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REINFORCING BOUNDARIES AND UNDERMINING INSTITUTIONS: INFORMATION SYSTEMS AND STRATEGIC CHANGE IN THE IRISH CREDIT UNION MOVEMENT

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Extended Abstract

Modern information and communication technologies (ICTs) have been heralded as a key enabler of more integrated, flexible, network forms of organizing, thereby promoting the “free and unfettered exchange of information across boundaries” and inspiring “the transformation of all types of institutions” (Conference Theme, ICIS 2004). In this paper, we critically examine such claims and suggest that optimistic proclamations about the transformative potential of ICTs need to be approached with great caution. By drawing on evidence from an in-depth, longitudinal, interpretive study of the strategic use of IT within the Irish credit union movement, we point to the dangers of popular assumptions about the promise of ICT-enabled strategic change and the ease with which it may be achieved. While various economic and technological factors had contributed to the emergence of an impetus for organizational reform and modernization in some quarters within the movement, the realization of such changes was complicated by historically constituted contradictions and ideological differences. IT, however, appeared to offer a relatively painless solution to such problems by promising the prospect of significant organizational change without substantial institutional reform. Here, we argue that the allure of unproblematic and flexible IT-enabled organizational integration encouraged credit unions to embark on a disastrous implementation effort while conveniently ignoring fundamental contradictions within the movement. Interestingly, while the implementation attempt was unanimously regarded as a costly failure, the process associated with its development and demise brought the contentious issue of reform to a head. The result seems likely to be a significant transformation in the organization of the movement. Paradoxically, the failure of the strategic implementation effort triggered this transformation by accident rather than by design.

Keywords: ICT, strategic change, archetype theory, credit unions, interpretive study

Introduction

One of the most significant impacts of information systems has been their effect on promoting free and unfettered exchange of information across boundaries—organizational, national, and global—which has inspired the transformation of all types of institutions. As the world becomes “smaller,” it is information systems that are enabling individuals belonging to all types of social systems a voice to express themselves, to shape future events, and to transcend boundaries…. serving as the conduit and repository for information and knowledge, which in turns fosters dialog, debate, and change in organizations, governments, and societies. (from Conference Theme, ICIS 2004 http://www.terry.uga.edu/conferences/ICIS2004/)
The idea that technology has the capacity to instigate significant organizational change surfaces with almost every new technological development. Much of the IS literature that heralds a new technology can be “almost missionary in its zeal” (Galliers and Swan 1999) to promote a technology’s capabilities to transform. Some commentators have even gone so far as to suggest that technology can offer the solution to any organizational problem and that it is simply a matter of finding and implementing the right technology (Farrell et al. 2003). Much of this speculation has specifically centered around the potential of new information and communication technologies (ICTs) to facilitate novel and more flexible ways of organizing business activities (Byrne 1993; Davidow and Malone 1992). It has been suggested that geographically distributed corporations can employ such technologies to achieve much higher levels of global integration (with associated economies of scale) while retaining significant local autonomy and flexibility (Lipnack and Stamps 1996, 1997). This is an alluring vision of organizational transformation because it posits ICT-enabled strategic change as a relatively straightforward process and suggests that organizations can reap the benefits of integration without surrendering flexibility. Unfortunately, however, much of this discussion has tended to take the form of theoretical speculation, with very few reports of in-depth empirical studies that can be drawn upon to substantiate such claims. Moreover, the theoretical discussion couches these problems predominantly in technical terms, with little emphasis on attendant social, political, and historical issues (Knights and Murray 1994; Knights and Willmott 1999), while IS practitioners continue to ignore the complex processes by which people and technology interact (Averou 2001). An examination of empirical evidence would appear to be highly pertinent, then, given the many examples in the IS literature of failed implementation attempts (Lyytinen and Robey 1999) and seemingly contradictory outcomes of innovation attempts (Markus and Robey 1988; Robey and Boude 1999).

This paper presents a detailed account, drawn from an in-depth, longitudinal study, of an unsuccessful attempt by the Irish League of Credit Unions (ILCU) to deploy IS as a strategic response to the perceived need to modernize the movement. The ILCUTECH Standard Information System (ISIS) project was intended to provide a centralized, standard, banking system that would enable all credit unions to offer an expanded range of financial services to their members. ISIS never progressed beyond pilot testing and was abandoned in 2001 following severe budget and schedule overruns. As a result of the project’s dramatic collapse, a split has developed in the ILCU; several of the larger credit unions have left the organization and have set up an alternative umbrella group. We argue that one of the key problems for the movement was that their enthusiasm for facilitating organizational transformation through the strategic deployment of IS led them to neglect more deep-seated issues that were previously largely ignored or unarticulated. These issues went right to the core of the values of the movement’s institutional heritage. Thus, what was initially seen as largely a technical problem turned out to be much more fundamental and deeply rooted.

