that the original plan of empowering workers coincided with an increase in the level of supervision. Given the commitment of contract staff to the bank, management felt it was important to create a line of supervision and staff who can give authorisation.

The use of contract staff has also led, in some branches, to how the OPC manual was recited and used by staff. In a particular branch, a decision was reached by the branch manager that the manual would be recited at the start of business on a daily basis. The major reason given by the manager relates to the nature of the branch staff and the need to inculcate the habit in staff. According to the manager:

“In this branch, every morning before we open to the public, we revisit the OPC manual. Every section within the branch talks about the basics of their job as stipulated in the OPC manual. We took this decision because in this branch we have lots of contract staff, and so we need to remind them of the basics of their job constantly”

#### ***6.5.6 Branch level adaptations: responding to breakdown in communications***

Differences were also noted in branches as to how they respond to sudden breakdown in telecommunications, which undoubtedly affects the conduct of the unified banking system promised customers. In some branches, arrangements were made, whenever there is a breakdown of telecommunications facilities, to make telephone calls to customers' domicile branch to get updates on their accounts and to get approvals. If there are sufficient funds in the account, customers can get paid and the account is updated accordingly. In some branches, management set a limit to the amount of money they can pay out this way and in some others, the limit set and amount paid depended on who the customer is, and whether the customer is well known to staff, to determine how much is paid out. In the words of a branch manager:

“At the end of the day, we should bear in mind that our main purpose is to serve the customer and not to be unnecessarily rigid so that we do not lose a good customer. So we allow staff to use their own judgement, experience and intuition in a potentially difficult situation”.

Despite the importance of telecommunications and interconnectivity in the global and Nigerian banking industries, the erratic nature of telecommunications in Nigeria has given rise to a form of local modification based on what branch management perceived as important to the operations of their branches.

## **6.6 Summary**

In sum, the realised or implemented change concerning the restructuring exercise at UBA Plc consisted of the intended plan of repositioning the bank by increasing the level of IT use, redesigning branch processes and improving the calibre of staff employed by the bank. However, the implementation of this plan led to some form of modification, some by the management team and others at the branch level based on the demands of the bank and the characteristics of branches respectively.

## **6.7 Discussions: Local adaptations to global practices**

In discussing the theoretical implications for the global-local interaction, we re-examine the question of how the interaction of local (organisational) interests and global practices can be addressed in contemporary times. Drawing from the resource-based and institutional theories we suggest that local organisational interests are expressed in an organisation's resource-base, which includes its standard operating procedures, its physical assets, management capabilities, its history and culture as well as local societal culture and normative expectations. Global practices on the other hand, are expressed in the form of institutional norms and expectations of the appropriate ways to organise in the global context. It is argued that at the intersection of the global and local are streams of decisions and actions which are both rational and symbolic in nature.

In chapter 5, we provided two descriptions of planned technology and organisational change initiatives in Nigerian banks and in the previous section of this chapter we presented an analysis of the implementation of, and adaptations to, these change

initiatives. These two together attempt to address the second issue set out in chapter one, which was to systematically explore the process of implementing IT and organisational change, focusing on the various forms of adaptations that takes place. In the following section, an attempt will be made to examine the third research issue, what are the characteristics of local adaptations identified in the previous section?. One of the central claims of this thesis has been that the adaptation of global practices in local contexts is a process situated in layers of rationality and symbolism. The role of organisational resources and institutional norms is important in shaping the implementation of global practices, thereby leading to these plans being modified to suit the local context of implementation.

### ***6.7.1 IT and organisational change: Understanding the nature of local adaptations***

In this section we will discuss - following the contextualist principles of content, context and process – what local adaptations entail, influential factors that motivate adaptations, and the interplay of actions and decisions involved in the adaptations of global practices in local contexts.

#### ***6.7.1.1 The content of adaptation: conceptual and operational adaptation***

Local adaptations, defined in this study as the modification of global technology and organisational change programmes to suit the different levels of an organisational context, consists of both a *conceptual adaptation* and an *operational adaptation*. Conceptual adaptation suggests adaptation at the strategy-making level, usually at the top management level, when management redefine the basics of global practices or techniques in order to suit their organisation’s context. Examples of this in our study includes downplaying the strategic role that IT is expected to play in BPR programmes to a “pragmatic approach to computerisation” adopted in Wema bank. This pragmatic approach subsequently led to the three-tiered reengineering concepts of streamlining, redesigning and reengineering aimed to fit the diversity of branches within the bank’s network structure. Similarly in UBA, the radical nature of BPR techniques was downgraded to an incremental strategy when it became clear to management that the

existing resources within the organisation could not sustain the radical expectations associated with reengineering.

Operational adaptation involves modifying the programme at the stage of implementation. Organisational participants, such as staff from the different branches of the two banks, tailored the technique because of the way the branch operates, the calibre of staff working in the branch and the nature of customers that usually patronise the branch. Examples of this found in the study include the increase in control and supervision of staff following the empowerment initiative of BPR. On one hand, with IT and empowerment, BPR was expected to give staff more responsibility and a free hand to carrying out some of their duties. However, given the use of contract staff in certain branches, some branch managers felt it was too risky to give these staff too much freedom. Also, traditional values and custom in the wider society, meant that the BPR initiative and the promise of the 'clean slate' could not be implemented as cultural expectations and societal politics had to be accommodated to make the technique work in some branches. This focus on wider institutional expectations brings us next to consider some of the motivating factors of local adaptations.

#### *6.7.1.2 The context of adaptation: Influence of resource and institutional factors*

Why is it possible for both banks to adopt different approaches in implementing change given the similarity of the project and advice given by consultants? An answer to this question lies in management's perception and deployment of organisational resources in relation to the demands of the wider context. A second answer, based on the two studies, show the importance of institutional norms and ritual activities in influencing the change process. These two contexts (resource and institutional) influenced the change process by providing the "ammunition" for people to draw upon in interpreting and redefining the plan for change and also by providing ready solutions, where no conscious effort was needed to implement change. Employing concepts and ideas from the resource-based view and the institutional theory, we will examine both internal and external factors as well as rational and symbolic factors. This is consistent with Van de Ven and Poole's

(1988) and Pettigrew et. al's (1992) guidelines for employing rational and non-rational ideas in explaining change.

In explaining technology and organisational change in both banks, we discovered instances where implemented or realised change appear to be the product of conscious and deliberate actions, and others, including those at the branch levels, are shown to deviate from the rational plans of top management and consultants. These deviations or modifications arise when organisational participants make conscious and unconscious effort to sustain existing systems of beliefs and practice within the branch. In other words, they act to perpetuate what appears to them as suitable to the workings of the branch.

In providing ready solutions for change, institutional rules, in the form of the Rural Banking Scheme (RBS), presented itself as solutions to the logistical and financial problem of computerising the large number of branches in both banks. Expectations from the social community had meant that some rural branches would be kept open, even if the RBS permitted their closure. Also, in both banks the resource base, in terms of the staff profile, presented solutions which management made use of in their decisions on staff rationalisation within the change process. At Wema bank, the culture of promoting a family of employees had led to a stable bank-employee relation and a stable and experienced team of professionals, which made management's decision not to lay off staff that much easier.

The situation with UBA was slightly different. Given the highly political environment within which the bank operated before privatisation, the new management that took control after privatisation were eager to get rid of staff who they regarded as government stooges. Therefore, the bank's staff profile, the series of staff strikes, and the long-drawn negotiations with union turned out to be solutions waiting to be implemented. It was clear from when the new management took control and the restructuring process began, that there was going to be some rationalisation of staff but the actual method was not clear



initially, and so the series of strikes and union foot-dragging provided management with the solution to the problem.

Expanding the discussion on the role of the institutional context further, from a historical perspective we could also see how the history of the two banks and their origin influenced the change process. Wema bank Plc was founded by a group of Nigerian investors with the sole purpose of providing loans and credit facilities mainly to Nigerian businessmen and women who were discriminated against by the colonial banks. Throughout its adolescent years, the bank received support in the form of grants from the government of the western region from where around 80% of its customers are based and around 90% of its branches are located. In addition, as much as 75% of its staff are from the western part of Nigeria due to its historical ties with this region. Therefore throughout its history, the bank had a close attachment with the western part of Nigeria, which may have influenced the decision not to lay off staff. The emotional attachment or 'management of affection' exhibited by the Wema bank board reflects deeply in its history and culture, which can be traced back to its founding. This 'management of affection' therefore, could be seen as an attempt by management to sustain the age-long tradition or norms of practice within the bank.

UBA Plc on the other hand was a bank with an international outlook from the onset; when it was established, the bank was wholly owned by a consortium of foreign banks. In 1977, when the Nigerian government introduced the Indigenisation Decree, government bought 60% controlling shares, which was later sold off when the bank was privatised in 1994. However, despite the majority share ownership by Nigerian investors after privatisation, foreign shareholders hold as much as 40% shares in the company and continues to have an important influence in the running of the bank. Unlike Wema bank, UBA also has its branches spread more widely across the country and this widespread is reflected in its staff mix, which is more diverse than Wema bank. Therefore, the influence of foreign investors, the highly political climate and heavy government involvement before privatisation, and the wholesale change at the top after privatisation meant that there was little or no emotional attachment to staff which perhaps made the

task of laying off staff, that much easier. It could also be seen as an attempt by the new board to sustain the long-term relationship the bank has with foreign investors and international shareholders which together own about 40% of the bank.

Another major difference between the two banks relates to the involvement of consultants in the implementation of the plans. Although they both employed the same consulting firm who carried out similar tasks of diagnosing the 'strengths' and 'weaknesses' of the banks, they differ in the extent to which consultants were involved in the implementation process. While Wema bank used consultants in the implementation process, at UBA, consultants were not involved with the implementation. An important factor here lies in the different sets of management capabilities and previous experience with technology and organisational change. The implementation team at UBA consists of a larger number of staff who have studied or worked abroad and have had more exposure to the debate on IT-enabled change programmes and the role of consultants. In addition, prior to the launch of the restructuring programme, UBA's IT staff had been involved in the development and implementation of a largely home-grown applications software (BRAINS) which may have aided the learning process within the bank. According to a BPR manager in UBA who graduated with an MBA from Wharton Business School in the U.S.:

"Big consultants like 'G' Consulting does a one-site fix-all solution. What they sell to bank A is what they sell to bank B and bank C etc. They can give you basics but what you make of it depends on the organisation. Therefore, 'G' Consulting has not been involved in any of the implementation at UBA."

Whereas in Wema bank, BPR was a new experience for management and staff and thus the decision was reached to test out the project in two pilot sites (branches) "to learn more about it" and "experience first-hand some of the effects of BPR on our branches". The other decision taken at Wema was to involve the consultants in a "phase-out" approach which would see their involvement reduced gradually as the implementation team became comfortable with the implementation process.

### *6.7.1.3 The process of adaptation: Interplay of rational and symbolic actions*

The third part of the discussion involves an adaptation process where organisational resources and local institutional practices are mobilised either intentionally through an enactment process or unintentionally through a symbolic process to modify global change techniques. Rationally, organisational members redefine the global cultural models or institutional rules embodied in global practices to fit the organisation's inner context and the demands of the immediate outer context. Symbolically, organisational resources and local institutional practices are mobilised when organisational members, acting in the realm of the known, act to sustain organisational routines and traditions, as well as taken-for-granted assumptions about how to do things within the organisation or the wider societal context.

The redefinition and organisational rituals therefore specify the process of local adaptations to global IT-based practices when they are being implemented in local contexts. Global change programmes may become the object of adaptation when they are deemed desirable to adopt but not feasible to implement, perhaps due to a misalignment with the culture of the organisation or the established ways of doing things within the local context. In such cases, organisations may be unwilling to mechanically implement global techniques due to the difficulty of altering life-long habits within the organisation or through the unconscious perpetuation of these age-long habits.

Applying this conceptualisation to the Nigerian case, bank management and consultants, due to the liberalisation of the Nigerian banking industry and influenced by the "success" stories of BPR in the 'west', found BPR and its promise of "quantum leap improvement" appealing. Thus, they proceeded to implement BPR to turn around the fortunes of their banks. Implementation of BPR in these banks started as a top-down rational approach of employing consultants to carry out a SWOT analysis of the bank and to design strategic plans which formed the basis of the reorganisation initiatives.

