

Special Issue Contribution

IS Strategy and Implementation: A Case Study of a Building Society

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Abstract

This short paper concerns the strategy, development and implementation of computer-based information systems in a medium-sized U.K. building society during the period 1981 to 1987. The Society experienced a dramatic improvement in its financial performance during the period under the leadership of its Chief Executive, with IS being central to the changes which took place. An outline case history is presented here, followed by some formal analysis of the case in terms of social context and process. Some conclusions are drawn on whether users 'got what they wanted' in this case, and on whether this is an appropriate focus for the development of information systems in organizations.

A much fuller description and analysis of this case, including a later two-year period under a new Chief Executive, is given in the book referenced at the end of this paper.

Outline Case History

In the context of the financial services sector, Sky Building Society in the 1980s could be considered to be of medium size, with assets in the middle of the decade of something over one billion pounds sterling, over 250 branches and agencies, and over 400 employees. It had its head office in London and an administrative centre outside London. A new Chief Executive, who will be called Brown, was appointed in August 1981. Brown's previous job was the general manager in charge of marketing in one of the top five building societies. Prior to his appointment, Sky Building Society had stagnated for some time and its operations were considered to be very costly. Brown himself said that the Society was 'high cost, low growth—essentially in a defensive and sinking position.'

In September 1981, very soon after his appointment, Brown made some major changes in the senior management structure. The new structure was characterised by a relatively 'thin' senior business management team with a wide span of control, and involved loosely defined job descriptions, flexible reporting arrangements, and informal communication channels. A notable aspect of

Brown's personal style was a rather autocratic approach to decision-making at the senior level. In addition, he became personally involved in decision making at all levels. He expressed his goals for the Society in terms of a 'focus on profitability' and a 'customer-orientation.'

Brown was very knowledgeable about IT from experience in previous jobs, and he estimated that he spent up to 25% of his time on issues related to computerisation and management information. He was again involved at all levels, even to the extent of taking a direct interest in screen design. Major new information systems were implemented during the time of his leadership. The first of these involved the decentralisation of investment account processing from the mainframe system at the administrative centre to branch front counters in 1983. This was followed by a similar decentralisation of mortgage applications processing in 1985. These two systems enabled improved customer service in terms of up-to-date account information and a much quicker turnaround for mortgage applications. Further benefits included the availability to management of an instant profile of the Society's lending on a branch and regional basis. A further major change took place in 1985-86 when the Society extended its retail banking services by offering cheque accounts and introducing ATMs.

Attempts to merge with a larger building society in 1986 fell through, and Brown resigned in early 1987 to become the managing director of a major U.K. financial institution. During the period of Brown's leadership, the Society had been completely transformed. Its assets had multiplied by about four times, operating costs had gone down from over 1.7% to 1.0% of mean total assets, advances on mortgages had multiplied by about eight times, and the total number of employees had only increased by about 50 people. Sky had become one of the fastest growing and most profitable of all the 150 or so U.K. building societies.

Social Context and Process

The historical context of Sky prior to the arrival of Brown in 1981 was characterised by poor financial performance, low growth, and no significant innovation. This stagnation had continued during a time of change and turbulence in the financial services sector as a whole, and it was recognised in

1981 that further major sectoral changes were about to occur. Thus Brown was in a good position to introduce change and he was well aware of this favourable context as the following quote from him illustrates:

'It's not easy to change working practices, but it can be done. You can usually do it when times are difficult. Sky had its problems in 80/81 ... That meant that people would respond to change because they knew it was needed and, therefore, you first have to have, I think, the right climate for change. This can be achieved by crisis; exploit a good crisis to get the changes that otherwise would take years ...'

The above passage could be taken to imply that Brown had a rather short-term view of the change process, but this is far from the case. Indeed, a key element is Brown's own history in the 1970s, where he was primarily concerned with customer needs and marketing, which helped to form his strategic vision for Sky in 1981. This vision was focused on a customer orientation which, if followed through to implementation, would provide high levels of both growth and profitability. A second key element of Brown's vision involved the use of decentralised computer-based IS to provide support for the staff at the branch offices to deliver better customer service, and in the process better information on performance for senior management monitoring and control purposes. The following quote from Brown illustrates key elements of his vision for IS in Sky and its link to customer service:

'So many management information systems I've seen have been corporately imposed downwards ... They are not there to help run the business; they are designed to provide more figures for a centralised management ... So the first thing we did ... was to bring computer service right up to the customer interface for investors and subsequently in 1985 for mortgage lenders too ... But you also of course get the spin-off of management information which comes from being able to capture information economically, in quantity, precisely, with an identified individual who did it ... Secondly, in the mortgage area, people want to leave an office with a mortgage offer. If you say "Well, we'll have to send that off" to our processing office, or to head office, or whatever, you are offering inferior service.'

