

IT Management in Banks – The Role of Alignment and Usage

IN A CASE STUDY IN THE GERMAN RETAIL BANKING BUSINESS IT IS SHOWN THAT ALIGNMENT BETWEEN IT AND BUSINESS UNIT IS CRUCIAL FOR THE ACTUAL USAGE OF IT SYSTEMS WHICH IN TURN IS A KEY DRIVER FOR BUSINESS PROCESS QUALITY. BANKS SHOULD THEREFORE FOSTER INTERRELATIONSHIPS BETWEEN IT AND BUSINESS AS WELL AS CROSS FUNCTIONAL WORK BIOGRAPHIES OF TEAM LEADERS.

HEINZ-THEO WAGNER
JOCHEN FRANKE

DANIEL BEIMBORN
DR. TIM WEITZEL

Management of the strategic resource “IT” is crucial to the competitive position of a bank. IT is embedded in nearly all business functions, rendering impossible management of IT without a close alignment with the business. Besides *alignment*, recent research shows actual usage of IT systems in the business units to be a key success factor. Even if information systems (IS) can provide best-of-breed services, they are not necessarily adopted in the business units if their benefits are not obvious to the employees. In the following, this interplay of operational alignment between business and IT and the actual usage of IT systems is explored, following the question: How does the alignment of IT and business affect actual IT usage and how can banks achieve better alignment?

Research Model

Our work focuses on alignment in an operational environment, i.e. on the relation of

sales people and the IT unit in their daily business, which is part of the strategic alignment model of Henderson and Venkatraman (1993). Alignment and actual usage of an IS may contribute to superior business process performance. Usage in turn is affected by the interaction of IT and business units along all levels from strategy to day-to-day operations. Additionally, actual usage may be influenced by skills and experiences of the users affecting the ability and willingness to use a system. To analyze these interdependencies driving the business value of IT, this article explores the relationships between usage and alignment as well as skills and experiences of users on an operational level.

Methodology

We conducted a series of case studies by selecting three branches of a retail bank. Differences among the branches relate to the competitive environment and the individual

biographies/experiences of the employees, while the firm-specific environment (e.g. bank strategy) is equal for all branches. As the unit of analysis we chose a specific IT application used in the sales process of the bank’s retail business and investigated its usage in the different branches. Data from interviews in the three branches was complemented by reports, process documentation, and academic literature. The interviewees reviewed the collected data as well as the results. This procedure is concordant with the literature on case study methodology.

Case Study Results

The bank investigated in this case study (referred to as “C-Bank”) is a credit cooperative and focuses on retail customers. It has total assets between 2.5 to 5 billion EUR, 300–700 employees, and serves 150,000–450,000 customers (parameter ranges are given for anonymity reasons). C-Bank consists of several regional branches and a central headquarter. The data center is run by an external service

provider, owned by the credit cooperatives association. This provider also develops the IS and realizes change requests. In our case study we focus on the sales process of granting private mortgage loans in three branches of C-Bank, supported by a specific IS (“ACT”). ACT has been introduced in 2001, is mask oriented and run by the service provider in a central data center. In the branch ACT is only used by bank advisors. ACT covers mortgage loans as well as consumer credits. The application provides a client based on Windows. The masks of ACT cannot be customized and contain mandatory and optional fields. In order to switch to another mask or to get help, a three-letter code must be entered via the keyboard. It takes up to 90 minutes to finish a “standard” request for a mortgage loan. The process of granting credits cannot be accomplished in the branch, exclusively. Therefore, the back office of the headquarter also uses ACT. Although the provided systems, the education background of the employees, the formal processes, and the trainings are