With deregulation and liberalisation, banks (especially the older ones) started to engage in strategic planning which was seen as the appropriate response to the changing

environment. In line with the technology imperative of BPR and the taken-for-granted nature of IT to banking, these banks started with plans to introduce “state-of-the-art technologies” and “sophisticated technology-based products” into their operations. However, this sophisticated technology input was later downgraded to “a pragmatic and sensible approach to computerisation”. Similarly, in typical BPR fashion, staff were promised empowerment, where the monotonous jobs of cashiers will be improved, aided by the new technology, to give such “customer-facing staff” more roles and responsibilities in carrying out their duties. However, at the stage of implementation, the situation became rather different. As opposed to the intentions of management stated in the planned change programme, management began to pay attention to the realities of the local context, some of which were at odds with the BPR cultural rules. In addition, the management of change became the job of not only the top management but also branch managers and other staff who needed to accommodate the demands of their context in the implementation process.

Thus, some of the rules and procedures of the change technique were considered not feasible to implement given the demands of the local context. In Wema bank, given the societal culture of a high power distance (Hofstede, 1980), it was decided that some customers will have to be treated differently from others. In addition, the economic situation of Nigeria and the attendant high rate of inflation meant that the proposed electronic authorisation and empowerment of staff would have to be moderated upon. Thus, empowerment was mixed with more controls and the all-electronic authorisation promised had to be combined with manual authorisation.

In UBA, the use of contract staff as cashiers presented similar problems in some branches where branch management decided to cut back on the approval level of cashiers because the commitment of these staff (as contract staff) may be questionable. Empowerment therefore, as envisaged by the organisational imperative of BPR (Tillquist, 1996), was deemed not feasible by such branch managers. At Wema bank, suggestions to sack staff and start from a “clean slate” was not feasible to implement because it contradicts the

established ways of doing things within the organisation and the bank's traditional link with a particular region of the country.

In addition to instances of rituals and symbolism, both banks were also rational and calculative in their implementation of technology and organisational change. Their approach to implementation was influenced by resources available like the financial strength of the bank, locational assets in terms of strategic branches and customer reach (size of branch network). Due to the high cost of restructuring branches and installing new IT systems, management decided to reengineer and implement new systems first in "strategic" branches. These branches contribute the most to the banks' earnings, given the worth and the volume of business activities that takes place.

Although the decision to start implementation with strategic branches was motivated by resource related factors, the history of computerisation in both banks also reveals a further insight into the nature of the decision and adds a different dimension to it. Historically, the introduction of new IT systems in the two banks had always favoured selecting "important branches" to implement these systems given the expected return from the branches. When Wema bank started the implementation of the CAPs system in 1989 and 1991, it started with some of its "important" branches. Similarly, when UBA started the implementation of the B1 Accounting Package, the MicroBoss Accounting System and BRAINS in 1985, 1989 and 1993 respectively, it started with some of its "strategic" branches in Lagos. Thus, a seemingly rational decision of selecting 'cost-effective' branches is also steeped deeply in established norms of practice within the banks. Therefore, the implementation and adaptations of global technology-based change programmes happened under the influence of both rational considerations and symbolic forces.

The important theoretical implication for management decision-making and actions is that symbolic or ritual actions are not necessarily dysfunctional. This study has further contributed to other growing body of work that has examined the implications of symbolic actions for organisational functioning. Johnson (1990) examined how strategic

change can be galvanised through symbolic acts within the organisation. Similarly, Kamoche (1995) also examined how organisational reality can be socially constructed through a combination of ritual and language. Westphal and Zajac (1998) posited that symbolic corporate actions, in the form of long-term incentive plans (LTIPs) which symbolises congruence between CEO and shareholder interests, can engender significant positive stockholder reactions. In the two case study banks in this thesis, we have demonstrated how management and other bank staff, acting in the realm of known practices were able to successfully adapt and implement the change programmes to suit their context of operations.

### ***6.7.2 IT transfer from within the local-global discourse***

The analysis of case study findings also has some interesting implications for the transfer of IT and management techniques viewed from within the global-local discourse. These technologies and management techniques, developed in the 'west' and applied in countries around the world are becoming increasingly more universal as a result of the globalisation process. The broad implication for the local-global interaction is that such transfer does not necessarily imply homogeneity; the local is able to mediate global influences. Evidence from the case studies suggests that technology-based change and BPR, as features of the global institutional environment, were adapted at different organisational contexts. This process of adaptation arises when participants redefine the change programme based on available resources, professional expectations, history and tradition of doing things, and then act to tailor the techniques in order fit the organisation's resource base. Adaptations also occur when participants act symbolically to perpetuate long established traditions within the organisation by operating within familiar territories.

A theoretical implication for the global-local debate is to reconsider the argument about homogeneity, cultural imperialism and cultural maturation. Similar to Hannerz's view of 'homogeneity' and a 'maturation tendency', this study has also demonstrated that the global-local interplay includes some measure of homogenisation as well as adaptation. However, unlike Hannerz, evidence from this study has indicated that implementation of

global techniques does not imply cultural imperialism. Rather, what exists is some form of *partial conformity* when at the planning stage, organisations, aided by consultants' advice and success stories of BPR, decided to adopt the technique. This partial conformity ensures that the banks achieve some measure of social legitimacy (DiMaggio and Powell, 1991) and signifies that the banks are in tune with developments in the industry.

Similar also to Hannerz, some form of maturation takes place where the local modifies the global. However, this modification as evidence from our study suggests, did not come after a long period of tinkering with the global as Hannerz argued. Rather, it came much sooner, when at the stage of implementing the technique questions were asked about the feasibility of their implementation. This distinction between homogeneity and homogenisation or partial conformity has implications for the study of the global-local interplay. It suggests that the implementation of global practices in local contexts alternate between conformity and adaptation modes. One or the other mode may well be dominant at specific stages of the organisational change process. In this study, some measure of conformity was discovered at the initiation stage when BPR, as a form of global technique, was recommended by consultants and was adopted by the banks. However, at the stage of implementation, series of modifications were made to the technique to the suit the culture and methods of operation at the implementation sites.

Within the technology transfer literature, current understanding suggests how societal and organisational cultures can limit the applicability of western management techniques in non-western contexts (Martisons and Westwood, 1997; Ein-Dor, et., al. 1993; Westwood, 1995). However, these studies have only been interested in comparing western culture implied in MIS use with local culture. As important as these studies are, they do not provide a description and analysis of how organisations are able to modify western techniques to suit the context of use. This thesis has contributed in this respect through the application of resource and institutional views to demonstrate that the adaptation of global practices in local contexts involve a symbolic process of sustaining local norms

and practices as well as a rational process of redefining global practices to suit the context of implementation.

### ***6.7.3 Planning and implementing 'global techniques': some practical considerations***

The idea that local adaptations to global change techniques entail a process of rational decision-making and symbolic practices has implications for how change practices are planned and implemented. At the stage of planning, it becomes important for management to align their strategies or plan to fit with the context of implementation. These strategies are not independent of the context in which they are implemented. While strategic plans are useful guidelines to make co-ordinated action, between the different branches or divisions of an organisation possible, however, some measure of flexibility needs to be incorporated into these plans to allow for local accommodation. This becomes more important in organisations such as banks with different branches operating in different environments. We witnessed this in the case studies where, despite the focus on standardisation and centralisation, different branches still operate differently in some instances. These deviations appear necessary to branch management as important for the smooth operation of the branch.

The practical implication of the lessons learnt from these case studies is that even rational decisions of management are made within a social context, which has to be taken into account. It would have been easy for the management of Wema bank to appoint a senior manager to head the BPR implementation team but such an appointment would have led to a series of confrontation with the banking union. This reveals an important lesson in the ethos or style of management in some of the banks in Nigeria. Management in these banks, especially the old generation banks, have been known to be very cautious and risk averse, due in part to years of operating under military regimes in the country. Some of the problems related to this, which came to light during the pilot study and have been discussed elsewhere (Bada, 2000 a&b) and in chapter 4 of this thesis, are the often political and inconsistent policies, to which management responded by being cautious. During the financial crisis that took place in the immediate post-liberalisation era, majority of the liquidated banks were the 'new' generation banks with most of the old



ones surviving. The old banks were able to survive because they played a 'wait and see attitude' to most of the developments that were taking place then.

The implication for the implementation of western management practices is that the social context, history and tradition of doing things within the local organisational context will have to be taken into consideration, as an unquestioned transfer of these practices may conflict with the culture of the organisation. Consultants and other agents of change need to be sensitive to the local ways of doing things. Implementation of BPR or indeed any other western management technique in any organisation should be seen as a unique task that will differ between contexts.

This leads to the understanding that agents of change should recognise and respect local values and practices when implementing change programmes. It would also require that consultants and other agents of change accept the limitations of teleological professional practices, thereby leading to a shift in orientation from global normative prescriptions or cultural models of change - as embodied in planned change techniques - to locally derived and locally relevant change models and practices. This means that consultants and other agents of change must be willing and prepared to accept a novel recombination of global practices to suit local needs and that such local versions of global techniques may not necessarily be dysfunctional.

It is suggested here therefore, that IT-based management techniques does not always possess ingrained qualities for success but that the implementation of such techniques would need careful consideration and some measure of flexibility to build in success qualities at the different levels of implementation. A related practical consideration is the level and type of resources and capabilities available within the organisation. Focusing on these at the stage of devising the plans will help understand the level of resources and capabilities available and building the necessary resource base able to implement and sustain the change initiative.

Also at the level of practice, organisational change as rational and symbolic requires management paying attention to the intentions as stipulated in the plans as well as paying attention to different local interpretations and actions that evolve during the implementation of the plans (Weick, 1993). These interpretations and actions should not be seen as dysfunctional but contributing, in one way or another, to the overall functioning of the organisation.

## **6.8 Summary**

In analysing the implementation of change in both banks, we discovered that the implementation of global techniques in local contexts took place partly planned and partly unplanned, leading to a gap between the planned change and what was eventually implemented. It may have been easy to dismiss this gap as another example of implementation failure. However, Mintzberg's typology, which distinguished between intended and realised change helps us to reconsider the gap between the two, not as a sign of dysfunctionality, but as a creative opportunity for understanding what organisational change, and IT-related organisational change actually consists of, in specific organisational contexts.

# **Chapter 7**

## **Conclusions**

### **7.1 Introduction**

The aim of the research has been to contribute to our understanding of the nature of local adaptations to global practices: how adaptations to global practices are achieved in DCs' organisations and with what results. To this end, the thesis adopted a paradoxical stance in arguing that adaptations take place when organisations consciously modify global techniques in order to fit with their resource base and established patterns of practice. Adaptations also takes place ceremoniously when organisations modify the techniques because of the need to sustain long-established practices that may have become unquestioned as the appropriate way(s) of doing things. This chapter concludes the research effort with a review of how each chapter has contributed to the research objectives in the next section, discuss the research contributions and limitations in subsequent sections, including an overview of opportunities for further research.

### **7.2 Overview of the research**

In chapter 1, the thesis examined the nature of the research problem. Organisations in DCs have been increasingly implementing IT and in addition adopting IT-based management techniques transferred from the 'west' as part of the globalisation process. Studies have questioned the mechanistic transfer of these techniques developed in a different context and suggested - based on cultural differences and other limiting factors - that implementing such techniques in a DC context requires some measure of modification. As important as these studies are, few have actually made an explicit effort to describe and reveal the nature of adaptations – thus providing a systematic way of addressing the interaction of global practices (in the form of IT-enabled change programmes) and local interests. Three major perspectives on which the research stands

namely, the globalisation discourse, technology transfer, and IT and organisational change were introduced.

Within the globalisation discourse, we focused on the global-local interaction debate and a review of the literature revealed different scenarios that have been painted, based on this interaction. One such scenario is the highly linear and deterministic view, which suggests that the local is increasingly being globalised and that the local is merely a recipient of culture from the global. At the other end is the interactive view which postulate that the interaction between the global and the local is mutual; the local influences the global just as much as the global influences the local. Following from this, we examined the literature on technology transfer focusing mainly on the set of literature that argues and questions the appropriateness of unquestioningly transferring technology and technology-based practices from the 'west' to DCs. The conclusion of these sets of literature was that the implementation of IT-based practices developed in the 'west' cannot be implemented mechanistically in DCs with the expectation of getting the same or similar results achieved in the 'west'.

Also in chapter 1 we examined the literature on organisational change and IT-related organisational change models. A review of the literature on these topics demonstrated that organisational change and IT and organisational change models have evolved from early goal-based models to more subjective and dynamic models which considers change and the role of IT as interactive based on the interplay of a number of complex factors. Accommodating such complexity in the study of IT and organisational change thus require a research approach that allows for a multiplicity of factors and actors – which then led us to adopt the contextualist framework and an interpretive research approach. As the aim of the research was to provide an understanding of 'how' and 'why' local adaptations take place, we chose the case study approach as our research strategy in order to provide a rich insight into the nature of local adaptations in DC context.