Cultural perspective on change 1981–1987

Brown's vision for change captured above and the supportive climate for change in Sky in 1981 can be regarded as favourable starting points. Nevertheless, the change process over the period 1981 to 1987 under Brown's leadership cannot be simply explained in terms of initial conditions. In this sub-section, change over the 6-year period is analysed from a cultural perspective. Brown was the key actor attempting to manage change during this time, and his relationship with particular sub-cultures and the approaches he used to influence and manage cultural change are now discussed.

With respect to the senior management group in Sky, Brown started the change process in a rather dramatic fashion by creating a new slimmed-down team with a wide span of control. Subsequent to this, Brown established and maintained a dominance over this group and an autocratic style of decision making. This is illustrated by the following quote from a key member of the group:

'In Management Committee meetings, Brown tended mostly to state the things he had decided on. He would say "I have decided on this and that and the other" ... We tended perhaps not to go deeply into things as we ought to have done or we tended not to argue about them because really we thought there was very little to be gained by it. He was working in a very autocratic way.'

A second important sub-culture in Sky were the IS developers, and Brown influenced their work and attitudes by being very directly involved himself in the details of IS strategy, design and development. One of the senior managers commented as follows:

'Brown would call the DP Department or come down here and meet them informally for lunch and tell them exactly what he wanted. He would then ask them to come up with a proposal. They would often say that it was not possible and he would then tell them what he wanted again until they said it was possible. He was perhaps in a good position in that he knew what computers could do and therefore would not take no for an answer.'

This approach to creating and changing systems lacked a standard approach, according to a number of the IS analysts, and resulted in rather ad-hoc systems development. In addition, the pressure from Brown for rapid change meant that staff had often to work very hard in meeting deadlines, including weekend work. The fact that staff in gen-

eral were willing to do this was undoubtedly related to Brown's symbolic commitment to the importance of their work, expressed by his direct involvement in all their activities.

A third broad sub-culture in Sky were the management and staff of the 250 or so branches dealing directly with customers. Brown's strategic thrust towards a customer orientation was reflected directly in his approach to IS support for branch staff to provide better customer service. It is interesting to note his view on how to manage the process of delivery of systems which could provide appropriate support to branch staff:

'So what I did in Sky ... was to introduce a half-baked system which was then modified by a lot of feedback (from branch staff)— trying it on and polishing it until it fits the business ... The important thing is that you keep on evolving the system, and that enables you to keep it relevant. So at no point are people going to say "this system is never going to work ... let's ditch it" ... That sort of responsiveness is very important, otherwise I think there is a view that "this system is being imposed on us." You must overcome that negative attitude developing.'

Brown's attitude to the work of the branch staff, as with the IS staff, represented a commitment to their importance. This commitment was symbolised, and the process of cultural change was mediated, through a major and costly training programme. Brown described the rationale for this as follows:

'So staff training is important, communication, you do need to spend more ... on continual training, monitoring. So that you go through a period when you have a peak in costs, when you have costs associated with introducing a new system, and costs still associated with running and then running down the old system. This is always the time when confidence is lowest ... That's the time when you have to be fairly tough and stick with it until it works. Then you come out into the Promised Land in that respect.'

Political perspective on change 1981–1987

The dominance of Brown over the other members of the senior management group was a conscious political act on his part, at least if we accept the testimony of his own statements after the event. Brown commented on ways to limit the power of other senior staff by talking directly to staff at lower levels:

'You can play the medieval game, you know, king will talk to the public and cut out the barons',

and by limiting the use of committees:

'Committees are useful, like Royal Commissions, for killing things. I actually wanted the process of computerisation to happen, positively, and so it was necessary to take a leading (role) ... I don't think committees do anything more, really, than reflect the existing vested interests, nicely balanced, different veto groups, all chaired together to make sure nothing happens that upsets the existing balance of power.'

