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Linking eCommerce and Human Resource Strategies: A Case Study in a Large Australian Retail Bank

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Abstract

The implementation of eCommerce technologies has considerably changed how employees in the banking industry interact with customers. For example, some customers use electronic banking applications to such an extent that they find little or no need to go into a branch. This change has had a significant impact on the way that jobs are designed and the way that employees are being managed. The preliminary findings from the case study of a large bank in Australia indicate that moving customers out of the branch to an online environment has created unforeseen issues for the way employees interact with customers and this in turn has changed the way that they do their jobs. The key challenge for banks in the future is how to form effective relationships with customers without some kind of face-to-face interaction. This impacts how organisations recruit and retain their staff as well as the level and type of skills required for jobs redesigned after the implementation of eCommerce applications. It is also an important factor in employee satisfaction

1. Introduction

Online banking is rapidly becoming the norm, which means that banking organisations will need to adapt to the new environment and find ways to offer value-added services to their customers (Saatcioglu et al 2001). Porter (2001) asserts that deploying internet technologies is critical for an organisation to stay viable and to gain competitive advantage. In order to achieve competitive advantage, however, organisations need to be able to satisfy their stakeholders – a group which could include shareholders, customers, employees or even the community (De Cieri and Kramar, 2003:4). In this paper we concentrate on the employees as stakeholders and examine the implications of human resource management (HRM) strategies (including job design, training and development, and career management) which companies use when implementing eCommerce applications. We report findings from a case study of a major Australian bank. This is an important area of research as it is becoming clear that for companies to compete effectively they need to be able to utilise their employees' abilities and skills effectively as well as leveraging the new technology (De Cieri and Kramar, 2003:30). The HRM literature links effective human resource strategies not only to corporate performance but also to outcomes such as employee satisfaction (see for example Oakland and Oakland,

2001; Eskildsen, and Nussler, 2000, De Cieri and Kramar, 2003; Gardner and Palmer, 1997). The way banks manage their human resources will become even more important as eCommerce technologies become more prevalent and customers become more adept at using them. Our research focuses on the banking industry, yet the issues discussed will have far-reaching relevance – not only for banks, but also for all service industries.

In this paper we initially consider the implementation of eCommerce technologies in retail banks and discuss the reasons why the move to electronic and on-line banking will have an increasingly important impact. We then reflect on customers' growing sophistication and demands and the implications this has for the way in which employees interact with customers. A brief discussion of the human resource function and rapid evolution is followed by an overview of the research methodology and the conceptual underpinnings of our case study. The bulk of the paper concentrates on the preliminary findings and conclusions of a major case study from this research project. We conclude by showing that the implementation of eCommerce technologies and the associated HRM strategies need careful consideration for an organisation to be successful in this increasingly globalised and competitive environment. This is particularly relevant for the banking industry in Australia, as financial products and services are marketed on a global basis and competition increasingly comes from outside the traditional industry as well as outside the country (Harper, 2000).

2. eCommerce Implementation in Retail Banks

The banking industry has typically utilised information technology to improve its competitive advantage with a key focus on cutting costs (Aungles, 1992; Game and Pringle, 1984; Child 1985). This cost-cutting approach is changing to some extent, as banks utilise technology and, in particular, eCommerce technology to restructure their business processes to retain their existing customers and attract new customers. Banking has been at the forefront of new computer technology use in almost all parts of the world, as it is an essentially information-based industry. IT has fundamentally changed the way that the financial markets operate and has forced providers of financial services to update their processes to meet the competition (Harper, 2000). It is important to note, however, that the implementation of IT often has unintended consequences, both positive and negative. For example, Hanseth, Ciborra and Braa (2001) found that the implementation of an ERP system produced unpredicted outcomes that management had difficulty resolving.

The internet gives banking organisations the further ability to utilise customer information in their eCommerce strategies – marrying Knowledge Management with Customer Relationship Management to improve service, lower service costs and provide greater service consistency (Dewan and Seidmann, 2001; Subramaniam, 2002). Saatcioglu *et al* (2001:33) for example, provide a model showing how a financial institution can use market research to focus on individual and small business needs, providing customers with an individual financial internet portal to enable access to proprietary products and services, as well as providing links to partners offering complementary financial services. 'Coopetition'¹ thus enables banks to use eCommerce technologies to gain competitive advantage and increase their customer base.