In chapter 2 we presented the theoretical perspectives for our study of IT and organisational change in Nigeria. Given the aim of addressing the global/local interaction

we adopted an organisation-environment interaction perspective to the study of change. Such a perspective posits that organisations affect and are affected - to various extents - by the environment within which they operate. A central concern of this perspective is the issue of choice or determinism within the organisation-environment interaction. From a deterministic perspective, organisations are compelled to adapt and conform to environmental prescriptions, while from the choice perspective organisations have autonomy in deciding how they interact with the environment. Two theories – resource-based approach and institutional theory – were introduced to capture the views of the two perspectives. The resource-based view focus largely on how organisations can actively deploy their organisational endowments or resources to achieve a change programme while institutional theory posits that organisational actions are influenced largely by widely-held beliefs and assumptions which originate from the environment of organisations. The major contribution of chapter 2 is the adoption of the paradox approach to combine these two seemingly contrasting views and suggest that organisational action is both a rational process of actively deploying resources as well as a symbolic process of conforming to and sustaining widely-held beliefs and assumptions in the organisational context. This, in effect, was the driving theoretical framework of this research.

Building on the previous two chapters, chapter 3 introduced the initial conceptual framework for the study of IT and organisational change. This framework, based on Pettigrew's contextualist approach discussed the content, context and process of change. Content of change refers to the streams of decisions and actions related to the change initiative. Following a review of organisational change models, it was suggested that the content of change include not just the planned change but also the emergent and realised change which may or may not be in line with the planned change. The context of change refers to the 'Why' of change and in line with Pettigrew's model, we focused on the inner and outer contexts of change. The inner context consists of tangible and intangible organisational resources such as physical, financial and technological resources. Also the inner context includes the history of the organisation as well as established organisational patterns. The outer context includes changes and developments within the global banking

system and the Nigerian banking system in addition to economic and institutional (social and political) factors within this context. The chapter concludes with a review of change process models including the teleological, lifecycle, dialectical and evolutionary models and argued that a process model which views organisational change process as neither purely rational nor linear is best suited for this research. Such process models view organisational change as socially and historically mediated just as it is rationally motivated.

In chapters 4 and 5, the three parts of the framework were put into operation, first by looking at the outer context in chapter 4 and following this with two case studies describing the process of implementing global IT-based organisational change programmes in two Nigerian banks. More specifically, chapter 4 described the various changes that are taking place within the global banking system and the role of IT in these changes. The main aim of doing this was to explore whether, and to what extent, developments in the global systems were influencing changes within the Nigerian banking system. It was suggested that the use of IT in global banking has come to be taken-for-granted. As such, the implication for DCs organisations such as Nigerian banks could mean a restriction in the ability of these banks to question the wisdom of transferring IT and organisation change practices because of the overemphasis on technology. Such over concentration on technology could mean a focus only on technology as the appropriate strategy on which to compete. This could lead to banking services and products in Nigeria being detached from the needs of bank customers and the surrounding context in which the banks operate. This section thus concluded that given the contextual nature of banking, the transfer and implementation of global techniques and practices need to be contextualised or adapted to suit the local context of implementation.

Another major contribution of chapter 4 is the detailed account of changes and developments within the Nigerian banking industry since liberalisation in 1986. This detailed description served two purposes: to provide a comprehensive review of changes within the banking system, which until now, had been largely anecdotal, and secondly to

serve as a reference point when describing the case studies in chapter 5. Such a description would serve to highlight influencing factors in the change efforts of individual banks and in turn how these efforts may have influenced the environment. The section started with a historical excursion into the evolution of the Nigerian banking industry from the period of colonial banking through to the period of heavy government involvement and finally the deregulation and subsequent liberalisation of the industry. A substantial part of this section then described the various changes that have taken place within the industry since liberalisation. This was done systematically by looking at changes within the industry and changes between the banking industry and other organisations such as the regulatory authorities, IT vendors and bank customers. These together, provided the institutional context of rules and norms of practice consistent with the views of the institutional theory.

In Chapter 5 we presented the two case study organisations implementing planned IT-based change programmes. These case studies revealed the complex dynamics surrounding the implementation of global IT and organisational change programmes in developing countries. The cases also provided rich insights into how these programmes were modified at the context of implementation and the factors found to be influential in these modifications. It was revealed in the case studies that despite the adoption of similar technique and the involvement of the same consulting firm, the implementation of the technique differed in the two banks and also between different branches of the same bank, depending on the idiosyncrasies of the branch. Modifications were identified at different levels of the banks including the company-wide management and branch management levels.

The case study findings were analysed in Chapter 6 using an extended version of the initial conceptual framework developed in Chapter 3. This analytical framework was derived through a synthesis of the conceptual models developed at the early stages of the research. Central to this framework is Mintzberg's strategy typology which was adopted and extended to describe the process of change as *planned, adapted and implemented change*. Planned change refers to the intended plans or guidelines of management to

adopt global IT-based programmes and adapted change refers to the process of adapting these programmes to suit the context of implementation. It is argued that such adaptation is both a conscious process of redefining the programme in order to fit the context of implementation as well as a symbolic process of moderating the technique because of long-established practices and rituals within the organisation. Realised change, then, is the implemented change which emerges out of the planned guidelines or blueprint of management as well as from the adapted change which takes place either consciously or symbolically through the unquestioned perpetuation of long-established traditions.

Using this schema to analyse the case study findings, the analysis and discussion in Chapter 6 was able to shed new light on the implementation of the change programmes in the two case studies. The importance of the resource and institutional contexts in influencing the change process was demonstrated. Further, it was argued that these two contexts influenced the change process in two ways: (1) by providing the “ammunition” for people to draw upon in interpreting and redefining the plan for change and (2) by providing ready-made solutions in which no conscious and deliberate actions were required. Thus, what appeared rational and calculative at first glance, becomes, on a closer inspection also symbolic and ceremonial. Based on the contextualist principles of content, context and process, we discussed the nature of local adaptations to global practices and both theoretical and practical implications of these conceptualisations were drawn.

### **7.3 Research Contributions**

This section will consider the contributions of the research and its implications for future work. The section is divided into three parts addressing contributions to theory, methodology and practice. According to Walsham (1995), interpretive case studies make four major contributions to the body of knowledge: namely, the development of concepts, the generation of theory, the drawing of specific implications, and the contribution of rich insight in the subject matter. This research has contributed through the discussion of the attributes of adaptation and the introduction of concepts such as conceptual and operational adaptation. The research also contributed by drawing both theoretical and



practical implications for implementing global IT-based techniques, and the two case studies have provided rich insights into the issue of adapting global practices.

### **7.3.1 Theoretical contributions**

A major contribution worth mentioning here is the successful combination of two seemingly contrasting theories through the use of the paradox approach. Although IS is a multidisciplinary field and the use of different theoretical approaches has long been encouraged, few studies in this field have combined the resource-based view and institutional theory – with their contrasting ideas - in one single study. Therefore, combining concepts and ideas from these two views contributes to the development of the IS field. Such combination through the paradox approach led to the suggestion that the implementation and adaptation of global IT-based practices in local contexts involves decisions and actions which are both rational and symbolic in nature. These decisions and actions, in the form of an enactment and ritual process specifies the *desirability* and *feasibility* of implementing global technology-based change programmes in DCs. Global techniques are deemed feasible if they fit in with existing organisational resources and local practices. This feasibility is determined either when organisational members consciously redefine the techniques in relation to organisational resources or when they unconsciously act to perpetuate established organisational practices. Global techniques are deemed not feasible when they are regarded as not congruent with existing organisational resources or in conflict with established local practices which have become unquestioned as the appropriate ways of doing things.

Another major theoretical contribution is the conceptualisation that adaptation of global IT-based practices in DCs involves a process of *conceptual adaptation* and an *operational adaptation*. Conceptual adaptation, which in the cases involve the modification of the basic assumptions of IT-enabled change programmes at the strategy-making level, ensures that these underlying assumptions fits in with available organisational resources and established ways of doing things within the organisation. On the other hand, operational adaptation, in the form of local modifications to the programmes at the point of implementation, ensures that the programme is workable and

fits in with the needs and demands of the different contexts of implementation. This local modification highlights the important linkage between strategy and implementation and the problematic of studying strategy in isolation of the context of implementation. Previous studies, especially in DCs, have looked at IS strategy in isolation of the implementation context to conclude that identified gaps between strategy and implementation is a sign of implementation failure. In this research, we have been able to bring the two together to show that discrepancies between strategy and implementation may not always imply dysfunctionality.

An explicit theoretical contribution to the global-local interplay was to extend the debate about homogeneity or diversity. In this study, we have suggested that the interaction between local and global be viewed as a process involving some measure of conformity and adaptation. This suggests that instead of viewing the interaction as deterministic leading to cultural homogeneity, it should be viewed dynamically as a process resulting in some measure of homogenisation. This distinction between homogeneity and homogenisation has implications for the study of the global-local interplay. It suggests that the implementation of global practices in local contexts alternate between conformity and adaptation modes. One or the other mode may well be dominant at specific stages of the organisational change process. In this study, some instances of conformity were discovered at the initiation stage when the technique was recommended by consultants and adopted by the banks.

A final theoretical contribution is that this thesis has been able to present a discussion of globalisation and its implications from the perspective of Nigerian banks. This is in line with Kiely's 'actually-existing globalisation' thesis, which stressed the importance of seeing globalisation as an occasion for concrete empirical investigation and argued that globalisation is experienced in different ways by different people in different parts of the world. As such, this thesis has described and discussed the experience of Nigerian banks in implementing IT and global IT-based management practices. Other studies can find inspiration from this work, either in terms of its content or the approach taken, to discuss the effects of globalisation on other industrial sectors (i.e. manufacturing) from within Nigeria and in other DCs.

### ***7.3.2 Methodological contributions***

The main methodological contribution of the research has been the extension of Pettigrew's contextualist approach, which has been criticised as lacking an adequate theoretical underpinning and a conceptual model for linking the external and internal contexts. In the thesis, we combined concepts and ideas from institutional theory and resource-based approach to study adaptations to planned technology-based change within the Nigerian banking industry. Such a combination provides the theoretical underpinning lacking in Pettigrew's model and it allows for an examination of both symbolic and rational pressures that influence the process of implementing and adapting technology-based organisational change initiatives in a developing country context. Also by incorporating and elaborating Mintzberg's strategy typology, the research was able to demonstrate - through the planned, adapted and implemented change concepts - how external and internal factors are able to influence, and be influenced by, the change process.

Another methodological contribution for IS researchers relate to the adoption and use of concepts developed in other research areas. In this research, we have used two different theories to come up with the propositions that the adaptation of global practices in DCs is a rational process of actively deploying organisational resources to modify these practices and a symbolic process of ceremoniously perpetuating long established practices within the organisation. These propositions on one hand suggest rational and calculative decision-making and on the other hand it suggests ceremonial and irrational actions. The propositions also suggest change and stability. Considered separately, there are some truth in these statements but when considered together, the arguments behind the propositions appear contradictory. Such contradictions are suggested here to contribute rich insights to the development of the IS field. In organisational and management studies such contradictions have been accepted and regarded as important in organisational functioning. As Van de Ven and Poole, (1988) notes:

“Notwithstanding these ambiguities, to accept a paradox is an enlightened conceptual stance. It is to acknowledge that things need not be consistent; that seemingly opposed viewpoints can inform one another; that our models are, after all, just models, incapable of fully capturing the buzzing, booming confusion no matter how strongly our logical arrogance tries to convince us otherwise”.

A final methodological contribution relates to the study of IS in DCs and the appropriateness of applying theoretical models developed in different contexts. The applicability of some research models developed in the 'west' to studies in DCs have been questioned due to the restrictiveness of these models and differences that exist in social and cultural settings. In contrast, the flexible approach to the contextualist model adopted in this research and the use of theories such as institutional theory and resource based approach has contributed by providing examples of appropriate models to the study of IS in DCs. We find these models appropriate because they are non-specific to particular contexts given that all organisations, irrespective of their settings, have resources and established practices, and all organisational sectors and social settings have rules and beliefs that govern daily activities.