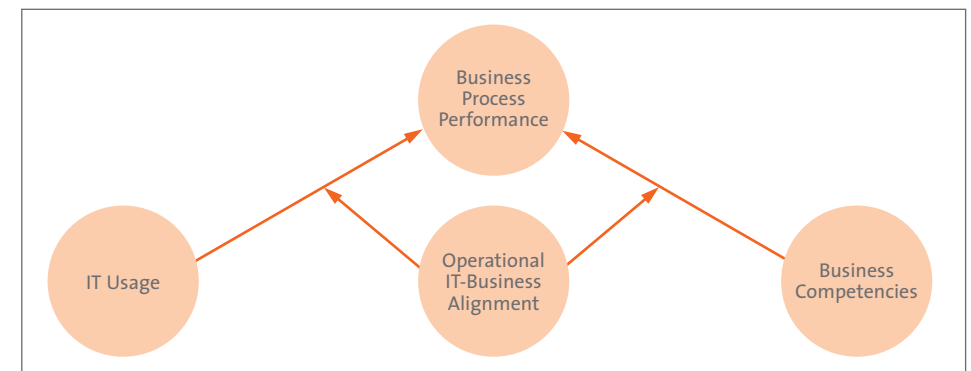


Figure 1: Model structure

identical in all branches, we disclosed a huge difference in the usage of ACT. In the following, explanations are identified. A brief summary of the case study results is shown in Table 1.

Branch A does hardly use ACT in the presence of a customer. Instead, customer data is collected in a self-developed Excel sheet which is also used to make a rudimentary customer rating for fast feedback. If the customer then wants to apply for the credit, all data has to be manually transferred to ACT, subsequently. This is done in times of low customer frequency by a bank advisor. As long as the data has not been entered into ACT, the back office in the bank's headquarter cannot execute the rating and contracting. Thus, a bank advisor spends considerably more time fulfilling the task (up to two times longer) and prevents the back office from starting work, therefore, slowing down the completion of the whole process of granting a credit in branch A. Branch B and C use ACT while the customer is present and only add some supplementary data regarding the object to be financed later. When investigating the reason of these different usage patterns we found corresponding assessments of ACT: in branch A ACT was reported to be complicated, slow, and not comfortable. In branches B and C ACT was rated as not being comfortable but at least appropriate. When exploring the relationships between *experience*, *usage*, and *alignment*, it seems that higher usage is dependent on the interaction between advisors and the IT support staff and that a more frequent

Construct	Indicator	Branch A	Branch B	Branch C
Usage	Content with system	–	o	o
	Usage of system	–	+	+
Alignment	Perceived competence of IT support department	o	o	+
	Perceived cooperativeness of IT support department	Cooperativeness is rated as high		
	Does IT understand business needs?	–	o	+
Employee experience	Skill level	All have banking education, sufficient for the actual tasks		
	General banking experience on average	11 years	16 years	8 years
	Working experience in current position on average	2.25 years	5 years	4 years
Management	Team leader	Sales manager	Sales Manager, two years of back-office experience	Sales Manager

Table 1: Summary of the Case Study Results

interaction causes a better understanding, appreciation, and a higher usage. Experience of the team leader is identified as another major factor to influence usage. The team leader of branch B worked in the back office for two years where he used ACT intensively. His branch uses ACT more efficiently, compared to the other branches. In contrast, the team leaders of the branches A and C had no back office experience.

But the single most important aspect for efficient usage turned out to be mutual understanding between the business units and the IT unit which is concordant with literature.

Mutual understanding was reported to arise from frequent interaction and, as far as the IT unit is concerned, from the business orientation and basic business knowledge of the IT personnel.

Summary and Management Implications

In the case studies we could reveal a connection between the *usage* of a particular IS and *alignment* between business and IT at an operational level (functional integration). Alignment at an operational level fosters the usage of ACT as reported in the case. Furthermore, IT experience of the team leader was found to be influencing the usage of the IS.

The most important aspect regarding operational alignment was the understanding of business needs by IT staff which is also in line with literature dealing with the strategic aspects of alignment. Our findings, therefore, support the importance of a mutual understanding between business and IT. This understanding seems to be an important factor at both the strategic and operational level of alignment and corresponds with the frequency of interaction between business and IT. The managerial implications for the IT management in banks are to foster interrelationships between IT and business departments and also to encourage the working of employees in different departments. Both may provide for a smoother process of alignment and an appropriate usage of IT. Critical success factors for the alignment of business and IT are exemplarily given in Teo and Ang (1999), e.g. top managements' commitment to the strategic role of IT and the business knowledge of the IT department. Therefore IT-Management indeed is more than technology and both worlds, IT and business, have to take steps in order to work together.

Henderson, J.C. and Venkatraman, N.

“Strategic alignment: Leveraging information technology for transforming organizations”, IBM Systems Journal, 32(1), 1993, pp 3–16.

Teo, T.S.H. and Ang, J.S.K.

“Critical success factors in the alignment of IS plans with business plans”, International Journal of Information Management (19:2) 1999, pp 173–185.