Porter (2001) argues that the internet can be used to create economic value only when the technology impels profitability by focusing on the two profitability drivers: industry

¹ The Condensed Net Glossary calls this 'a decidedly new-media business model in which two competitors agree to cooperate in one area, but remain competitive in others'.

structure and sustainable competitive advantage. Porter sees eCommerce as simply an 'enabling technology – a powerful set of tools that can be used, wisely or unwisely, in almost any industry as part of almost an strategy' (2001:62). Banks have embraced eCommerce as a way of achieving transaction cost savings in both customer-related and back-of-house operations. Awad (2000) offers a definition of eCommerce in banking, in which eCommerce consists of: 'procedures that support commercial activities electronically or via networking to apply to bank-to-bank, bank-to-customer or bank-to-vendor' (Awad, 2000:144). In this paper, our major focus is on the Business-to-Consumer (B2C) aspect of eCommerce (examples include such activities as transferring money between accounts, electronic bill payment and applications for personal loans) with some consideration of Business-to-Business (B2B) applications (such as multiple signatories, electronic payroll transfers and the downloading of transactions from the internet into accounting packages such as MYOB) (Blount *et al*, 2002a).

3. Evolving Forms of Customer Interaction

Holland and Westwood (2001) believe that the type of bank which will survive in the future will either be a very large 'juggernaut' bank which can utilise its economy of scale to become even larger, or very small, niche-market banks. Medium-sized banks will be unable to compete effectively, as they will have neither the resources to develop customised internet capabilities which the large banks possess, nor the ability to offer the level of personal service provided by the smaller banks (Dewan and Siedmann, 2001).

The banking industry in general has been migrating customers to distribution channels other than the branch network – such as the internet throughout the 1990's. The main reasons for doing this were to reduce distribution costs. As customers moved to these new channels, however, banks have had to develop new ways of getting to know their customers, that is knowing who their customers are, what their profit distribution is and how they interact with the bank to be able to integrate their selling capabilities (Ballance and Keen, 1996; Jesse, 1997).

According to Holland and Westwood (2001:54), a combination of improved education and access to information means that customers, particularly high net-worth individuals, tend to follow the market and pursue the best deals when it comes to financial matters. eCommerce technologies have given customers the ability to more easily obtain free or inexpensive information from the web resulting in increased customer sophistication. Porter (2001) considers that customer power will increase as they become more familiar with the technology as they will appreciate that switching costs are low and they will be less inclined to be loyal. Hughes *et al.* (1999) found, in a UK bank, that branch staff were not seeing very many of their customers as the trend to electronic means of banking increased. A very significant question raised here is how one sells products to a person you never see. That is, is it possible to have a relationship with a customer with whom one does not have a face-to-face relationship?

Wells and Wolfers (2000) argue that a key challenge for the banking industry is how to offer the service provided by the face-to-face relationship which customers formerly had with their bank manager. For example, the manager customarily was an important person in the local community and knew his/her customers as a result of long-term relationships. This model still exists for commercial and high net-worth individuals. The challenge is to reintroduce it with personal and small business customers (Wells and Wolfers, 2000:31).

Harper (2000) believes that most of the regulatory framework in Australia is designed to assist financial institutions to meet global competition, with the exception of the "four pillars" policy, which bans the four major banks in Australia from merging – and which

may result in the banks finding other, less publicly approved ways to deal with this increased competition, such as the closing of branches or the raising of fees.

According to Hand (2001:228) the changes to the banking industry, including the changing relationship between customers and banks, has caused difficulties for those customers who are unable to maintain the minimum account balances that confer privileges, do not qualify for private banking, do not have access to the internet, and have to queue in branches. These are the customers who are least able to pay. Sherry (2002) takes a rather different view, however, claiming that customers are unquestionably better off than they were thirty years ago. Sherry argues that in the 'olden days' customers had to wait for the bank to open between 10am and 3pm on weekdays to transact any type of banking business and were at the mercy of their bank manager if they wanted a loan. Today, a customer can do his/her banking 24 hours a day/7 days a week (24/7) electronically, have someone from the bank come to them, and do their transactions almost anywhere.