### ***7.3.3 Practical contributions***

The acceptance of paradox leads to a critical rethink of the assumptions that management and change agents hold when managing change. This critical rethink in turn leads, in the words of Eisenhardt and Westcott (1988), to the "qualitative and discontinuous reframing of a problem". Thus, questions such as 'how can implementation gaps or failures so commonly noticeable when implementing IT and IT-based techniques in DCs be overcome' becomes 'how can we manage and exploit contradictions or discrepancies arising from the persistence of local ways of life when implementing global techniques in DCs context'? Could this local persistence be seen as a source of differentiation and competitive advantage? Concentrating on such questions would then imply a change in focus from just fixing a 'dysfunctional system' to that of appreciating and exploiting what is good about the local ways of doing things. The implication of this for change agents, as mentioned in the previous chapter, is the willingness to value and appreciate local forms of knowledge and the limitations of global normative prescriptions.

In this study, local forms of knowledge and ways of doing things led to the modification and development of a 'contextual' version of the BPR technique within the Nigerian environment. Owing to differences between the 'original' BPR technique and the idiosyncrasies of the Nigerian banking and socio-cultural environment, a local form of

the technique was developed which then became the standard for subsequent BPR initiatives. This requires some measure of flexibility on the part of consultants and other change agents and the willingness to accept a form of engrafting of local interests with the transferred global practices.

Another practical contribution of this research is the rich insight it provided to the two contexts of implementing IT-based techniques. The cases reveal that the idea that management can simply reengineer organisational processes anew starting from a 'blank sheet' is rather unreal, because history and tradition of doing things within the organisation influence restructuring activities. The importance of history and tradition as an important element in managing organisational change has been demonstrated in this study. Weick's (1993) suggestion that organisational change is a bricolage makes management consultants or change agents bricoleurs. As bricoleurs, they make use of whatever is at hand to solve the problem before them, and this includes given attention to organisational routines and established ways of doing things.

A related practical concern, which we consider important, is the question of what constitutes 'organisational context'. Different researchers have pointed to the importance of subcultures in organisations and in this study such concerns have been further raised through the study of (retail) banking institutions. Such institutions with branches that operate in different contexts (environment), have been able to shed further light on the importance of concentrating on sub-organisational contexts when implementing new IT and IT-based initiatives, as different branches operate differently depending on their local needs and preferences. The role of change plans or blueprints are highly valued in such contexts to ensure co-ordination amongst the different branches. However, such blueprints must be flexible enough to take into account the local needs and requirements of the different branches. Focusing on such local needs may therefore require some measure of modification to the implementation of new technology-based initiatives.

## **7.4 Limitations and suggestions for further research**

There are four major limitations to this study and each limitation has implications for further work. The first limitation concerns the use of the interpretive approach and the choice of the case study strategy. It is inevitable, in a research such as this, that the researcher's own 'bias' will, to some extent, influence the kind of data collected, and how such data is interpreted. Suffice it to suggest here therefore that in reading this thesis, the reader should bear this inevitability in mind and make his or her own interpretation of events.

The in-depth case study approach is but one of a number of approaches that can be applied within the interpretive tradition. In this study, we viewed local adaptations to global trends as a process (which justified the choice of a case study approach in the first place) involving rational decision-making and organisational rituals. Such a focus on rituals and symbolism would perhaps have benefited more from an ethnographic study which would involve the researcher operating as a participant observer (going native) in the organisation and spending several months (perhaps years) in the field collecting data. Such an approach would provide rich insights into how the organisation's rationalised myths or norms are formed and sustained (i.e. ritual activities) on a daily basis. However, given the length of time - with its concomitant financial implications - needed to stay 'on site' the method was not chosen. Thus, ethnographic study was deemed desirable but practical limitations made its choice in the present study not feasible. Therefore, a further study from an ethnographic stance, into how organisational norms and myths in Nigerian banks are formed and sustained, will provide further insight into the role of institutions and symbols to the study of local adaptations to global trends.

A second limitation of the study concerns the focus only on 'old' generation banks. The choice of these banks was deliberate given their long histories and traditions of practice. In addition, these banks are the ones at the forefront of the restructuring initiatives sweeping the industry at the time of collecting data for this study. However, as the researcher was to discover towards the end of the empirical study, some 'new' generation banks have also started plans to embark on major programmes of reform and

repositioning. A number of these 'new' banks are also building their restructuring on BPR-type of initiatives and have engaged the services of consulting firms. As a result, it has not been possible to demonstrate the variability in the implementation of this technique in a rather different context of a 'new' generation bank. For instance, the Rural Banking Scheme, which featured prominently in the implementation and adaptation of the change programmes in the two case study banks, was annulled at the onset of the deregulation and liberalisation process. This, in effect, means that the 'new' generation banks did not have to comply with this regulation in establishing their branch network. A study of the implementation of global techniques in such a different context would serve not only to demonstrate how differences in context and management ethos influence the process of implementation and adaptation, but would also help to identify common patterns arising from the adaptation and implementation process.

A third limitation concerns the question of validity and the replication of lessons learnt. Although the study attempts to illustrate the implementation of global trends, emphasising local adaptations to such trends in Nigerian banks, the limited number (two) of case studies, and the uniqueness of the Nigerian context, may make the lessons learned not entirely transferable to other DCs organisations. Thus, it would be interesting to extend the study of local adaptations to global practices first, to other organisational contexts or sectors within Nigeria and second to other DCs context in order to further emphasise cross-cultural (particularly symbolic) influences. Such a study might consider the implementation of global IT-based practices in public institutions to study whether or to what extent local adaptations take place and why. This would help expand our knowledge of the importance of resource-related factors such as the financial strength of banking institutions (compared with public institutions) or institutional factors such as the role and influence of government agencies in the implementation and adaptation of IT-based practices in DCs.

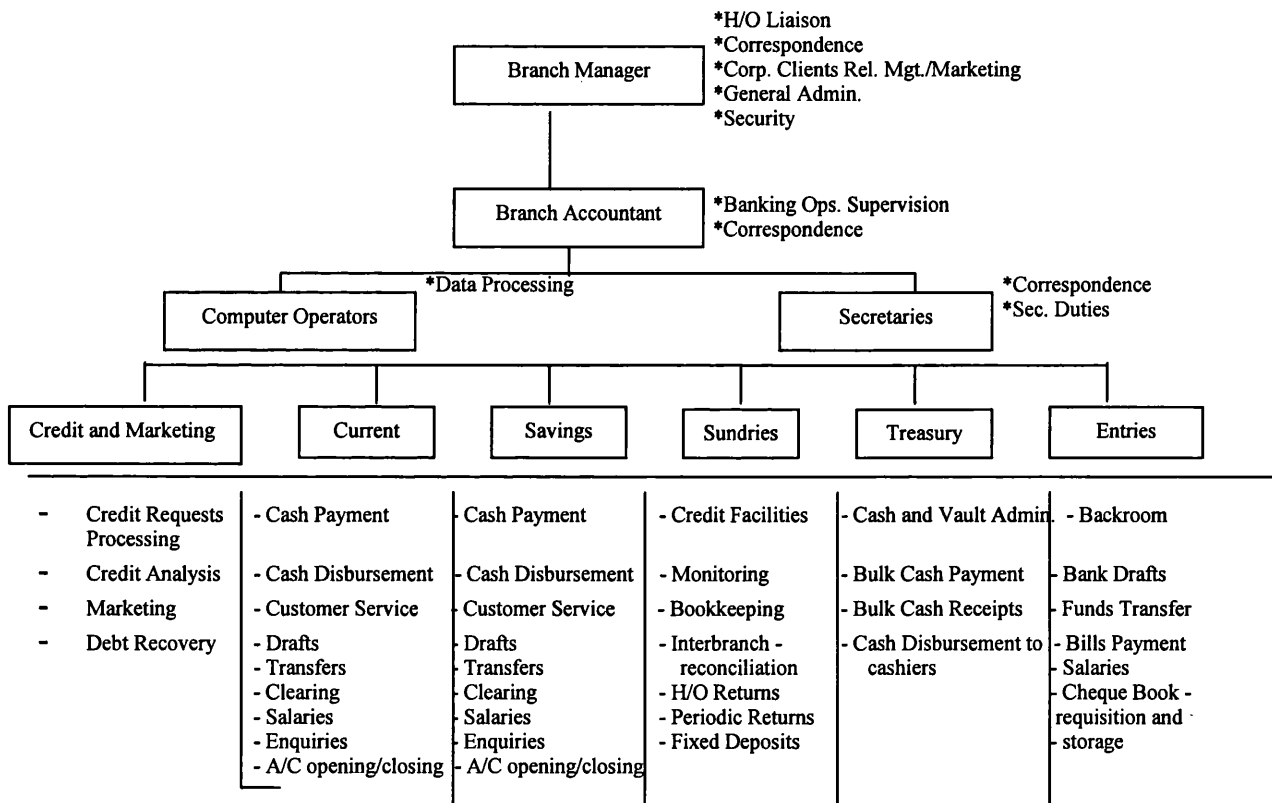
A final limitation, which perhaps is akin to most study of organisational change, is the fact that change itself is an ongoing process. The presentation of the change initiatives in the two banks does not suggest that the banks have stopped changing or introducing new

programmes. Indeed, towards the end of writing this thesis it was learnt that one of the banks has started the implementation of a new enterprise-wide system in continuation of its effort to make the bank “the number one bank in the country”. The other bank has also started new phases of its strategic plans involving establishing new branches outside the country and making the bank a “truly international bank”. In addition, old generation banks, generally, have begun talks with the government - through the CBN - on what is to be the fate of the rural banks established under the rural banking scheme (RBS). Most of these banks want to rid themselves of the “burden” of rural branches either by closing them down or selling them to interested buyers. While it is agreed that some of these developments will have implications for the banks’ future change efforts and branch network developments, however, some form of closure has to take place in order to complete a Ph.D. thesis within a certain time limit and space. But, in the words of Van Maanen (1988), “...we know our analysis is not finished, only over” (pg. 120)