No significant overt resistance by other senior managers to Brown's approach appears to have manifested itself. Nevertheless, the personal motivations of Brown himself were assessed by others, as shown by this quote from a member of the senior management group:

'He (Brown) wanted to demonstrate to the outside world, as well as to the Directors, that he could turn the Society round and make it much more profitable, reduce staff, reduce costs, become more efficient generally ... obviously with the ultimate view of being taken on by somebody else to do the same thing in a bigger organization.'

Support for this view is provided by the fact that this is what actually happened. In addition, merger talks between Sky and a larger building society took place in 1986 and their failure is thought by many to have been a key reason for Brown's resignation in 1987. The desire to run a bigger organization may, of course, be interpreted as the reasonable goal of an ambitious man. A rather less generous interpretation, put forward by some staff, was that Brown only took actions which were likely to produce improved financial results in the relatively short term, which were not necessarily best for Sky in the longer term. An example given was the piecemeal and ad-hoc development of computer systems.

A political perspective on the attitudes and actions of the IS analysts and managers, and the reasons for their general acceptance of Brown's approach, was commented on by Brown as follows:

'They (the computing people) saw it as a way of bringing computerisation right into the front end. There wasn't much opposition at all from the established computer centre because they saw their role within the company enhanced; the computer manager previously had a rather low status, that

was enhanced by bringing computerisation right up.'

A price which was paid for their increased status was a reduction of autonomy under Brown's strong control. A major shift in the autonomy/control balance also took place with respect to the work of the branch staff. On the one hand, much more responsibility and autonomy in their work was enabled by the new technology and systems, particularly with respect to providing direct customer service themselves with less reference to central control. On the other hand, Brown had a personal computer connected to the Society's mainframe database, which he used to access local branch management information. Thus the performance of branches was monitored directly by Brown much more closely than had been the case previously, and this can be seen as tightening his personal control of the work at the branches.

Conclusions— Did Users Get What They Wanted?

Brown's strategic vision for change for Sky, and his related views on information systems strategy, were essentially his own, and involved a clear business focus on better customer service via decentralised information systems in the hands of branch staff. If we take a narrow definition of users in this case to mean the branch staff, they were not involved at all in the development of strategic direction, and neither were any other members of the organization to any significant extent. The question of what most organization members 'wanted' in 1981 at the time of Brown's appointment is probably best answered as 'a successful organization', but they had no clear ideas as to what computer systems could deliver this need. A standard 'requirements analysis' exercise at that time would not have produced a specification for the innovative systems pioneered by Brown.

Although Brown's approach to strategy was autocratic, it is interesting to note his learning approach to design and development. He talked of his inability to know exactly what was needed at the 'sharp end of the business', and thus the right approach being to develop 'half-baked' systems which were consistently improved with use until they 'fitted the business.' In other words, Brown was a proponent of participation in design and development of the computer systems themselves, rather than participation in the development of strategic vision of how to locate Sky within its

broader context and the contribution of computer systems with respect to this vision. He ensured that users 'got what they wanted' in terms of friendly and efficient systems but, as we have seen, users were not involved in the strategic choice process.

This case study could be taken to imply that the strategic development and implementation of computer systems requires an autocratic leader such as Brown. This is not an intended conclusion, and each individual case needs to be considered on its own terms and with respect to its own conditions. However, with respect to this case study, there is no doubt that Brown was successful in many respects, and provided the leadership needed to lift Sky from its depressed position in 1981. This could not have been achieved without a new vision for the utilisation of computer systems, and much of the IS literature is silent on the creative processes which underpin the generation of such vision.

Finally, with respect to the overall question of the seminar, it seems to this author that the focus on 'users' is too narrow. A better question would address whether 'stakeholder groups' get what they want from computer systems. In the case of Sky, relevant groups included Brown, the other members of the senior management team, branch staff, the computing professionals, and Sky's customers. An analysis which focused narrowly on the branch staff users would have missed many of the important processes in this case. A further comment on the seminar question is that it is helpful to distinguish between 'wants' in the areas of the strategy for IS development, related to the need for systems to contribute to a successful organization as a whole, and those which relate to the need for friendly and efficient systems for users. The latter characteristics are clearly desirable, but are not sufficient conditions for the development of systems of high value to an organization.

References

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