4. The Strategic Importance of Human Resource Management

De Cieri and Kramar (2003:49) define strategic human resource management as 'the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals'. The two components of this approach are strategy formulation and strategy implementation. For an organisation to have a successful business strategy, it is argued that the HR function must be a key component. Although the definition of HRM is somewhat problematic, it offers a better way to 'understand and manage employees, in the context of radical global and technological change' (Gardner and Palmer, 1997:590). HRM can be used to 'address the management issues and policies concerned with the attraction, development, use, payment and discipline of labour' (Gardner and Palmer, 1997:6). In this paper we consider HRM to be the strategic management of the workforce to facilitate overall business strategy. This includes adjusting HR levers such as job design, training and development, and career structure to link the HR and business strategies.

There has been some discussion in the literature about the shift from 'personnel management' to HRM, a matter of considerable debate (see James *et al.*, 2002:215). However, over the last 10 to 20 years this area of corporate practice has moved from a primarily administrative to a more proactive and strategic role (De Cieri and Kramar, 2003; Gardner and Palmer, 1997). The literature in this area suggests quite strongly that effective HRM management is not just the responsibility of the HR department but also of managers throughout the organisation (for example see Gardner and Palmer, 1997; De Cieri and Kramar, 2003) and a greater strategic emphasis on how human resources are managed.

The implementation of information technology has been shown to change the way that jobs are designed. It has implications for basic skill requirements and work roles (De Cieri and Kramar, 2003:31). For example, Scott and Walsham (1998) found that the implementation of a new loan system produced both positive and negative aspects. The employees found that the new system gave them access to centralised data, created an organisational memory, an extended aide memoir function, what-if analysis and electronic transmission of applications. However, the loss of autonomy, longer working hours and the loss of flexibility were the downside. Another example is the rise of call centres over the last few years which has led to high levels of employee turnover due to the way jobs are designed and managed. These types of jobs are characterised by repetitive work, constant telephone contact with customers and unremitting performance

monitoring by supervisors (De Cieri and Kramar, 2003:31). Hughes *et al.* (1999) found that the implementation of technology to centralise functions also had the effect of redesigning jobs, as bank staff were no longer able to rely on their local knowledge about their customers. That is, the relevant local knowledge was ‘captured in the machine’.

Recruitment, that is identifying and attracting potential employees (De Cieri and Kramar, 2003:184; Gardner and Palmer, 1997:272), is particularly important as the way in which an organisation goes about this task will affect the type of people it attracts to the organisation. HR policies such as whether to recruit internally or externally, whether to pay higher than the market and the most appropriate way to advertise (e.g. newspaper, electronically) all contribute to attracting potential skilled employees (De Cieri and Kramar, 2003).

Job satisfaction has been found to be an important factor in retaining staff (those whom the organisation wants to keep). Retention rates of employees have been found to be related to the retention rates of customers and investors (De Cieri and Kramar, 2003:528). The reason why retention of employees is becoming more important is that employee turnover is costly and is on the rise (De Cieri and Kramar, 2003:541). Job dissatisfaction is associated with job design, that is, there is a relationship between job complexity and job satisfaction. The tedium associated with repetitive, poorly-skilled jobs leads to frustration and boredom (De Cieri and Kramar, 2003:543). The redesign of jobs has also been found to change the way training is undertaken. For example, Grimshaw *et al.* (2002:102) found in a case study undertaken in a large UK bank, that as jobs were redesigned giving priority to customer service skills over banking skills, formalised training replaced informal on the job training. This more formalised training was then linked to small incremental progressions through the pay scales in the bank.

The banking industry will be unable to take full advantage of its eCommerce capabilities unless it can link its strategic HRM to the overall business strategy. This paper examines how one bank has amended its HRM in response to eCommerce developments in consumer banking and discusses the effectiveness of this approach. The overall research project of which this paper presents a part, investigates the way in which Australian retail banks are managing their employee relationships in an eCommerce-oriented environment, while simultaneously strengthening their customer relationships to deal more effectively with their increasingly sophisticated customers who are using the eCommerce service delivery channels.

5. Research Method

We have chosen a multiple case study approach (Yin, 1994) to enable comparison and contrast between banks with different market positions and different business strategies. The first case study (reported in Blount *et al.*, 2002a) deals with a small bank, the ‘Australian Union Bank’ operating across several Australian states. The second case study, the subject of this paper, examines one of Australia’s four major banks, the ‘Lawson Central Bank’, to obtain the perspective of a bank having a different configuration of business activities. Australian Union is strongly focused on the retail sector, is growing strongly and opening branches. It has a good public profile while moving down the eCommerce path. Lawson Central, by contrast, is of interest because of its focus on the corporate market-place (while still having a significant retail operation). It deals with a range of competitive pressures, including the public criticism directed at the large banking sector in Australia. It has been an innovator for both the development of the eCommerce capabilities offered to customers and the use of strategic human resource strategies to develop their employees.