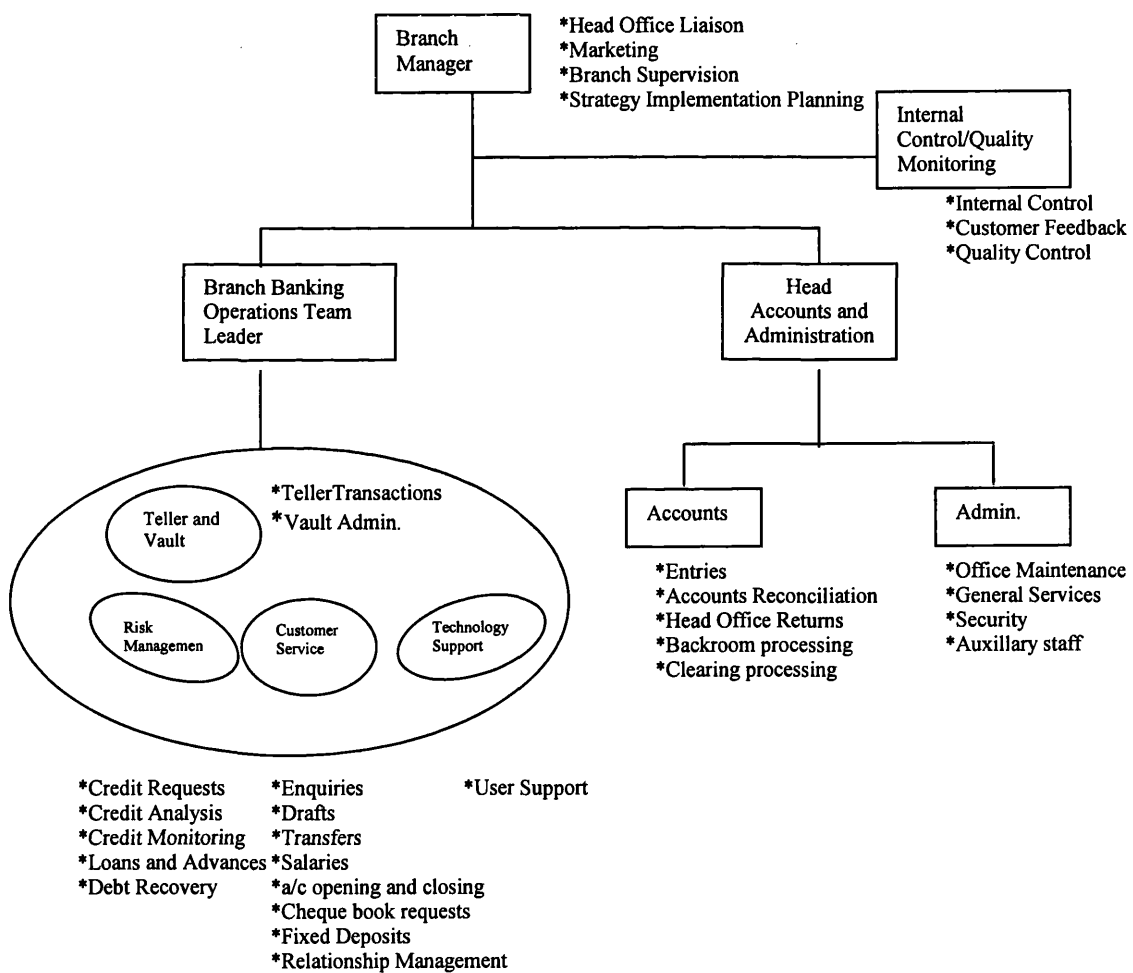
# APPENDIX I

## WEMA BANK PLC STRUCTURE OF BRANCHES BEFORE REENGINEERING



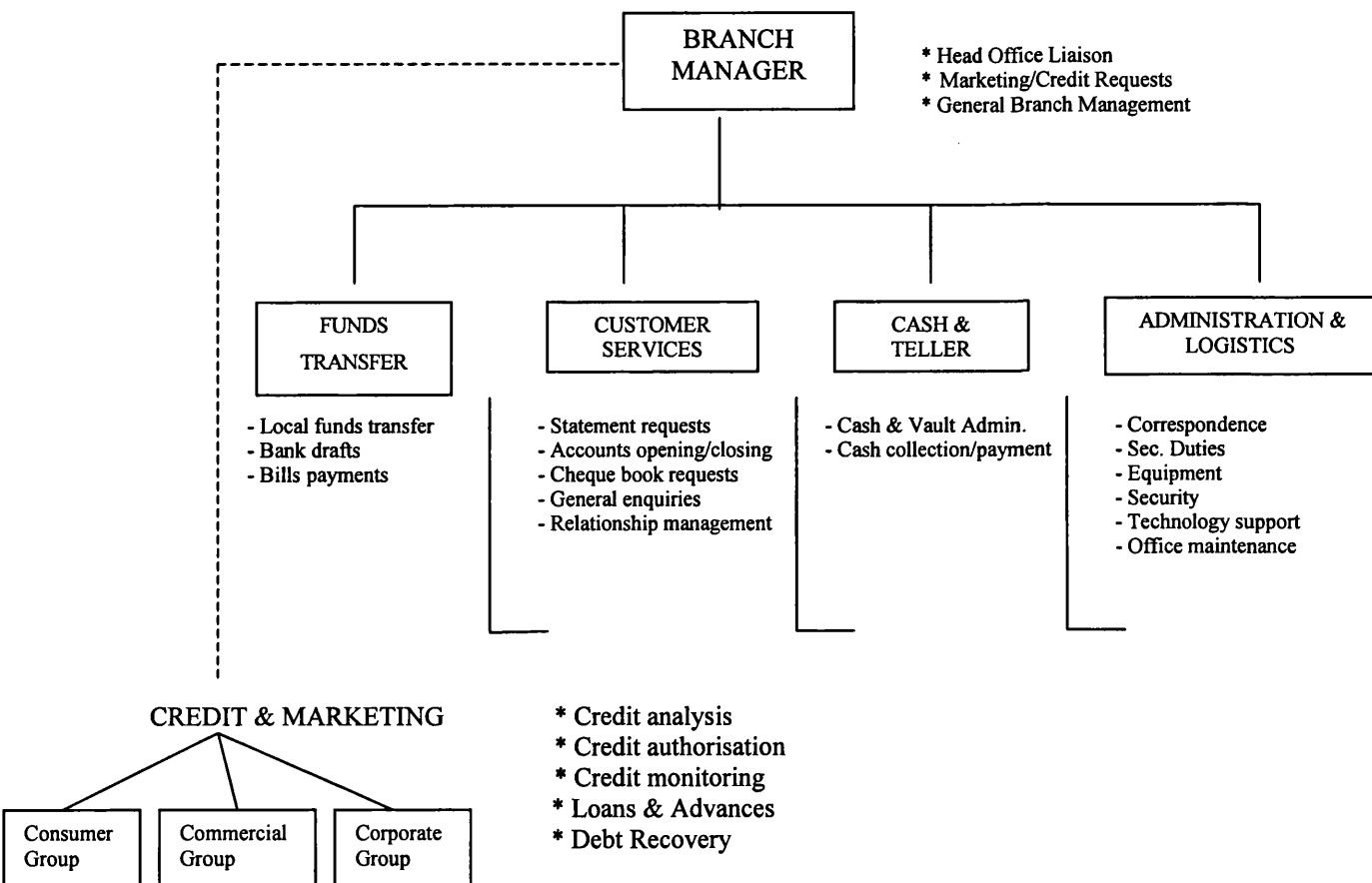
## APPENDIX II

# WEMA BANK PLC STRUCTURE OF BRANCHES AFTER REENGINEERING



# APPENDIX III

## UBA PLC STRUCTURE OF BRANCHES



## **APPENDIX IV**

### **ORGANISATIONS INTERVIEWED**

#### ***A). Banking Institutions***

1. United Bank for Africa (UBA) Plc
2. All States Trust Bank
3. Guaranty Trust Bank
4. Wema Bank Plc
5. First Bank of Nigeria Plc
6. Merchant Banking Corporations
7. Nigerian Inter-Continental Merchant Bank
8. Diamond Bank

#### ***B). Regulatory Authorities***

1. Central Bank of Nigeria (CBN)
2. Nigerian Deposit Insurance Corporation (NDIC)

#### ***C). IT Vendors/Consultants***

1. Unisys (Nig) Ltd.
2. ICL (Nig) Ltd
3. Inlaks Computers Ltd.
4. Andersen Consulting
5. DSC Consulting

#### ***D). Professional Associations***

1. Chartered Institute of Bankers of Nigeria (CIBN)
2. Financial Institutions Training Centre (FITC)
3. Computers Association of Nigeria (COAN)

## APPENDIX V

### INTERVIEW GUIDES

**1. *Questions about the wider context of deregulation, liberalisation & globalisation and opinions on these changes (Directors/Senior Managers; Regulatory Authorities; Professional Associations)***

- What is the impact of government policies on the bank's ability to change/restructure?
- Part of the reasons for the policy change is to increase competition, which is hoped, would lead to innovation and better services to the customer. Has this happened? If so, how? If not, why has it not happened?
- What is your assessment of the increasing presence of foreign banks and banks with foreign affiliation in Nigeria? Has this been particularly beneficial to local banks?
- How has the Nigerian banking scene changed in the last 5-10 years? (i.e. structure, size, services/products, employment procedures, composition of bank staff, training and management style)
- Has deregulation and liberalisation led to an increased use of IT within the industry? What has been the major impact of IT? What business areas has IT had most impact?
- How would you describe the relationship between banks in Nigeria? Is there enough co-ordination/communication? What was it like before and after liberalisation?
- Do you believe that IT is being used where it is needed most? If not why? What in your view has contributed to the problem? Where would you then say it is most needed?
- What is the nature of relationship between regulatory authorities and banking institutions? How has this changed in the last 10-15 years? Give examples

**2. *Questions about the changing nature of competition within the banking industry and how it affects focal bank. (Directors and Senior Managers)***

- How has the bank responded to changes in its environment? In the past 10 years, has the bank's strategy included the introduction of IT-related change programmes?
- Questions about government regulations including particular regulations that made substantial impact on focal bank's strategy. What are the implications of these regulations for the use/choice of IT in the bank?

**3. Questions relating to the process of conceiving, selecting and implementing change programme in focal bank. (Directors and Senior Managers; implementation team)**

- Can you tell me briefly about the process of introducing (analysing, selecting and implementing) the change/restructuring programme? Briefly describe the events leading up to the implementation of this change programme. Who was involved? What factors (internal and external) influenced decisions?
- What were the expectations in introducing this programme? Have they been met? Give examples.
- During the process of introducing this initiative, were there any transitional problems? Give examples. How did you overcome them?
- Did you have to make any changes during the implementation of the programme? What are these changes you made? Why did you make the changes?

**4. Questions relating to the history of computerisation in the bank/history of bank's IT department (IT Director/Manager and staff)**

- When was the department established?
- What is the size/composition of IT department?
- What is the location of IT department within the organisation?
- To whom does IT report?
- What has been the history of computerisation in organisation?

**5. Questions concerning the nature of changes in bank branches (Branch staff)**

- How has the liberalisation drive and the increasing use of IT changed the culture of branch banking in Nigeria? Give examples.
- Does the branch have any particular set of customers that it caters for? How has this changed since liberalisation? Give examples
- What is the nature of changes that have taken place in the branch? Specific examples
- Have there been changes in the skills of branch staff; performance of staff; interaction with peers, superiors and customers; nature of training given to staff.
- Were there any transitional problems in implementing the changes? Give examples. How did you overcome them?
- Did you have to make any changes during the implementation of the programme? What are these changes you made? Why did you make the changes?
- How different is it to work in the branch now with the changes that have taken place?
- Was the branch manager involved in the restructuring of the branch? How?
- Observation of work processes in bank branches

**6. Questions about the method/process of implementing IT and change within the banking system (IT vendors/consultants)**

- How would you describe your experience of implementing IT systems/change programmes in Nigeria?
- What sort of challenges do you encounter? How do you deal with them?
- What sort of methods/approaches do you employ during the implementation of these systems/programmes?
- What is the process of restructuring organisations in Nigeria (i.e. source of ideas; selection of particular method; implementing chosen method)
- Any standard methods or methodologies employed?

**7. *General Questions (All participating organisations)***

- Background/Description of organisation
- Mission of organisation
- Description of organisational structure
- Culture of the organisation
- Interviewee information (Name, Title; Responsibilities; Background)

## **APPENDIX VI**

**PAPER PRESENTED AT THE IFIP WG 9.4 CONFERENCE ON  
INFORMATION FLOWS, LOCAL IMPROVISATIONS AND WORK  
PRACTICES IN CAPE TOWN, SOUTH AFRICA, 24-26 MAY 2000**

**“Actually existing globalisation”: A case study of IT and organisational  
change in a Nigerian bank**

**By**

**Abiodun O. Bada**



### **Abstract**

*The case study described in this paper concerns the implementation of a planned information technology-based organisational change programme in a Nigerian bank. The change initiative is a culmination of earlier attempts by the bank to transform itself from a regional, government-owned bank, to a private bank with a national coverage, and a major player within the industry. At the time of data collection, the programme was in its fourth year and a substantial amount of resources had been committed to the project. This case provides an illustration of how Nigerian banks are changing in response to global pressures of deregulation and liberalisation, and how they are using technology in this change process.*

## ***Introduction***

In contemporary times, the utilisation of information technology (IT) in any part of the world can be regarded as taking place within the globalisation trend. The need to take a wider view of IT use has become important due to the effects of the globalisation process and the ease with which IT and associated management practices now permeate countries. In Africa, on the advice of International Financial Institutions (IFIs) such as the World Bank and the International Monetary Fund (IMF), majority of countries embarked upon the task of deregulating and liberalising their economies. In addition, different economic sectors, including banking, have over the past few years been investing extensively in IT and adopting western management techniques like BPR and TQM with a view to taking part in the globalisation process.

A useful definition<sup>76</sup> of globalisation given by Giddens (1990) refers to the concept as ‘the intensification of worldwide social relations that links distant localities in such a way that local developments become a function of events occurring many miles away and vice versa’. Similarly, Castells (1996) described the trend of an increasing interconnection of economic activities and social relations, which he referred to as a “networked deeply interdependent global economy”. Thus, globalisation essentially refers to a world in which societies (and culture) have, in one way or another, come closer together (Kiely, 1998).

It is this coming closer together and its implications, that are central to much of the debate on globalisation. These debates have focused on what happens to local identities within a globalising world (Hannerz, 1991; Robertson, 1992; Kiely, 1998). Different scenarios have been painted as to the possible consequences of this interplay between local and global tendencies. Ranging from the highly deterministic “homogenisation” thesis of the global institutionalist school (McNeely, 1990) to the interactive ‘mutual influence’ views of Robertson (1992), these views posit different implications of the globalisation trend on local societies. Clearly influenced by some of these debates, studies are beginning to examine whether the globalisation process portends homogeneity

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<sup>76</sup> While, there is a general agreement on the importance of the globalisation trend in contemporary times, there still exist some debates about what the term actually mean (Robertson, 1992).

for developing countries' (DCs) organisations or whether these organisations can utilise IT and IT-based management techniques according to the socio-cultural requirements of their contexts (Walsham, 1998).