The paper begins with a brief description of the research design. The case description begins with a brief historical overview of the Irish credit union movement that emphasizes the organization’s institutional heritage of voluntary work and mutual self-help. The second part describes the historical role of IS within the organization, culminating in an account of the failed ISIS project and the political fallout since the project’s demise. In the analysis, we use the concept of organizational archetypes (Cooper et al. 1996; Greenwood and Hinings 1988, 1993) to illustrate how the failed implementation crystallized pre-existing divisions within the credit union movement that had previously lain dormant. This unintended consequence suggests that the failed project facilitated organizational transformation within the movement, but that, paradoxically, the changes were achieved by accident rather than design. We conclude by emphasizing that the strategic deployment of IS as a silver bullet to create new organizational forms should not be seen as a simple technical procedure, but one that also involves key social, organizational, and political issues.

Conclusions and Implications

Although this study is not an exhaustive account of the use of technology in the Irish credit union movement, it does raise some interesting points. The first is that the credit unions had a relatively early enthusiasm for the perceived benefits of technology. As an organization, they believed that they would have to embrace technology in order to sustain the movement’s success. Thus, technology was viewed as providing a relatively straightforward solution to their fractured organizational structure, yet they failed to realize that the preexisting proliferation of IS within the movement had exacerbated many of their organizational problems in the first place.

The ILCU’s experience with the ISIS project also raises questions about the perceived role of IS as a driver of strategic change and organizational transformation. The history of the failed project illustrates that using technology to steer an organization’s strategic direction is fraught with difficulties; ISIS was a setback in the process of creating a technologically oriented future and, after three years of emotionally charged debate, the credit unions have not yet agreed on how to proceed post-ISIS. They assumed that merely implementing IS would create the needed organizational change, but failed to realize that introducing technology is part of a learning process whereby change is gradual and negotiated. Furthermore, although ISIS was an expensive failure for the movement, the need for both organizational reform and a strategic response to changed market conditions still exists.
We are suggesting, then, that the credit unions were fooled by the false promise of a quick technical fix to resolve deeply entrenched organizational problems. They failed to realize that the creation of new organizational forms is not purely a technical matter, but that there are also significant organizational issues to consider. Having failed to confront their complex and contradictory organizational structures, they were undone by that very complexity. The case illustrates the allure, yet the inherent lack of sophistication, of popular discourses about the relationship between IS and organizational transformation that frame the problem largely in technical terms, thus overlooking the historical, social, and political issues existent in an institution.

In particular, one reading of the case might suggest that a move to more integrated, networked forms of organizing may prove very difficult in contexts where authority is widely dispersed. One of the key problems in the ISIS project was the absence of a strong centralized authority structure to push the initiative through. This is one of the paradoxes of the case because it suggests that the facilitation of such decentralized, flexible network forms can depend on the existence of strong centralized authority structures that can agree and enforce necessary changes such as standardization of work practices or agreements between third-party suppliers. In turn, the successful implementation of such new practices may depend on agreement regarding an organization’s core values and direction (for example, whether to remain community-focused or become customer-focused). Interestingly, recent reforms in ILCU appear to be designed to facilitate stronger centralized management of the movement.

A further paradox implicit in this case is that rather than the IS being the facilitator of organizational transformation in a direct fashion, the process was much more indirect although the change no less significant. Here it was the spectacular nature of the failure of the system that crystallized the important tensions between two world-views that had coexisted within the movement for some time. This acted as an unintentional trigger that provoked very direct action which seems likely to fundamentally transform the movement. In the wake of the failure of ISIS, several of the key credit unions have left the ILCU to set up alliances of their own. This final, unexpected outcome underlines the complexity of the relationship between IS and organizational change.

In conclusion, the outcomes of the ICT-enabled strategic change attempt would suggest that optimistic and alluring claims about the potential of such technologies to transcend boundaries and transform institutions need to be treated with great caution. The ISIS case clearly illustrates the social and organizational complexity of such strategic change processes, and the central importance of sensitivity to the unique institutional heritage in any given context.

References