The case study data for both banks include interviews, as well as documentation such as strategies, policies, and practices adopted when introducing eCommerce in these organisations. Semi-structured field interviews have been chosen to obtain the descriptive data required. Interview participants were selected at a number of levels of the organisational hierarchy, including senior managers, middle managers and employees, with the aim of including the different experiences and perspectives at varying organisational levels and across a variety of functional areas. All interviews were conducted onsite as close as possible to the respondents' place of work. This allowed the researcher to obtain data in context by providing additional background data such as the physical work environment as well as being able to take note of work processes and interaction between work team members and managers. It also allowed the researcher to collect additional relevant documentation during interviews.

In this paper we report some preliminary data from the Lawson Central case study which consisted of eight interviews with ten participants. In the first case study we did two rounds of interviews a year apart. The first round of interviews was designed to be exploratory and in this phase we identified the specific issues that warranted further investigation. The second case study and the second round of interviews in the first case study followed up more explicit questions.

The underlying theories used to interpret the data include Child (1985), Zuboff (1988) and the post-fordist theorists (for a full discussion see Blount *et.al.* 2000b). The data are being analysed using Kvale's meaning condensation approach (Kvale, 1996:197-196) that is, looking for natural meaning in the interview data and then teasing out and explaining the main themes. This allows the researcher to keep an open mind by exploring the experiences of employees in depth to obtain a sense of how these issues are being dealt with in practice in these organisations. That is, these are multi-perspective, inclusive, iterative case studies which seek responses to the research conclusions from a representative of both organisations. There is a dynamic between the case studies so that the analysis of one case study informs the other.

6. eCommerce and Strategic HRM at Lawson Central Bank: A Case Study

Background

Lawson Central is one of Australia's four major banks. It has over 20,000 employees and over fifty percent of operations in Australia, New Zealand and the Pacific. The bank operates through over 1200 points of representation, including branches, as well as agents attached to small businesses in regional and country areas in Australia. It maintains offices in major financial centres around the world. The bank currently has over seven million customers.

Throughout the majority of the 1990's, the bank was cutting costs by closing branches, reducing staff and migrating customers to communication and distribution channels other than the branch. The implementation of eCommerce technologies was a key plank in that strategy. Three years ago, the focus in the bank's branches was on keeping the queue moving, serving customers quickly, and moving onto the next one. The branch design encouraged a physical separation between customers and employees. The focus was on providing a service but not necessarily on selling the bank's products and services. There was a clear strategy to migrate customers to the new technologies, with the objective of cutting costs by utilising the technology and rationalising the high cost of the branch network and labour costs. This strategy was, on the whole, very successful and the bank

managed to migrate a significant proportion of their customer base to eCommerce distribution channels.

Lawson Central has undergone a major restructure over the past ten years. Much of the restructuring, in common with the three other major banks in Australia, involved closing branches (particularly in rural and suburban areas), with a consequent reduction of staff. The bank maintains that this side of the restructuring is now complete and that, at this point, no further reduction in points of representation are planned. Indeed, the bank claims that it is looking to open new branches in the future. One major effect of the restructure is that over 90 percent of transactions now take place outside the branch – through ATM's, EFTPOS, direct entry, telephone and internet banking.

Despite the apparent success of the strategy to migrate customers to less costly service delivery channels, the bank has found that it needed to rethink its approach in recent years. Customers migrated so well that they were no longer coming into the branch at all. Those customers who did come into the branch were, on balance, the least profitable groups – regulars such as small business people who needed to withdraw cash and to do their banking, welfare recipients, immigrants with little English, or the elderly who found it difficult to come to terms with the new technology. There is only so much cross-selling available for customers with limited means and branch staff no longer see the vast majority of their customers to be able to cross-sell products and services (see also Hughes *et al.*, 1999). The bank is now seeking ways to form an effective relationship with customers in the absence of face-to-face contact. This issue is still unresolved and is the key challenge for the future.

The bank is attempting to address this issue by changing the way employees interact with customers. This entails several initiatives including changing the branch design, changing employees' job design and implementing a training program to facilitate these changes and altering the principles of career progression. The bank is also spending considerable resources to support these initiatives with updated HRM policies.