In his contribution to the globalisation debate, Kiely (1998) used the term actually existing globalisation to explain the importance of examining globalisation 'as an agenda for concrete empirical investigation' as opposed to viewing globalisation as a meta-theory. What this means is that globalisation is experienced in different ways by different people in different parts of the world. The implication of this is that the local context matters; that global techniques employed in the 'west' cannot be implemented mechanistically in DCs without due consideration for the local context. Giving consideration to the local context may therefore imply some form of modification or adaptation to 'western' techniques when they are being implemented in DCs. But exactly how these modifications are achieved is still poorly understood, leaving it a fruitful area for research. In line with this view, this paper explores how a Nigerian bank responded to changes in its environment and adopted Business Process Reengineering (BPR) as its 'official' response to an increasingly competitive environment. Specifically, this study will emphasise local adaptations to a global instrument or technique such as business process reengineering (BPR).

Wema Bank Plc. was formed in 1945 by a group of Nigerian private investors. It was among a number of banks that were established during this period as a direct response to allegations of anti-Nigerian activities levelled against expatriate banks operating in the country. The bank was established with the sole aim of assisting indigenous business men and women who were discriminated against in the provision of credit facilities by these expatriate banks (Adegbite, 1994). During its early years, the bank was beset with a number of problems which new banks of its generation faced - lack of a strong management and an inadequate capital base. In order to keep the bank afloat, it received support in the form of grants from the government of the defunct Western region of Nigeria, such that by 1969 government bought over and took full control of the bank. In

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1990, Wema bank was privatised and management decided to embark on a major re-organisation of the bank as a response to an increasingly competitive environment. The bank, like many others within the industry, decided to embark on process reengineering as a “survival” strategy in the face of dwindling margins, increased competition and growing sophistication of customer demands. It is the implementation of this project (as a form of IT-enabled change initiative) that is the focus of this paper.

It is hoped, a study such as this would help illuminate issues in IT and organisational transformation within the banking industry in Nigeria amidst environmental imperatives of liberalisation and globalisation. The study will also contribute to the discussion on the impact of the globalisation trend on organisations much of which, to date, have been highly western-centric (Walsham, 1998). A study of the process of interaction between local context and global trends (i.e. BPR) constitutes a contribution in studying whether or not globalisation is a monolithic and homogenous process. In the next section we will examine the research strategy followed by the theoretical framework for our study of IT-enabled change in this bank. The contexts of change in Wema Bank Plc is then introduced to highlight the factors which were found to influence the implementation of the project. The next section discusses the implementation, focusing specifically on management decisions that shaped the outcome of the project.

### ***Research Strategy***

Traditionally within the information systems (IS) field, research strategies have been divided into two camps: the qualitative approach and the quantitative approach. The quantitative approach relies on the use of numbers, which are used deductively to explain and predict organisational phenomena and to provide generalisations about organisations. This approach has however been criticised in IS literature for its treatment of organisational reality which is regarded as complex and not easily amenable to statistical deductions. A more holistic and qualitative approach which captures the fully reality of organisational behaviour in "its settings" has therefore being proposed and increasingly being employed in IS research (Walsham, 1993). In this study we will adopt such a

qualitative approach which will focus on how a Nigerian bank is changing in response to changes in its environment.

According to Walsham (1993), case studies are perhaps the most appropriate strategy for conducting empirical research from an interpretive stance. Case studies are defined as an empirical enquiry that investigates a contemporary issue or event within its real-life context, especially where the boundary between such issues or event and its context is not clearly defined (Yin, 1994). Much of the criticisms levelled against the case study strategy relate to the fact that because it is specific to only a small number of cases, it is very hard to generalise to a wider range of situations. Also the richness and complexity of the data collected means that the data is often open to a number of very different interpretations, such that researcher bias is a constant danger (Conford & Smithson, 1996). Despite these limitations, especially that of not being able to provide generalisability in a statistical sense, Pettigrew (1985) still believes that case studies are useful in developing and refining generalisable concepts.

Data for this study was gathered as part of a study of IT use within the Nigerian banking system between March 1997 and August 1999. The first set of interviews were conducted between March and May 1997, basically to understand in as much detail as possible, the level of computerisation within the industry as very little existed in the area of literature. This was followed in the summer of 1999, by an in-depth study of three commercial banks, one of which is presented in this paper. Multiple methods of data collection were employed including interviews, documentary review and direct observation. Interviews were conducted at the Head Office of the bank in Lagos and also in a number of branches within Lagos. In all, 18 interviews were held at this bank with different grades of staff both at the head office and in branches. In the next section we will examine the theoretical framework for the study of IT-enabled organisational change in Wema bank.

### ***IT-enabled change: Planned or emergent change?***

A model of IT-enabled organisational change implies a planned approach to change in view of the insistence that IT can be strategically redeployed to effect deliberate, wide-ranging

changes to an organisation (Tillquist, 1996). Planned change involves a deliberate, purposeful, and explicit decision to engage in a program of change (Levy & Murray, 1986). It normally originates with a decision<sup>77</sup> from management to improve on how the organisation functions, to create and communicate a vision of the change initiative and to implement necessary changes (Levy & Murray, 1986; Plant, 1987; Wilson, 1992). Planned organisational change also entails the use of external agents of change such as management consultants who see through the process of change (Ginsberg & Abrahamson, 1991). A planned approach to organisational change - because of its emphasis on top management decision-making- has resulted in a plethora of models aimed to develop and train managers in a set of competences regarded as necessary for managing change (Wilson, 1992). Such models aim to assist management in understanding and exploiting opportunities engendered by a change in the environment as well as avoiding threats (Johnson & Scholes, 1989).

Dominant IT-enabled organisational change models have therefore focused on improving management analytical strengths in understanding the environment of their organisations and how to exploit the potentials of IT in order to secure a competitive position for the organisation (Porter & Miller, 1984; Scott-Morton, 1991; Hammer & Champy, 1993). According to these models that argue that change can be planned in advance with computerisation, organisational change is the direct outcome of computerisation and technology is expected to take a leading role in organisational change (Short & Venkatraman, 1992; Venkatraman et al., 1993; Venkatraman, 1994). This implies that the successful implementation of IT-enabled transformation is a deliberate attempt by management to deploy IT capabilities and associated management techniques to transform the organisation and introduce new forms of strategies that will improve organisational functioning. IT is thus seen as “an essential enabler” of business improvements through the availability of powerful information and communications technology which makes essential

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<sup>77</sup> Such decisions are mainly strategic in nature in view of the fact that they entail the organisation committing substantial amount of resources, setting precedents and taking crucial actions which affect the long-term health and survival of the organisation (Mintzberg et. al, 1976). In addition such change initiatives usually have implications for the entire organisation and its customers.

information easily available thereby empowering workers to make more 'informed' decisions (Tillquist, 1996).

This rather teleological view of IT use implied by IT-enabled change has however been criticised as "black-boxing" fundamental social, political, historical as well as technical aspects of organisational change (Tillquist, 1996) - which are essential for understanding the true nature of organisational change in reality. Organisations' actions are rarely unidirectional and as such an interactive or emergent model, which captures the dynamic relationship between the technology and the socio-organisational contexts, seems to be more appropriate (Markus & Robey, 1988). This therefore calls for a re-conceptualisation of planned change stressing the non-linear and subjective nature of change programmes.

Planned change initiatives in the form of IT-enabled organisational change can be viewed as strategic change (DeCock, 1996). Within the strategic management school, current perspectives on strategic change questions the extent to which change can be planned in advance and carried out in a rational and linear fashion. They point to the emergent nature and the subjective character of change which technical/rational models are unable to account for. The subjective and emergent nature of change posits that IT-enabled organisational change is a function of both human choice and environmental characteristics (Markus & Robey, 1988). Similarly Orlikowski (1991), argued that technology-based change should be viewed as a non-deterministic process which takes into account the role of technology, human choice and actions involved, as well as the socio-historical context of the organisation.

What this means is that change cannot always be planned in advance; that it occurs in an emergent fashion and that the result is not always what is intended. Mintzberg's strategy typology (1978) distinguished between intended, emergent and realised strategies to show that strategies are as much planned as they are unintended. Intended strategy is the "deliberate conscious set of guidelines that determines decisions into the future" and realised strategy is defined as "a posteriori consistencies in decisional behaviour" (Mintzberg, 1978:945). This view of strategy distinguishes between decisions and

actions, which represents intentions and realised activities respectively (Mintzberg & Waters, 1985).

In the context of organisational change, intended strategy relates to the planned and deliberate decisions by management to engage in some form of change and realised strategy refers to the various actions taken to implement the change initiative. This proves particularly useful for the study of change because it allows us to focus not only on the planned strategies for change, but also on the observable patterns of action; some of which are deliberate as a result of the intentions and others emergent arising outside of the deliberate plans. It therefore provides an alternative to the highly teleological approach of the technical/rational perspective and is more in line with the emergent nature of social and organisational phenomena.

Other criticisms of IT-enabled organisational change programmes focus on the separation of technological change and organisational change and argue that such separation is rather 'artificial' and does not capture the true nature of the interaction between IT and the organisational context of its implementation (Avgerou, forthcoming). Based on the ideas of the actor network school which views the content of change as including a 'heterogeneous network' of actors and IT-supported organisational processes (Callon & Law, 1989), the author argued that the content of change should not just focus on IT but also on the differentiated network of actors and institutions within which the technology is being implemented. Therefore, IT-enabled organisational change is embedded in and inseparable from the social and organisational processes that surrounds it.

To summarise, existing literature has shown the futility of a rational and overtly simplistic view of IT-enabled organisational change. Majority of studies now accept the wisdom of adopting more "socially rich" models which capture the full complexity of organisations and how they change (Tillquist, 1996). Such socially rich models would capture the dynamic relationship between technology innovation and social changes in the organisational context. Pettigrew et. al., (1992: 8) emphasised the importance of complementing rational models with more eclectic ones able to identify the different causes of change such as the political,



cultural as well as economic influences. Mintzberg's strategy typology has shown us that the planned and deliberate approach to change doesn't capture the true reality of how organisations function. That organisational change consists of both the deliberate decisions or initiatives of management as well as the realised decisions and actions which may differ from what was intended. In addition, organisational change is socially and historically mediated just as it is economically motivated. In the next section we will examine the contexts of change in Wema Bank Plc to highlight the factors which were to influence the implementation of the project.

### *The contexts of change at Wema*

In this section, we will look at the broad context within which Wema bank operated before and during the restructuring programme, highlighting within each context, economic, social, political and cultural factors which the bank had to contend with in the implementation of the change initiative. This will provide a useful setting with which to describe and explain the decisions management took during the implementation of the programme. Table 1 presents the categories of inner and outer contexts that were found to be influential within the change process at Wema bank.

#### *Wider Institutional Context*<sup>78</sup>

*Regulatory Pressures.* On the advice of international financial institutions (IFIs) such as the World Bank and IMF, the Federal government of Nigeria embarked on a programme of reform to deregulate the economy. Just as in most of Africa, this programme was supported by a loan agreement from the International Monetary Fund (IMF)<sup>79</sup>. This programme, known as the Structural Adjustment Programme (SAP), was introduced in 1986 and it consequently led to the liberalisation of the banking industry. The implication of this was that the number of banks operating in the country increased from 41 in 1986 to 117 in 1995. This led to an increased level of competition as old banks started competing with the new ones for customer deposits. Another important government

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<sup>78</sup> For more discussions on the wider institutional context of banking in Nigeria, see Bada (2000, forthcoming).

<sup>79</sup> In a study by Mohan (1996) it was revealed that 38 out of the 43 countries (or 88%) which have introduced the programme had entered into an agreement with the IMF as part of their SAPs.

policy to influence Wema's change programme was the Rural Banking Scheme. Through this scheme, government compelled all banks to increase their presence in rural areas by allocating to each bank a minimum number of branches they have to establish within a specified length of time in the rural areas. This was initiated to encourage rural banking habits and also to mop up excess liquidity in these areas and to bring them into the mainstream financial plan of the country. The Scheme was however abandoned after the industry was liberalised in 1989, as it was argued that such a policy of establishing branches in "unprofitable" areas conflicts with the tenets of profitability and efficiency which the government was preaching with the introduction of SAP. Although this scheme had been abolished, its ramifications are still prevalent within the banking industry today and featured quite prominently in the change initiative of Wema bank.

*Increased Competition.* A direct consequence of liberalisation and subsequent explosion in the number of banks is the financial crisis, which the banking system suffered in the immediate post-liberalisation era. As a result of this crisis, more than 60 banks (both old and new) were closed down by the government as they were adjudged to be in a state of distress<sup>80</sup>. A large number of customers lost their deposits and vowed never to use banks again - as such the system suffered a major credibility crisis. Surviving banks (of which Wema bank was one) had to find better ways of serving existing customers and attracting new ones. Competition was also heightened up with the influx of new banks following the liberalisation of the industry. A number of the new banks are subsidiaries of foreign banks and some are local banks with a mixture of expatriate and local management staff.