Branch Design

The majority of branches have been refurbished and now have an open-plan design. Employees are available to meet and greet the customers when they walk into the branch and to direct them to the appropriate area. The branch is also divided into two parts: one for the customers who need to do basic transactions (such as cash in and out); and the other for customers who need assistance with rather more complex transactions, such as opening a new account. This change in branch design, in turn, is changing the way in which employees interact with customers; and has changed the way they do their jobs.

Lawson Central wants customers see its branches in the regional areas outside the capital cities as being more customer-friendly, or even more customer-focused. The 'new' branch design is very similar to that used by the smaller banks to promote a more personalised customer experience in the branch environment. The bank hopes that this redesign, together with other changes currently underway, will bring customers back into the branches so that there can be more face-to-face interaction – which will give employees the ability to cross-sell other financial products; and to build up the sort of long-term relationships upon which profitable customer associations are built.

Essentially, the bank is looking at a variety of ways to entice customers back into the branches. One recent example was a week-long 'sale', designed to coax customers to at least come in to the branch, so that they could find out about the offer and admire the new branch design with its customer-friendly features.

If customers have become disenchanted with the bank branch and are satisfied to use the electronic distribution channels for as much of their banking as possible, what incentive can there be for them to spend time going back into a branch? How can customers be confident that the bank will not change its strategy once again and make the branches less important? These are challenges that the bank will have to overcome over the next few years.

While branch design is not explicitly linked to HR strategy, it nevertheless may have implications for the way employees conduct their work, the way they interact with customers, the way their performance is assessed and their sense of well-being or levels of stress.

Job Design

Lawson Central now has two categories of branch employee dealing with customers on a day-to-day basis. Staff are able to choose which level they would prefer, as the bank realises that some employees would rather take a service role, while others prefer a more interactive selling role with customers.

The branch employees in service roles deal with cash transactions and have a more traditional 'teller' role. The second group have come out from behind the glass partition and have a 'customer service' role, interacting much more directly with customers to assist them with more complex financial transactions. This moving of staff from back of house to front of house is designed so that employees can spend more time with customers to show them how they can access their banking services in a more appropriate way, and what new services exist to assist them with their financial needs. This has necessitated increased training and development for the employees to develop the skills they need to operate in this changed environment.

The migration of customers to eCommerce service delivery channels has freed up many employees from the need to deal with multiple small transactions and allows them to spend more time with customers assessing their needs. The opportunities to connect with customers in a more face-to-face way is one which must be seized by branch employees as adroitly as possible, as the following examples show:

- When a customer opens a new account, s/he can do the initial paperwork on the web. However, for the account to become active, the customer needs to be identified by a bank employee. A second level employee, if the customer has the time, sits down with that new customer, for up to an hour and a half, to assess all their banking needs and make sure the customer understands what products and services the bank has available. The face-to-face meeting must take place at this point as, once the account is open, the branch staff may not see that particular customer again for some time, if at all. The employee attempts to establish a relationship, so that the customer will come back and utilise the branch.
- Another opportunity arises when a customer walks into a branch with a complaint, such as having too many fees or a card which is not working. In that scenario, the employee tries to turn customers around by responding to their complaint and then taking the opportunity to review their account/s.

The driving force behind these changes is that Lawson Central wants the customers to see it as an organisation driven by customer service, where staff are interested in delivering personal service. The bank plans to reintroduce the role of branch manager, so that customers will feel they can get to know their local manager and, in turn, that their local manager will know them.

The bank is trying to change the customer's perception that Lawson Central is simply a part of a huge, faceless and uncaring corporation, existing only to take customers' money in the form of fees. The main objective is to meet more customer needs at their first point of contact with the bank and have less "hand-offs" (a key customer complaint). This requires the upskilling of staff with the ability to provide excellent customer service. The staff report that unless customers come into a branch and experience it for themselves, they will continue to see the bank in a negative light. The branch staff are very comfortable with these changes and feel that the new structure increases their job satisfaction. An employee who is satisfied with his or her work will, in turn, provide better customer service, further increasing their performance and commitment.

The teller role will not completely diminish, as there will always be small businesses needing cash. Over time, though, this first level role will slowly be phased out and the emphasis will be on more highly skilled jobs, and on employees who can interact with customers on complex financial transactions. This is consistent with changes towards greater employee involvement and autonomy theorised by Zuboff as an outcome of computerisation (Zuboff, 1988). On the other hand, there will be fewer less-skilled routine jobs – the traditional 'entry-level' positions of past decades – as these tasks are automated (see Child, 1985). The bank will need to find ways to manage this transition with its staff, for example, existing staff may either have to step up to that second level position or leave the organisation.

There are still challenges ahead for Lawson Central Bank if it is to support its branch staff to provide an excellent customer experience. For example, the current branch platform does not provide branch staff with internet or email access. There are plans to upgrade the technology platform, although no specific date for this to occur has yet been announced – 'sometime in 2003' appears likely.

Training and Development

With the introduction of the Financial Services Reform Act¹, employees who sell certain products have to be accredited. This means in practice that all the second level customer service staff will have to go through an extensive training program. This requirement is in addition to the significant amount of training which has already been needed to meet the requirements of the modified Privacy Act².

Considerably more emphasis has been placed on providing branch staff with training in customer service skills as, according to one comment: 'sales come off the back of good service'. A lot of training is now being done to ensure that employees have the confidence to talk to customers and to build the necessary long-term business relationships. This training in effect is increasing the

¹For a full discussion on this legislation see: <http://scaleplus.law.gov.au/html/ems/0/2001/rtf/0642469040.rtf>. The three key elements of the regime proposed in the FSR Bill include: product disclosure, licensing and conduct of financial services providers and licensing of financial markets and clearing and settlement facilities. The effective date was 11 March 2002. This legislation has changed significantly how employees can interact with customers which in turn has required a significant amount of training for employees in the Financial Services Industries.

² For a full discussion of the modified privacy legislation see: <http://scaleplus.law.gov.au/html/ems/0/2000/rtf/0642454531.rtf>. The National Privacy Principles in the Bill (the NPPs) set out minimum standards about how business and other private sector organisations should collect personal information, about the use and disclosure of personal information and about ensuring that the personal information they hold is accurate and secure. These Principles, like the Information Privacy Principles currently in the *Privacy Act 1988* (the Privacy Act) that apply to Commonwealth public sector agencies, reflect the Organisation for Economic Co-operation and Development (OECD) data protection principles.

skill base of the employees. The employees interviewed reported an increased level of job satisfaction as their skills improve (also reported separately by the branch manager).

The bank spends a considerable amount on training each year – both on in-house, bank-based training in such areas as customer service and product knowledge; and on more formal education such as degrees and MBAs which are additional costs. At this point, however, Lawson Central Bank does not uniformly link training back to performance. Its training and development activities do not appear to be well-integrated with the bank's business goals.

Financial institutions need to ensure that they deliver the required training to their employees in a timely and cost effective manner. A solution being implemented by some organisations is eLearning where staff can do the training from home or the office, can "self-pace" and where the organisation is able to have input into the content of the courses delivered (Ginovsky 2002). This is particularly relevant for this case study organisation as they move further into the customer service and cross-selling development of skills. These skills will need to be honed more finely as more customers take up the eCommerce service delivery channels.

Career Structure

A career structure with opportunities for advancement in the organisation is an asset in recruitment and an incentive to good performance. It was noted that ten years ago or more, it was rare to see someone in a senior position who had not started with the bank when they were a teenager and then worked their way into a general manager position. Lawson Central is now more strategic in its decisions about promotion and advancement. A career in a bank is no longer the 'job for life' of two decades ago (see also Game and Pringle, 1984; Scott and Walsham, 1998).

The bank promotes itself as an employer of choice. This includes strategies such as encouraging women back into part-time work after having families, clear diversity policies, and job-sharing. The bank uses HRM policies as levers to encourage the sorts of behaviours and outcomes it believes are required to satisfy customer expectations. The downside to this approach is that it necessitates a significant amount of management time and effort.

One of the major changes which new technology has brought to banks worldwide is the move from direct contact with branch staff, to Call Centres as the first point of contact. In Lawson Central, the Call Centres have a high staff turnover. The 1999 Australian Call Centre Industry Study found that the mean turnover rate of staff in Australian Call Centres was 15 percent, with some Call Centres reporting turnover rates of up to 75 percent (Call Centre Research, 1999). Australian banks have reacted to this – not by improving conditions within the Call Centres, but by taking the very 'traditional' CRM approach of scripting customer transactions to a very detailed level, so that the high rate of employee turnover does not impact on operations. This approach does very little for employees' job satisfaction levels, although it helps to ensure that customers receive a consistent experience. The more automated you make a job, the less employees are empowered and the more they become bored and stressed. An alternative 'communication centre' approach to call centre management, designed to empower both employees and customers, aggregates knowledge fragments of the different participants (for a discussion on this approach see Hampe and Schoenert, 2002). This has not been adopted in the bank.