*Societal expectations.* Prior to liberalisation and to the coming of these new banks the culture of banking within the industry was described as "armchair banking". Armchair banking in the sense that the level and quality of service delivery was regarded as poor; customers were at the mercy of banks and were forced to accept whatever level of service banks offered. However, with the coming of the new banks, they brought with them

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<sup>80</sup> Financial distress is defined as a situation in which a financial institution is unable to fulfill its obligations to its customers, its owners and the economy due to weaknesses in its financial, operational and managerial capabilities which in effect renders it illiquid or insolvent (CBN Briefs, 1996 Series). In 1989, 8

completely different approach to serving customers and a more advanced level of computerisation - some of which was to later become the 'standard' within the industry. Existing bank customers seeing what obtains in some of these banks started asking their old banks for the same level and quality of service, which therefore meant that banks had to change.

### *Inner context*

*Management structure and style.* The management structure of Wema bank can be described as stable. Majority of the board-level directors have been working in the bank for an average of 15 - 20 years and most of them have come through the ranks and have wide experience of the Nigerian banking scene. This stability at the top is as a result of the bank's human resource policy which puts a lot of attention in to building a family of employees – named the “Wema family”. This policy has seen the bank achieve a low staff turnover over the years. While Wema bank is not among the highest paying bank in the industry, this is however compensated for by the bank's stable human resource policies.

*Structure of branches.* The structure of Wema bank branches before re-engineering reflects an organization highly structured along functional lines. In addition, there was a lot of segregation and jobs were fragmented along functional lines. For instance, cashiers in one department (i.e. Savings Department) are not allowed to attend to customers in other departments (such as current accounts) and are thus restricted to carrying out transactions related only to their units. In addition, cashiers' job was purely routine with the implication that cashiers are not allowed to pay out any amount of money without seeking approval from a supervisor. All these add to the already cumbersome process of branch banking at Wema Bank plus the added stress of a poor service delivery culture.

*Culture of branches.* The culture of Wema bank branches typifies the general culture of banking in Nigeria before liberalisation. A prevalent issue then was the poor quality of

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banks were adjudged to be distressed and were subsequently closed down. The total number of banks closed down increased dramatically to 63 by January 1998.

service delivery and consequently a poor bank-customer relationship as staff didn't see any need to foster a closer relationship with customers except for their personal gain. The average length of time for transacting business within the branch was between 2 - 3 hours even for simple transactions such as checking account balance or for cash withdrawal. The implication of this is a practice known in local parlance as "man know man". This is the practice whereby a customer sees it as important to make friends with one of the branch staff to be able to get through the cumbersome process of banking - in return for some form of gratification. People who are unfortunate enough not to know anyone are thus made to suffer, as they are the ones who spend hours in the bank<sup>81</sup>. A side effect of this practice is the lack of orderliness in bank branches and the absence of a queue culture. Given the fact that banking transaction is based on who you know, there was therefore no reason - as far as customers are concerned - to queue up in order to be served. In the next section, we will discuss specific content of IT and organisational change at Wema bank before going on to discuss the process of implementing the change initiative in the section that follows.

### ***IT-enabled change in Wema bank: the BPR project***

The 1980s were a trying period for Wema bank. In spite of continued injection of funds by the government, the bank did not record its first substantial profit until 1988 and it was not until the following year (1989) that the bank was able to declare its first dividends. By this time, competition was becoming tougher within the industry following the deregulation of the economy and the liberalisation of the banking sector. In its response to the increased level of competition, the management of Wema bank embarked on strategic planning which was viewed by the Chief Executive Officer (CEO) at that time as the "way forward" for the bank. In October 1988, the Board approved the appointment of a multinational consulting firm to handle the project. Work on the Plan started in May 1989 between the consultants and members of Wema Bank Plc and by the end of August 1989, the team came up with the bank's first strategic plan.

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<sup>81</sup> A particular advert in the local press paints this picture quite clearly where a person coming to the bank to do business had to come with his folded chair because he knew it was going to be a long wait and all the seats in the branch would have been occupied.

The strategic plan was based on achieving substantial level of change in three key areas namely: Geographic Spread; Business Focus and Image Management. A shift in geographic coverage was to see the bank open new branches in areas other than the Western part of the country from which it originates and from which about 90% of its current branches are located. Changing the business focus entails building and sustaining a viable marketing culture for the bank which would portray an image of an urban bank and which would ultimately bring in new sets of customers. Finally, the focus on image management would see the increase in private ownership of the bank to 60% to further remove the tag of a government-controlled bank and thus improve its corporate standing. The sum total of these initiatives was “to see Wema rank amongst the top five banking institutions in Nigeria in terms of key industry indicator of size, financial performance, improved quality of service and overall corporate image” (Adegbite, 1994).

The 1<sup>st</sup> Plan lasted till the end of 1992 after which it was replaced by the 2<sup>nd</sup> Strategic Plan in 1993. Aiming to build on some of the gains of the first phase, the bank identified as being of crucial importance, the task of “significantly improving retail banking efficiency”. In other words, to focus on a comprehensive restructuring of its branch activities to achieve better service delivery to its customers. By the time the 2<sup>nd</sup> Strategic Plan was drafted, the new banks have started encroaching steadily into the market and are starting to ‘eat’ into the business of the old banks. The new banks employed aggressive marketing techniques and enticed customers with a lot of ‘sweeteners’ such as higher interest rates on deposits. For a while, the tactic worked as the market share of the old generation banks started dwindling. It was therefore not surprising to find that the main focus of Wema bank’s 2<sup>nd</sup> Strategic Plan was to improve retail banking efficiency with a view to increasing, or at least maintaining, its share of the domestic retail market. It is also quite worthy to note that by now the bank had started talking about “using modern technology” and “implementing state-of-the-art telecommunications technologies”. This is because the period of the 2<sup>nd</sup> strategic plan coincided with the period of increased technology input from the new generation of banks.

The main focus of the 2<sup>nd</sup> Strategic Plan was the Branch Process Re-engineering (BPR) project. The bank, like many others within the industry, decided to embark on process reengineering as a “survival” strategy in the face of dwindling margins, increased competition and growing sophistication of customer demands. The BPR project was actually hinged on three smaller interrelated projects which were: branch computerisation, inter-connectivity and networking of branches in a Wide Area Network (WAN) and branch process redesign. In branch computerisation, the team of consultants recommended that the bank should aim to make more effective use of information technology in branch operations and to automate some of its head office functions. It was also recommended that branch process redesign should aim to achieve “quantum leap improvements in quality, speed, efficiency and effectiveness of customer delivery”. To achieve this objective, the team recommended major changes in branch operations including a complete overhaul of staff profile; new sets of staff, mostly university graduates were to be employed to work in the reengineered branches.

However, in implementing the plan, the target of branch computerisation was to proceed with caution. The bank appreciated the fact that despite the importance of branches to its operations and despite the goal of “effectively utilising all its branches”; it could not computerise all of them. Reasons given for this included the sheer cost of computerisation, buying peripheral equipment such as Uninterrupted Power Supply (UPS) and also the cost of linking up branches in a WAN. Other factors, which influenced the decision to adopt a cautious approach, were the fact that a substantial number of branches - especially the ones regarded as “political branches” - are loss-making branches, which, since the day they were opened were “yet to break-even, not to talk of making profits”. These branches were opened in compliance with government regulations under the Rural Banking Scheme that banks should increase their presence in rural areas to encourage widespread banking. As a result, non-economic factors informed the opening of the branches and they have been kept alive because government would not permit their closure - even after the Rural Banking Scheme had been abolished.

The realisation of this was the total exclusion of the bank's 21 rural branches and a three-tiered approach to the BPR project in the remaining 51 branches. These three layers of the BPR project are re-engineering, re-designing and streamlining. The top end - which is re-engineering - involves investing in state-of-the-art technology, new banking application software and network inter-connectivity in a small number of "strategic" branches, with corporate customers and which contributes the most to the bank's earnings. At the lowest end - which is streamlining - BPR involves restructuring the operations of branches, but with no technology involved. Existing manual systems are re-worked and changes are made, but essentially data is kept on card files and signatures are verified manually with the use of mandate cards. Sandwiched between these two, and with the greatest number, are branches which are regarded as of importance to the bank's earnings but not "strategic" enough to warrant investing in new technology - these are the re-designed branches. These branches will be restructured but will not have any new technology introduced; rather existing software and hardware would be upgraded and then put back to use.

The actual process of implementation or "roll-out" (as it is referred to within the bank) started with the piloting of the project at two of the bank's branches in Lagos followed by a period of phased-rollout to all the other branches. After a period of about 6 months, the project was adjudged to have been successful at the pilot sites and as such could be "rolled-out" to other branches of the bank. By now, it had been decided that the management consultants would no longer take the lead role in implementing the new procedures at the roll-out phase. Instead a 4-man implementation team was chosen from among members of staff who had undergone intensive training and worked under the new procedures at the pilot sites. This implementation team, which was headed by a middle-level manager, was to take over from the management consultants and was expected to take the lead in the implementation process.

The roll-out plan during this phase depended heavily on the dedicated implementation team who worked with the bank's personnel department to select new personnel needed to handle the re-engineered branches. Management believed that to actually re-engineer a

branch and to achieve the level of 'rebirth' that is needed in a re-engineered branch, a change of personnel must accompany process reengineering. Specifically, this was needed to prevent a continuation of the old practice of branch customers familiarising themselves with staff in order to get service quicker. In a re-engineered branch this culture of 'internal help' was deemed unnecessary, as everybody will be served on time and with the quality of service that they deserve.

Therefore, a complete set of new staff were selected into reengineered branches from other branches within the network so as to symbolise what branch re-engineering was all about and to drive home the point that reengineering was indeed aimed at breaking away from the old ways of doing things. According to one member of the pilot team at Dopemu branch:

*"We favour moving people when we want to convert because under the old dispensation nobody cares about service delivery, nobody really cares as to whether customers get served or not and so you discover that that system actually gives room for what we call "personalised customers". So we feel that if we allow such staff to still remain within that branch at the early stage it will go a long way to derailing the system. We want customers to go as they come in - first come; first served".*

Reengineering brought about a number of changes in terms of how the branches are managed, the physical layout of branches, and in banking processes. With regards to changes in processes, the major changes experienced involved the redesign of the work of cashiers to expand the scope of their duties. Prior to reengineering, cashier's job was highly segmented with different cashiers performing different functions. After reengineering, a new concept of "universal tellering" was introduced to signify that one teller can now perform all of the previously segregated functions. In addition to the expansion of duties, cashiers were "empowered" to pay out cash within a certain limit. Previously, a cashier had to obtain authorisation from a senior staff member before any money is paid out at all. This slowed down the process of cash withdrawal. However, with reengineering, cashiers were given authorisation to pay up to 5000 Naira after which they will need authorisation.



### ***Discussion: Another look at BPR implementation at Wema***

The BPR project at Wema Bank Plc was initiated by management as “a statement of intent” to transform the fortunes of the bank. However, in implementing the project we discovered a gap between the intentions and what was eventually implemented. It may have been easy to dismiss this gap as another example of implementation failure. However, Mintzberg’s strategy typology which distinguished between intended and realised strategy helps us to reconsider the gap between the two not as a sign of dysfunctionality but as a creative opportunity for learning what organisational change and IT-related organisational change actually consists of in specific organisational contexts. In addition, implementation decisions and actions have been influenced by the resources of the bank on the one hand, and the pressures of the wider context on the other. For instance, the BPR project has as its predecessors, previous attempts at introducing strategic management in response to changes brought into the banking industry by the deregulation and liberalisation of banking services in the country. Such changes saw a new breed of banks – referred to as new generation banks – come into the industry with a lot of new ideas and approaches to serving customers.

This changed customer’s expectations of service delivery and they therefore demanded more from their banks. It was this expectation, and the fear of losing customers amongst others, that fuelled Wema bank’s desire to transform itself from a regional bank to a national bank with a ‘corporate’ outlook. In doing so, the management of Wema bank Plc chose to restructure branch activities and therefore called in a team of management consultants to advise them on how to proceed. The management consultants chose BPR and advised management on the actions and steps that needed to be taken. However, we found out that in carrying out the recommendations of the consultants (i.e. implementing the plan), a number of modifications were made.

Further examination of the implementation process revealed that the modifications, which took place at different levels of the bank, were influenced by a number of factors including economic, social, political and cultural influences from within the organisation as well as the external environment. In discussing the implementation process, we have

identified three classes of improvisations. (1) Improvisations at the management level when management redefined BPR to suit organisation's strength and weaknesses. (2) Improvisations at the branch level where the original plan from management was redefined by branch management to suit how the branch operates and the nature of the branch's customers. (3) Improvisations at the individual level where individual staff tailored parts of the plan to suit their working conditions.

*1). Improvisations at the management level*

*The three-tiered approach to restructuring*

The first decision involves the adoption of "a careful and calculated approach to computerisation" and branch reengineering. This would involve a cautious approach to branch automation and investment in information technology. According to the CEO of the bank in a company bulletin:

*"Although, we aim to invest in technology, we are not specifically aiming to lead the industry... We will be pragmatic as to the choice of technology and the extent of automation".*

In practical terms, the bank's pragmatic approach meant that the BPR project addressed the diversity of branches in its network. The bank introduced new computer systems only in selected branches, and the level of restructuring that took place was based on the size of the branch, the volume of transaction, the types of customers and whether it was a rural or urban branch. This entailed a redefinition of BPR, quite different from what was envisaged and it therefore led to the total exclusion of the bank's 21 rural branches and the three-tiered approach to restructuring the remaining 51 branches.

This particular decision was influenced by both organisational and external factors. External influences that were found to be at play included the directive from the government that, despite the abolition of the Rural Banking Scheme, all branches opened under the scheme are to be kept opened. A resource-related factor was the sheer cost of computerising the branches, the financial strength of the bank and the productivity of each branch. Given that it cost between 12 and 15 million Naira<sup>82</sup> to implement the new

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<sup>82</sup> 100 Naira = U.S. \$1 (Nov. 1999)

banking software (Globus), the bank decided to introduce Globus only into those branches regarded as “strategic” in terms of volumes of transactions and contribution to the bank’s overall earnings.

#### *Rotating staff for reengineering*

At the onset of the project, the bank was advised that they would have to sack members of staff without a university degree, as they are perceived as not qualified to work in the new environment of a reengineered branch. However, management took an important decision not to layoff any member of staff, but instead to adopt a system of rotating staff and moving them around the branches. In effect, this approach saw that reengineering at Wema Bank did not result in any massive layoff of staff as was the practice in other banks - which resulted in serious collision with the unions and in one case a total collapse of the BPR project in that particular bank.

A contributing factor to this decision is the culture of the bank. Given the tradition of the bank in terms of its recruitment policy and practices which had led to what was known as the culture of a “Wema family”, the bank realised it was going to be difficult to adopt the consultants’ suggestions. This was in view of the fact that over the years its recruitment policy had been geared towards building a team or a ‘family’ of employees not purely based on academic qualifications or any other formal methods of recruitment. This “Wema family” has led to a relatively stable workforce and a low employee turnover that has led to a vastly experienced team of professionals, some of whom have been in the services of the bank for more than 20 years. This experience and stability has over the years served the bank well and has constituted a major source of strength for the bank. According to one of the Managers interviewed:

*“If you look at the staff profile, you discover that even some of the Directors don't have a BSc. So what do you? These people are vastly experienced in banking, they can tell you banking -and especially as it relates to the Nigerian environment - in and out, but they don't have a BSc. However, their experience are extremely valuable and you cannot just wished them away”*

Management therefore redefined the concept of BPR as stipulated by the consultants based on their own construction of Wema ‘reality’ in terms of the bank’s recruitment

policy. The management consultants on their part, defined Wema bank's needs in terms of overhauling the entire staff profile but to management this conflicts with their long established policy of promoting a 'family' of staff.

#### *Selecting the implementation team*

In selecting the implementation team, the original plan was to appoint a senior manager to head the implementation team so as to give the team the "necessary power and authority" to carry out the expected changes. However, based on management's past experiences of dealing with the union and based on the experience of other banks' confrontation with the union, a member of staff from the middle management cadre - who was still a member of the union - was appointed to head the BPR implementation team. The importance of this was that anytime the union tried to raise some concerns, management was quick to put point out to them the involvement of their members in the project and the fact that one of their members actually head the implementation team.

At a particular meeting between the board and the union, union members wanted to know why, despite the huge profit declared by the bank, only a small fraction went to staff pay rise. The MD/CEO directed the union members to ask the head of the implementation team (who is also a member of the union) for an explanation and that he will explain to them (the union) that the bank had been spending money on BPR and investing in new technology. According to the team manager:

*"The whole idea is that as a union member, what ever I say will be believed by the union leaders as they would not start thinking that I am working against the interest of the union"*

According to the manager, this may not have been possible if the head of the implementation team had been a senior member of staff who is no longer a member of the union. In this particular example, management was able to use their 'knowledge of the terrain' to checkmate the union and to cover their backs. This was mentioned as one of the factors responsible for the smooth implementation of the project at Wema, as most of the problems other banks had was with the union.

## **2). Improvisations at the branch level**

### *Accommodating old branch practices.*

One of the important tenet of BPR at Wema was in the desire to eradicate the practice known in local parlance as “man know man” and the idea that with reengineering, everybody gets treated equally. This equal treatment was meant to translate in practice that it was not necessary for customers to know anyone in the branch before conducting business, and all that was necessary was for customers to take their turn by queuing up until they get served. However, the reality of the situation is that given the culture of the Nigerian society, certain groups of people with leadership status within the society are not expected to queue up in bank branches. Therefore, there was a need to accommodate such people even within the reengineering initiative. According to one of the branch managers interviewed:

*“Given the type of our branch and the type of customers we have, we still try to accommodate some set of people, like for instance, the chairman of the local government council or the traditional head of this community. If such a person comes in to the bank we cannot ask him to queue. What we do is to send him up to the bulk room away from the main banking hall and from the glare of other customers; here he can get service quicker”.*

In other branches of the bank (such as the corporate branch) that we visited, this was not the practice and branch management did not see a need for this, given the type of customers they serve. In effect, this local form of accommodation leads to a toning-down of the initial plan to serve every customer equally. Given the demands of its cultural setting, a branch of the bank had to find ways to accommodate some of these idiosyncrasies of its local context.

## **3). Improvisations at the individual level**

### *Semi-automated authorisation*

Another important expectation from implementing BPR was the adoption of an “efficient and effective computer-based controls” in the form of on-line approval based on new authorisation limits at reengineered branches. These new authorisation limits was in line with the ‘empowerment’ initiative of reengineering as more customer-facing staff (such as tellers) are given more autonomy in carrying out their duties - especially in paying out

cash to customers<sup>83</sup>. Authorisation limits were programmed into the banking application software and thus only allow staff to authorise the limits awarded to them. Any claim or transaction in excess of 50,000 Naira will go to the branch manager who has the highest authorisation limit within the branch. However, this translates to some form of restriction for the branch manager who, based on the new reengineering initiatives, was expected to focus more on marketing-related activities and building strong and viable relationships with customers. This focus on marketing and customer relationship means that the branch manager operates more outside the branch than within and so a potential situation exist where the branch manager would be out on marketing duties and there are cash withdrawal requests of over 50,000 Naira waiting to be approved. In a high inflationary economy such as Nigeria's, cash withdrawals of over 50,000 Naira is a very common phenomenon.

To get round this problem, in one of the branches visited, a branch manager took the decision that his Branch Banking Operations Team Leader (BBOTL) should take charge of such situations and authorise these payments in his absence. Although the software would not allow the BBOTL to authorise the transaction electronically, he can still give the go ahead and do a manual authorisation pending the arrival of the branch manager who will do the electronic authorisation on his return. In the branch manager's views the new authorisation limits present a constraint to service delivery because customers would have to wait for his approval - which may compromise the faster response time promised with reengineering. In effect, what we have is a mixture of both on-line (electronic) and manual authorisation as opposed to the all electronic authorisation envisaged at the onset of the project. Here we have the Nigerian economic situation (in terms of high inflation and the large number of over 50,000 Naira withdrawals) influencing the manager's decision and leading to a need to adapt the original plan.

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<sup>83</sup> With reengineering, Tellers could pay out as much as 5,000 Naira without getting authorisation. If the amount to be collected is in excess of 5000 Naira, then Tellers are expected to refer to the Head of Tellers (whose authorisation limit is set at 25,000 Naira) for authorisation. If the amount in question is more than 25,000 Naira, then approval is sought from the OTL whose limit stands at 50,000 Naira.

## ***Conclusion***

The implementation of BPR at Wema had taken place rather smoothly, not from a mechanistic transfer of the technique, but through a lot of modifications of the technique of BPR to the local context. Such modifications and adaptations were influenced by both the resources of the organisation as well as wider institutional rules and expectations. For instance, the pragmatic approach to computerisation means a realisation that despite the importance of branches to the bank and the idea of “mobilising rural funds”, computerisation may not necessarily be the only answer as some of the rural banks will not be computerised. This led to the idea of a 3-tier BPR. According to one of the managers, the management consultants came in with “a lot of Hammer and Champy in their head” but the realisation is that the Wema situation is different.

History and culture intervened in the decision not to layoff staff, in terms of the “Wema family” and the bank’s recruitment policy. It intervened when the decision was reached to move staff around instead of sacking them and it also intervened when the consultants suggested that they should sack all staff without a university degree but they didn’t. Political factors intervened in the form of the Rural Banking Scheme and the setting up of “political branches”. Tradition intervened in the form of using the bulk room to accommodate chairmen of local government authorities and traditional rulers who may not want to queue up in the banking halls. Management capabilities was displayed in their constitution of the team that handled the project and in their dealing with the trade unions.

The practical implication of the lessons learnt from this case study is that even rational decisions of management are made within a social context which has to be taken in account. It would have been easy for the management of Wema bank to appoint a senior manager to head the BPR implementation team but such an appointment would have led to a series of confrontation with the Banking Union. The implication for the transfer of western management practices is that the social context and tradition of doing things within the organisation will have to be taken into consideration as an unquestioned transfer of these practices may conflict with the culture of the organisation. Consultants

and other agents of change need to be sensitive to the local ways of doing things. Implementation of BPR or indeed any other western management technique in any organisation should be seen as a unique task that will differ between contexts.

Following Ciborra (1996) and DeCock (1996), we believe IT and IT-based management techniques are flexible, and that this flexibility should be exploited when they are being implemented. If the bank had agreed to carry out the recommendation of the management consultants to sack all staff without a university degree, a substantial wealth of experience would have been lost, which the bank may have found difficult, perhaps impossible, to replace. The broad implication for the local-global interaction is that such interplay does not necessarily imply homogeneity; that the local is able to mediate global influences. Evidence from this case study suggests organisational enactment (Weick, 1977; Weick, 1992). At the junction of the local-global interaction is a process of enactment where each participant interprets and define their situations based on their professional ideologies and values, history and tradition of doing things, and other contextual considerations such as available organisational resources (Scheid-Cook, 1992). In enacting BPR, participants drew upon their own beliefs and understanding of what is feasible and desirable in implementing IT and IT-based management techniques. This leads to a suggestion that organisational change is a function of an enactment process, which leads to local improvisations to global trends.



**Table 1: The contexts of change at Wema Bank Plc.**

<b>Category</b>	<b>Attributes</b>	<b>Factors of interest</b>
<i><b>Wider Context (International/National/ Industry)</b></i>	Regulatory Pressures	Prevailing global wisdom of the purity of market forces in running national economies International Financial Institutions (such as World bank and IMF) gave support in the form of loan to the Nigerian government The adoption of the Structural Adjustment Programme (SAP) in Nigeria Liberalisation of banking and explosion in the number of operating banks Rural Banking Scheme and the regulation that all banks must establish rural branches
	Competition	Financial distress and the subsequent closure of banks Credibility crisis as people who lost money vowed never to use banks again Influx of new banks (some are local affiliates of multi-national banks) with smaller number of branches and more advanced technology
	Societal expectations	Move from old culture of “armchair banking” and protracted banking transactions to customers demanding a faster response time and better quality of service supported by information technology
<i><b>Inner Context</b></i>	Organisational Assets	Geographic spread of branch network Organisation’s financial base Stable Management structure Low staff turnover The culture of “Wema Family”
	Branch Structure	Hierarchical structure where jobs are fragmented along functional lines. Cashiers’ jobs are highly routine and mundane
	Branch Culture	A poor service delivery culture – “armchair banking” Poor bank-customer relationship leading to what is known in local parlance as a culture of “man know man” A rowdy banking hall due to a lack of orderliness and queue culture

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