The Lawson Central Bank reported that, until recently, employee retention was not necessarily seen as a problem, as the bank had been going through some significant rationalisation. Some respondents believed that there might be some potential difficulties

in the future with attracting and recruiting staff as they think there is some social stigma attached to those working for large banks. The bank, however, does not have any difficulty attracting and recruiting graduates.

A major project underway will review ways of implementing the 'people part' of delivering a better customer experience. This project is still in feasibility mode, but will take on more importance during 2003. There are initiatives to align the people management processes with the business strategy, indicating that the bank is beginning to realise that to make the most of its technology and eCommerce strategies, the human resources component is a crucial ingredient.

eCommerce into the Future

The Lawson Central Bank continues to put resources into the eCommerce service and communication delivery channels, although these are increasingly seen as being alternative ways in which customers may choose to interact with the bank, rather than as a replacement for branch banking. The bank, however, is continuing to develop more applications for the eCommerce platform and this development direction is not likely to diminish for two reasons: firstly, customers are now much more sophisticated and are demanding better products and services. secondly, it is, and will continue to be, much more cost-effective for customers to use electronic transactions to do their day-to-day banking. The Internet provides banks with vastly enhanced opportunities for one-to-one marketing and, when combined with distributed databases, data mining and knowledge management tools, enables banks to create truly effective customer relationship management systems (Preißner, 2001).

Despite these eCommerce-enabled advances in customer relations, however, the branch will also continue to evolve. It will increasingly become the place customers go to obtain investment advice, financial advice and assistance for big purchases such as a home mortgage – as well being the place where the local manager can be depended upon to help in unusual or difficult situations such as sudden large loans, or assistance with a deceased estate. This resurgence of the concept of the branch will, in turn, change the skills employees will need to perform their jobs. Large and sophisticated banks, such as Lawson Central, have come to realise that their human resources are just as important as their technology resources – and also require on-going upgrading and improvement.

7. Conclusions and Future Research

Holland and Westwood (2001) point out that there is significant competition both within the banking sector itself, and from the non-banking sector. This case study shows how awareness of the competition existing in the market-place can inform HRM practices. It appears that there is some back-tracking from the trend seen throughout the late 1990s, of migrating as many as possible of the bank's customers to electronic banking channels and applications. The bank is now trying to optimise the use of all customer channels, both electronic and physical, by making the branch more customer-friendly. This change in strategy has resulted in the redesign of jobs for the employees in the branches, as well as for employees in the head office specialist sections of the organisation. It has implications for the way employees are trained and developed as well as career structure. For Lawson Central, the employees in the branch report that they are experiencing greater job satisfaction due to the increased level of skills required to do their job. This satisfaction directly translates to the bank having a high performance culture where employees feel committed and loyal to their customers and to the organisation.

A question still to be answered is how a bank can develop a personal connection with those customers who don't walk into a branch. This increasingly important question has led to a renewed focus on the importance of the bank's human resources and on the need to provide effective, on-going training for employees at all levels. This partial return to a focus on the bank's physical attributes (both in terms of "human capital" as well as bricks and mortar), particularly in connection with the bank's use of the branch as an adjunct to online account creation, suggests that Lawson Central, at least, is beginning to see itself as a "click and mortar" operation.

This result is completely consistent with overseas data, suggesting that "pure-play", online-only banks are increasingly less attractive to customers than banks offering a mixture of online and offline services. A Jupiter Media Matrix report published in August 2001 noted that online financial services consumers in the US are moving to the Web sites of multichannel banks in increasing numbers (JMM, 2001). The report showed that multi-channel banking web sites showed a growth rate of 110.5% over the previous 12 months, compared with a decrease of 8.1% for online-only banks over the same period.

The need for effective HR strategies is becoming more important as organisations deal with increased competition, globalisation and ongoing technological change and, in particular, with the move to interacting with customers in an online environment. Other industries can learn from the banking industry's example.

While the present case study has provided us with a fascinating view of a large, national bank's reaction to the eCommerce challenge, more research will need to be undertaken in this area to confirm the present, preliminary findings. Comparisons with banks in other countries would also be useful to ascertain if the issues identified in this Australian example are more widely relevant.

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